

# Kovitz Dividend Income

Third Quarter 2019

## Investment Strategy

Kovitz Dividend Income is a fully invested, actively managed equity strategy that seeks capital appreciation over the long term. Portfolios primarily include dividend paying stocks and broad diversification is sought via exposure to a significant number of major market sectors and industry groups. The selection of dividend paying stocks is intended to reduce volatility in the portfolios. Portfolios are constructed initially with equally weighted dollar positions spread across at least 50 individual holdings.

## About the AFAM Division of Kovitz Investment Group

Tracing its roots back to 1977, the AFAM Division's investment team is based in Aliso Viejo, CA. The team exercises diligence and prudence in applying a value-based investment philosophy to help meet the investment goals and objectives of individuals, corporations and pension and profit sharing plans. The AFAM Division offers a value-oriented, proprietary mutual fund and individually managed client accounts. The team also serves as editor of *The Prudent Speculator* newsletter.

**Total Firm Assets as of September 30, 2019**

approximately \$4.8 billion

### Investment Style

All Cap Value

### Objective

Long-term capital growth

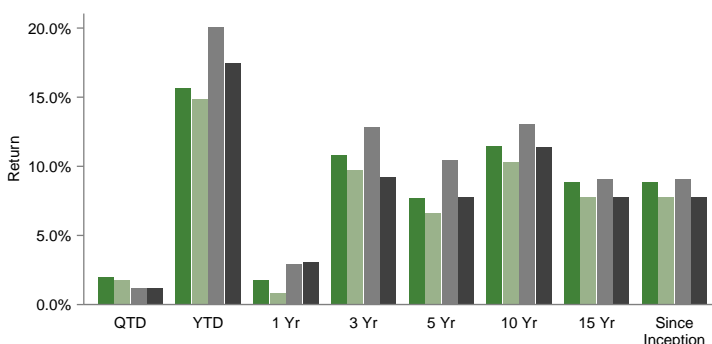
### Portfolio Inception

September 30, 2004

### Benchmark

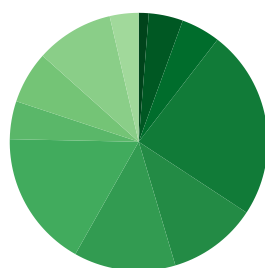
Russell 3000

## Kovitz Dividend Income Performance



	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	Since Inception
Gross of Fee	1.98	15.69	1.78	10.80	7.70	11.49	8.84	8.84
Net of Fee	1.73	14.85	0.79	9.75	6.64	10.30	7.79	7.79
Russell 3000	1.16	20.09	2.91	12.83	10.44	13.07	9.10	9.10
Russell 3000 Value	1.22	17.47	3.09	9.24	7.76	11.36	7.77	7.77

## Equity Sectors (GICS, excl. cash)

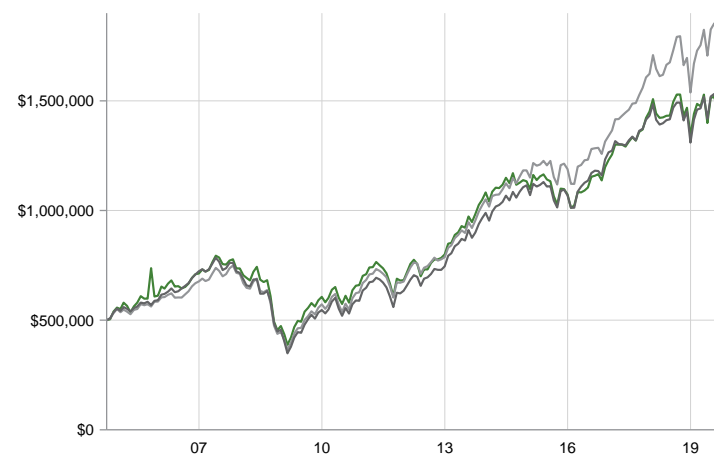


3.6%	Communication Services
9.8%	Consumer Discretionary
6.5%	Consumer Staples
4.8%	Energy
17.1%	Financials
12.8%	Health Care
11.2%	Industrials
23.8%	Information Technology
4.9%	Materials
4.3%	Real Estate
1.2%	Utilities

## Top 15 Holdings\*

Company Name	Weight
Apple Inc	2.83
Microsoft Corp	2.73
JPMorgan Chase & Co	2.19
Intel Corp	1.95
Jabil Inc	1.88
Amgen Inc	1.86
Johnson & Johnson	1.77
Corning Inc	1.68
Merck & Co Inc	1.61
Deere & Co	1.60
Walmart Inc	1.53
Eaton Corp PLC	1.52
Digital Realty Trust Inc	1.44
MDC Hldgs Inc	1.43
Int'l Business Machines Corp	1.38

## Growth of a Hypothetical \$500,000 Investment

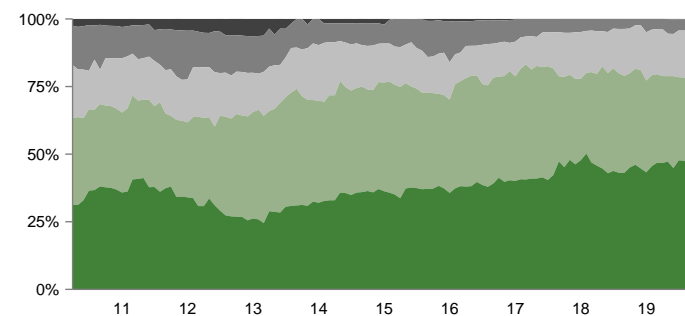


— Kovitz Dividend Income (Net) — Russell 3000 Index — Russell 3000 Value Index

## Portfolio Metrics\*

	Kovitz Dividend Income	Russell 3000 Index	Russell 3000 Value Index
Price to Earnings Ratio	14.59	20.91	16.75
Price to Sales Ratio	1.10	1.98	1.46
Price to Book Ratio	2.10	3.17	1.97
Dividend Yield	3.02	1.87	2.57

## Equity Market Capitalization



■ Micro % ■ Small % ■ Medium % ■ Large % ■ Giant %

As of 09.30.19. \*Data shown are supplemental information to the Composite. Performance data are calculated with daily performance for the trailing three-year period. Portfolio metrics are calculated using Index Method aggregation for the ratios of all holdings in the Composite and benchmark index. SOURCE: Kovitz Investment Group using data from Bloomberg

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## Composite Performance

	Total Firm Assets (Millions)	Composite Assets (Millions)	Number of Accounts	Composite Gross Return (%)	Composite Net Return (%)	Bench Return (%)	Bench 2 Return (%)	Composite 3-Yr STD (%)	Bench 3-Yr STD (%)	Bench 2 3-Yr STD (%)	Composite Dispersion (%)	Wrap Fee Paying Accounts (%)	Non-Fee Paying Accounts (%)
2018	3674	42	65	-6.68	-7.54	-5.25	-8.57	10.98	11.34	11.21	1.03	<1	1
2017	946	34	59	19.11	17.98	21.13	13.20	10.54	10.23	10.48	1.10	<1	1
2016	708	31	58	15.81	14.63	12.75	18.42	11.29	11.04	11.12	1.25	<1	5
2015	701	24	51	-4.34	-5.26	0.47	-4.13	11.38	10.73	10.90	0.69	<1	5
2014	827	41	48	6.12	4.70	12.56	12.69	10.73	9.42	9.49	1.00	<1	45
2013	788	40	39	36.70	35.31	33.57	32.69	14.29	12.71	13.08	2.21	<1	45
2012	676	28	36	19.13	17.29	16.43	17.56	16.99	15.95	16.03	0.84	<1	55
2011	476	26	34	-1.59	-2.85	1.02	-0.09	19.93	18.86	19.98	1.21	<1	60
2010	486	26	18	16.63	15.78	16.93	16.24	23.74	22.94	23.83	1.45	<1	71
2009	451	22	16	28.89	28.08	28.33	19.74	21.66	20.60	21.65	3.71	<1	63

STD is the Standard Deviation. The measure of the composite's internal dispersion is the asset-weighted standard deviation of annual gross returns of portfolios that were members of the composite for the full annual period. NA indicates not applicable. The composite's internal dispersion is not presented when performance is presented for less than a full calendar year or five or fewer portfolios were members of the composite for the full calendar year. The three-year annualized ex-post standard deviation of the composite and/or benchmark may not be presented because 36 monthly returns are not available.

## Investment Committee

### John Buckingham

Principal, Chief Investment Officer - AFAM Division

### Jason Clark, CFA

Principal, Portfolio Manager

### Christopher Quigley

Senior Research Analyst

## Contact Information

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## Disclosures & Important Information

Kovitz Investment Group Partners, LLC ("KIG") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. KIG has been independently verified for the periods January 1, 1997 through December 31, 2018. The verification report is available on request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

Kovitz Investment Group, LLC underwent an organizational change effective January 1, 2016, and is now Kovitz Investment Group Partners, LLC. The previous manager of the strategy, AFAM Capital, Inc. (AFAM) underwent an organizational change effective October 1, 2018, and is now a division of KIG (AFAM Division). AFAM claimed compliance with GIPS® and had been independently verified for the periods January 1, 1996 through December 31, 2017. The staff of the AFAM Division have provided the same services throughout the entire period, and the persons currently responsible for managing Composite portfolios have been primarily responsible for portfolio management throughout the entire period shown.

The Kovitz Dividend Income Composite includes all fully discretionary portfolios (except those managed under a wrap or bundled fee arrangement) managed according to the Kovitz Dividend Income strategy, an actively managed equity strategy that seeks to achieve long-term capital appreciation through a diversified portfolio of dividend-paying stocks. Prior to July 1, 2019, the Kovitz Dividend Income strategy was known as the Al Frank Dividend Value strategy. The composite was created on July 1, 2019. The inception date for the composite is September 30, 2004. The minimum account size for inclusion in this composite is \$100,000. Beginning January 1, 2006, composite policy required the temporary removal of any portfolio incurring an aggregate net cash flow of at least 25% of portfolio assets. The removal of such a portfolio occurred at the beginning of the month in which the significant cash flow occurred. The portfolio returned to the composite at the beginning of the month after a net cash outflow and returned to the composite two full months after a net cash inflow. Beginning January 1, 2006, cash flow was evaluated quarterly, and on January 1, 2010, composite policy was updated to provide for a monthly evaluation of cash flow. On June 30, 2014, composite policy was updated to reflect re-entry into the composite at the beginning of the month after a net cash inflow. On July 1, 2016, the cash flow policy was updated to reflect the temporary removal of any portfolio incurring cash inflow or outflow of 25% or more during the month, "net" and "aggregate" no longer applicable. Prior to June 30, 2014 the composite did not include portfolios that utilized margin.

The firm maintains a complete list and description of composites, which is available upon request.

The U.S. Dollar is the currency used to express performance. Gross-of-fee returns incorporate the effects of all realized and unrealized gains and losses, the receipt, though not necessarily the direct reinvestment, of all dividends and income, and trading expenses, where explicitly charged. Net-of-fee returns are calculated using actual fees charged to each portfolio. Actual investment management fees will vary, beginning at 1.5% per annum. A full schedule of management fees can be found in KIG's Form ADV Part 2A.

**Investing involves risk, principal loss is possible, and there can be no assurance that investment objectives will be achieved. Past performance is not indicative of future results.**

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Valuation metrics are the harmonic weighted-average of the ratios of all the holdings in the Composite and Index. The P/E ratio is the ratio of a company's share price to its per-share earnings. The price-to-book ratio (P/B Ratio) is a ratio of a stock's market value to its book value. The price-to-sales ratio (P/S Ratio) is a ratio of a stock's market value to its annual sales. The dividend yield indicates how much a company pays out in dividends each year relative to its share price.

For comparison purposes, the composite is measured against the Russell 3000 Index, which measures the performance of the largest 3,000 US companies and represents approximately 98% of the investable US equity market. On September 30, 2008, the manager standardized its benchmark to the Russell 3000 and changed the benchmark from the Wilshire 5000 to reflect the opportunity set of the strategy. Also presented is the Russell 3000 Value Index, which measures the performance of the value sector of the Russell 3000 Index. You cannot invest directly in an index.

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