



FLIPPIN, BRUCE & PORTER

12/31/17

Firm Highlights

Equity & Dividend Plus

INTRODUCTION

Flippin, Bruce & Porter, Inc. is a 100% employee owned, independent, investment counseling firm, founded in 1985 and located in Lynchburg, Virginia. The firm's activities involve independent discretionary investment management for individuals, retirement funds, foundations, endowments, public funds, multi-employer funds and hospitals.

INVESTMENT PHILOSOPHY

FBP's Equity & Dividend Plus Portfolio recognizes and emphasizes the historical significance of dividend yield to investor total return. By utilizing a relative dividend yield discipline coupled with fundamental research focusing on historical valuation metrics and comprehensive business analysis, we construct a diversified portfolio of securities providing above-average dividend streams and potential for capital appreciation.

Our investment philosophy melds above-average dividend yield, traditional value manager equity selection and a conservative covered call option writing strategy. The objective of the portfolio is to provide high dividend yields, a growing cash flow stream and competitive total returns.

STRUCTURE

Founded	1985
Type of firm	Investment Advisory
Ownership	Employee Owned
Minimum account size	\$500,000
Investment Style	Equity Income
Staff/investment professionals	13/5

KEY ASPECTS

Dividends. Historically, dividends and dividend growth have provided a consistent and growing cash flow return to investors. We emphasize companies possessing above-average dividend yields with the financial flexibility to grow dividends in the future. This stream of cash flow can provide opportunity for reinvestment, a steady stream of income for investors, or a portfolio cushion in weak markets.

Valuation. We recognize that valuation history is important in equity selection. Companies are analyzed based on historical valuation ranges of price/sales, price/book, price/cash flow, price/earnings, as well as dividend yield. Equity selection is focused on companies which are trading at a discount to historical valuation ranges and at the upper end of their dividend yield range. Purchasing companies at historically depressed valuation levels provides capital appreciation upside to the portfolio.

Business Analysis. Identifying quality companies with secure and growing dividends is the focus of our business analysis discipline. Company outlook, balance sheet strength, liquidity, margin trends, cash flow generation and payout ratio are a few of the fundamentals researched by our investment team. Fundamental research is critical in identifying dividend growth opportunities where increasing payouts enhance the value of the shares over time.

Diversification. Broad portfolio diversification provides investors the opportunity to participate throughout the market cycle. In addition, diversification also provides both offensive and defensive characteristics important to portfolio total return.

Covered Call Options. By utilizing a covered call option strategy, portfolios benefit from incremental cash flows as well as portfolio protection in periods of market weakness. In addition, writing covered calls provides a disciplined exit strategy at attractive prices, thereby enhancing total return.

DECISION-MAKING

At Flippin, Bruce & Porter, Inc. our investment committee is made up of five portfolio manager/analysts, each of whom have their CFA designation. The experience level of our portfolio management team is high, with an average of 36 years. Our investment committee works as a team with all investment decisions coming from the committee. Portfolio managers are responsible for security implementation, ongoing portfolio management and client contact.

FBP Investment Discipline

PORTFOLIO CONSTRUCTION

Portfolios are well diversified within the 11 economic sectors with individual companies selected based upon a combination of yield, valuation analysis, business analysis and appreciation potential. Portfolios typically will have 40-50 equity holdings with representation in each sector.

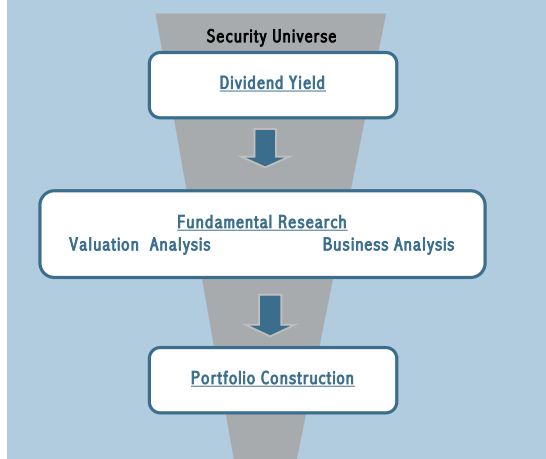
OUR PROCESS BEGINS WITH OUR PURCHASE DISCIPLINE

The security universe consists of approximately 1500 securities with a market capitalization of \$1.5B or greater as provided by Factset Data Services. This group is then screened for companies generating dividend yields at least 25% greater than the yield of the S&P 500. This yield parameter typically narrows the universe to 250-300 equity securities that can be considered for investment.

The 250-300 securities are then reviewed applying traditional value oriented methodology encompassing both valuation and business analysis. Valuation work is used to determine companies with depressed stock prices relative to their history. This analysis involves metrics such as price/sales, price/book, price/cash flow and price/earnings. The goal is to identify quality companies currently selling at a discount to their normal valuation range. Business analysis is conducted with particular emphasis on company outlook, including balance sheet strength, free cash flow generation and dividend payment history. The goal is to identify quality companies with secure and growing dividends. Our disciplined approach utilizes internal and external research in addition to a variety of information resources. Company conference calls and recent conference presentations are reviewed to determine the current tone of business and potential catalysts for improved share price performance. We view company commitment toward returning capital to shareholders via dividends and dividend increases as an important aspect for portfolio inclusion.

Once a comprehensive investment case covering all aspects of our investment discipline has been developed for a security, the ultimate purchase decision is based on the agreement of the investment team members. Investment decisions are based on the strength of the investment case combined with top down and portfolio sector specific judgments. Initial positions are generally 1.5 – 2%. Our maximum purchase commitment in a company is restricted to 4% of market value.

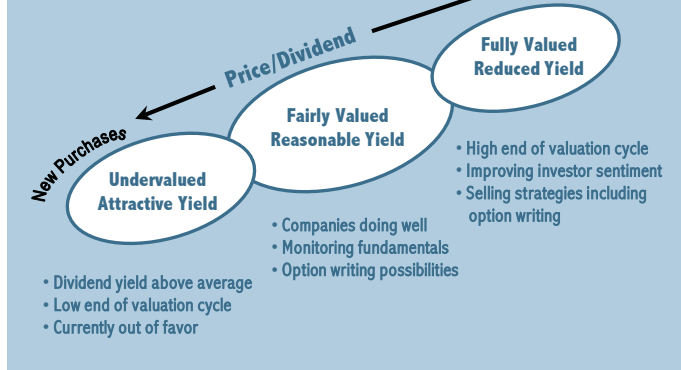
Purchase Discipline



EQUITY PORTFOLIO STRUCTURE

We view our stocks in three categories: *undervalued with attractive yields*, *fairly valued with reasonable yields* and stocks that are *fully valued with reduced yields*. As new purchases are added to our portfolios, they are viewed as *undervalued opportunities with attractive dividend yields*. Stocks that we bought over the last one to three years that are now picking up buy recommendations make up the *fairly valued* category of the portfolio while still providing reasonable yields. The remainder of the portfolio consists of stocks we bought three to four years ago. These issues are at or near the top of our price expectation and are now fully valued. They continue to pay handsome dividends but the yield, in most cases, has fallen as the price of the security has increased. These stocks are generally candidates for sale. As money comes out of these stocks, it then flows back into new *undervalued with attractive yield* ideas. The goal of our portfolio management process is to create a well-diversified portfolio that trades with an above-average dividend yield, has attractive valuation characteristics and can be enhanced with option writing strategies.

FBP Portfolio Structure



OUR PROCESS ENDS WITH OUR SELL DISCIPLINE

Sell decisions are based upon individual company fundamentals focusing on valuation metrics and business analysis with particular emphasis on anticipated forward dividend yield levels. Sell candidates are typically in the upper end of their valuation ranges. In addition, certain portfolio characteristics and potential reinvestment alternatives are considerations in the decision-making process. Exit strategies are based upon the availability of attractive call option premium and annualized total return relative to required holding period as compared to outright sell. Agreement among team members is attained following review of exit strategies and final decisions are then executed.

Sell Discipline

- Valuation Becomes Excessive
- Dividend Yield Falls
- Dividend Outlook Deteriorates
- More Attractive Opportunity
- Covered Call Writing Strategy

There is no assurance that the stated goals of the portfolio can be obtained. Investments in securities involve risks, including the risk of losing principal. Past performance is no guarantee of future results.

Investment and Insurance Products:

•Are not FDIC or any other Government Agency Insured •Are not Bank Guaranteed •May Lose Value

GLOBAL INDUSTRY CLASSIFICATION STANDARDS (GICS) SECTORS*

SECTOR NAME	% of Port	Div Yield	R1000 Value
Consumer Staples	8.0	2.9	8.6
Health Care	9.0	3.1	13.5
Consumer Discretionary	10.9	3.7	6.8
Materials	5.8	3.5	3.0
Industrials	9.6	2.7	8.4
Information Technology	11.6	2.9	8.5
Telecommunication Services	3.3	8.6	3.0
Energy	12.1	3.6	11.1
Financials	18.2	2.6	26.6
Real Estate	2.2	4.7	4.7
Utilities	2.5	4.9	5.9

*Weightings may not total 100% due to cash and/or rounding.

EDP PORTFOLIO FACTS**		TOP 10 EQUITY HOLDINGS (subject to change)	
		% of Port	Div Yield
Current Dividend Yield	3.4%		
Number of Holdings	52	IBM	3.0 3.9
Alpha	1.44%	JPMorgan Chase	2.9 2.1
Dividend Payout Ratio	62%	Procter & Gamble	2.8 3.0
Forward 12mo P/E	15.2	Kohl's Corp	2.7 4.1
Price/Book	2.4	Wells Fargo	2.7 2.6
Up Market Capture	93.0%	KeyCorp	2.6 2.1
Down Market Capture	86.3%	Cisco Systems	2.5 3.0
Turnover.....	12.6%	BB&T	2.5 2.7
		LyondellBasell Inds	2.4 3.3
		US Bancorp	2.4 2.2

**Assumes current dividend rate is equal weighted and maintained on current portfolio for one year. Assumes no changes to the portfolio composition for one year.

Portfolio Objectives & Results

- Building Portfolios With Above-average Dividend Yield ☑
 - Inception average is 70% higher than S&P 500
 - Dividend yield 3.4 % - S&P 500 dividend yield 1.9%
- Enhancing Portfolio Income Using Covered Call Options ☑
 - Inception average – 1.64% additional cash flow generated
- Growing Income Over Time ☑
 - Annualized 5-year dividend income increase 10.4%
- Producing Lower Volatility ☑
 - 5 year Std Dev 9.83% v. R1000V 9.92%
- Generating Portfolio Appreciation ☑

Outperformance (since inception):

 - 14.3% v. R1000V 13.6%
 - R1000V – outperforming 6 of 8 negative quarters, 26 of 38 negative months

Benchmark Description: S&P 500 - a market capitalization-weighted, total return index of widely held common stocks. Russell 1000 Value - a market capitalization-weighted, total return index of larger capitalization companies which exhibit traditional value characteristics. The accompanying Performance Disclosure Statement is an integral part of the performance presentation.

<u>Security</u>	<u>Pct.</u> <u>Assets</u>	<u>Dividend</u> <u>Yield</u>	<u>Security</u>	<u>Pct.</u> <u>Assets</u>	<u>Dividend</u> <u>Yield</u>
Cash and Equiv.	7.9	1.0	Energy	12.1	3.6
Common Stock			CHEVRON CORP	2.1	3.5
Consumer Staples	8.0	2.9	CONOCOPHILLIPS	2.1	1.9
COCA COLA CO	1.0	3.2	EXXON MOBIL CORP	1.4	3.7
CVS HEALTH CORP	2.0	2.8	OCCIDENTAL PETE	2.0	4.2
KELLOGG CO	1.1	3.2	ROYAL DUTCH SHELL PLC ADR B	2.3	5.5
PROCTER & GAMBLE	2.8	3.0	SCHLUMBERGER LTD	2.2	3.0
WAL-MART STORES	1.1	2.1	Financials	18.2	2.6
Health Care	9.0	3.1	BB&T CORPORATION	2.5	2.7
AMGEN	1.7	3.0	JPMORGAN CHASE & CO	2.9	2.1
JOHNSON AND JOHNSON COM	1.5	2.4	KEYCORP	2.6	2.1
LILLY ELI & COMPANY	1.6	2.7	METLIFE INC	1.7	3.2
MERCK AND CO INC SHS	2.2	3.4	PEOPLES UTD FINL INC	1.6	3.7
PFIZER INC	2.0	3.8	PRUDENTIAL FINL INC	1.9	2.6
Consumer Discretionary	10.9	3.7	US BANCORP	2.4	2.2
FORD MTR CO	1.7	4.8	WELLS FARGO & COMP	2.7	2.6
KOHL'S CORP	2.7	4.1	Utilities	2.5	4.9
NORDSTROM INC	1.6	3.1	FIRSTENERGY CORP	1.5	4.7
TAPESTRY INC	1.7	3.1	PPL CORP	1.0	5.1
TARGET CORP	2.2	3.8	Common Stock Total	93.3	3.4
WILLIAMS SONOMA INC	1.1	3.0	Written Options		
Materials	5.8	3.5	AMGEN INC \$195.00 01/19/2018		
COMPASS MINERALS INTL	1.2	4.0	CHEVRON CORP \$115.00 03/16/2018		
LYONDELL BASELL INDUSTRIES	2.4	3.3	CISCO SYSTEMS \$39.00 06/15/2018		
NUCOR CORP	1.1	2.4	COCA-COLA CO \$47.00 01/19/2018		
RIO TINTO PLC	1.2	4.5	CONOCOPHILLIPS \$55.00 05/18/2018		
Industrials	9.6	2.7	EATON CORP \$82.50 04/20/2018		
EATON CORP PLC	2.2	3.0	EMERSON ELECT \$65.00 03/16/2018		
EMERSON ELECTRIC	1.9	2.8	HP INC \$24.00 05/18/2018		
GENERAL ELECTRIC	1.9	2.8	INTEL CORP \$49.00 04/20/2018		
UNITED PARCEL SERVICE CL B	1.5	2.8	JOHNSON & JOHNSON \$150.00 06/15/2018		
UNITED TECHNOLOGIES CORP	2.1	2.2	JPMORGAN CHASE \$110.00 06/15/2018		
Information Technology	11.6	2.9	KEYCORP \$20.00 01/19/2018		
APPLE INC	0.9	1.5	KOHL'S CORP \$55.00 07/20/2018		
CISCO SYSTEMS INC	2.5	3.0	LILLY ELI & CO \$90.00 01/19/2018		
HP INC	1.0	2.7	LYONDELL BASELL \$97.50 03/16/2018		
INTEL CORP	1.8	2.4	LYONDELL BASELL \$110.00 06/15/2018		
INTL BUSINESS MACHINES	3.0	3.9	MICROSOFT CORP \$90.00 06/15/2018		
MICROSOFT CORP	1.4	2.0	NORDSTROM INC \$55.00 07/20/2018		
WESTERN UNION	0.9	3.7	OCCIDENTAL PET \$70.00 06/15/2018		
Telecommunication Services	3.3	8.6	PROCTER & GAMBLE \$95.00 04/20/2018		
AT&T INC	1.8	5.1	PRUDENTIAL FIN \$120.00 03/16/2018		
CENTURYLINK INC	1.5	12.9	RIO TINTO PLC \$50.00 07/20/2018		
Real Estate	2.2	4.7	TAPESTRY INC \$45.00 02/16/2018		
PUBLIC STORAGE	0.9	3.8	UNITED PARCEL SERV \$120.00 04/20/2018		
VENTAS	1.3	5.3	UNITED TECHNOLOGIES \$125.00 01/19/2018		
			US BANCORP \$55.00 03/16/2018		
			WAL-MART STORE \$92.50 06/15/2018		
			WESTERN UNION \$21.00 05/18/2018		
			WILLIAMS SONOMA \$60.00 05/18/2018		
			TOTAL PORTFOLIO	100.0	

The portfolio is actively managed and subject to change. The information provided herein should not be construed as a recommendation to purchase or sell any particular security or an assurance that any particular security held in a portfolio will remain in the portfolio or that a previously held security will not be repurchased. Securities discussed herein may not represent a portfolio's entire holdings. It should not be assumed that any of the security transactions or holdings discussed herein have been or will prove to be profitable or that future investment decisions will be profitable or will equal or exceed the investment performance of the securities discussed. All recommendations/holdings within preceding 12 months or applicable period are available upon request.

Performance Disclosure

Compliance Statement

Flippin, Bruce & Porter, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Flippin, Bruce & Porter, Inc. has been independently verified for the ten-year period ending December 31, 2016. The verification reports are available upon 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.

Background

Definition of Firm: Flippin, Bruce & Porter, Inc. (hereinafter the "Firm"), founded in 1985 in Lynchburg, Virginia, provides equity, balanced, fixed income and income-oriented portfolio management services to pension, profit sharing, foundation, endowment, corporate and individual investors. The Firm, which is employee owned, is an independent, autonomous investment management organization providing advisory services on a separate account and sub-advisory basis and also serves as investment advisor to two registered investment companies. This Performance Disclosure Statement applies to the Firm, as just defined, and encompasses all fee-paying, discretionary portfolios managed by the Firm and aggregated in performance composites as further described herein. A listing and description of the Firm's composites is available upon request.

Composite Construction

- Prior to January 1, 1993, a minimum \$1 million portfolio size was employed for composite construction purposes (no minimum employed for the Firm's sub-advisory composites). Thereafter, all actual fee-paying, discretionary portfolios are included in an appropriate composite regardless of size. The Firm's accounts managed under the Equity & Dividend Plus strategy are included in an appropriate composite regardless of size.
- Subject to composite construction criteria, each composite of taxable portfolios represents 100% of the total assets, which are managed according to the investment objective of the respective composite.
- Effective 1/1/13, all discretionary individual retirement accounts (IRAs) were reclassified from appropriate taxable composites to appropriate tax exempt composites.
- New portfolios are added to a respective composite in the calendar quarter following the first full calendar quarter under management. Exceptions to this criterion are as follows:
 - Prior to January 1, 1993, for other than the Firm's Equity + Cash, Balanced and sub-advisory composites, new portfolios were added to their respective composite upon the first full calendar year under management.
 - Terminated portfolios are included in their respective composite for all periods up to and including the quarter preceding the quarter of termination.
 - Portfolios affected by a change in client investment objective are assigned to their new composite effective the first day of the calendar quarter during which such change was mandated provided that such mandate is largely implemented by the end of said quarter. Otherwise, portfolios affected by a change in mandate are assigned to their new composite effective the first day of the calendar quarter following the quarter during which such change was mandated.
 - New portfolios are included in each of the Firm's sub-advisory composites during the first full calendar quarter under management.

Calculation of Returns

- **Gross Returns:** With the exception of composites that meet the U.S. Securities and Exchange Commission's (SEC) wrap-fee account definition and the Firm's registered investment company composites, all returns are presented before the deduction of investment management and custodial fees but after all trading expenses. As required by the SEC, the performance of the Firm's two registered investment company composites is presented in accordance with SEC net return calculation guidelines.
- **Methodology**
 - Time-weighted total rate of return using calendar month end valuations calculated in U.S. dollars and geometric linking of full precision period returns. Portfolios impacted by a large, client-directed capital flow (defined as 10% or greater of the beginning period value) are valued on the date of such capital flow and sub-period returns are likewise geometrically linked.
 - Prior to January 1, 1993, interest accruals only. Thereafter, full accrual of interest and dividends.
 - Returns include gains and losses generated from the writing of out-of-the-money covered call options, which are used as a selling discipline against equity positions that are approaching full value.
 - Additional Information regarding the Firm's policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

Other Performance Disclosures

- **Composite Dispersion**
 - **Internal Dispersion:** For composites except the Firm's sub-advisory composites, internal dispersion is measured by the asset-weighted standard deviation of returns of individual portfolios that were included in the composite for the full calendar year. For the Firm's sub-advisory composites, internal dispersion is measured by the range of annual portfolio returns. Internal dispersion measures are deemed not meaningful (N/M) when a given composite contains five or fewer portfolios.
 - **Standard Deviation:** For composites and benchmarks, dispersion is measured as the three-year annualized ex-post standard deviation of monthly returns.
- **Non-Fee-Paying Portfolios**
 - As of 12/31/17, portfolios totaling 0.33% of total composite assets were non-fee-paying portfolios.
- **Required SEC Disclosures**
 - **Performance and Fees:** Gross returns do not reflect the deduction of investment advisory fees and therefore the client's return will be reduced by the advisory fees and any other expenses it may incur. For example, a portfolio that earned 8% per annum for ten years, would result in a cumulative return of 115.9% before investment management fees and 103.5% net of such fees, assuming a 15 basis point (0.15%) fee per quarter. Prior to April 1, 1990, a model investment management fee of 15 basis points (0.15%) was deducted quarterly when calculating net returns. Thereafter, actual fees were deducted quarterly.
 - **Investment Management Fee Schedule:** Per annum fees for managing accounts are 75 basis points (0.75%) of the first \$1 million of assets under management, 60 basis points (0.60%) on the next \$9 million and 50 basis points (0.50%) thereafter. Exceptions to this fee schedule include the Firm's registered investment company and sponsored account sub-advisory services. The Firm's investment management fees are more fully described in Form ADV Part 2.
 - **Consultant's Use of Performance Data:** Any use of the Firm's performance data, in other than one-on-one client presentations, should be accompanied by the Required SEC Disclosures contained herein.
 - **Disclaimer:** Past performance should not be construed as a guarantee of future performance. The information provided herein should not be construed as a recommendation to purchase or sell any particular security or an assurance that any particular security held in a portfolio will remain in the portfolio or that a previously held security will not be repurchased. Securities discussed herein may not represent a portfolio's entire holdings. It should not be assumed that any of the security transactions or holdings discussed herein have been or will prove to be profitable or that future investment decisions will be profitable or will equal or exceed the investment performance of the securities discussed. All recommendations/holdings within preceding 12 months or applicable period are available upon request.
- **Sub-Advisor Disclosures:** The Firm serves as a sub-advisor to multiple program sponsors and maintains performance composites for all such programs on a sponsor-specific basis. Performance presentations of these sponsor-specific composites are intended for the exclusive use of the respective sponsor (at the sponsor's request) and are not intended for distribution to the sponsors' existing or prospective clients. No form of audit or verification assurance has been provided by any sponsor with respect to the Firm's sponsor-specific composites or performance presentations. For important information regarding the performance history of programs for which the Firm serves as sub-advisor, please refer to the sponsor profiles applicable to such programs. Please read such profile information carefully before making an investment decision.
- **Investment and Insurance Products:**
 - Are not FDIC or any other Government Agency Insured • Are not Bank Guaranteed • May Lose Value

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