**FLIPPIN, BRUCE & PORTER, INC.**
INVESTMENT COUNSEL

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All of us at Flippin Bruce & Porter hope you and your family are healthy and adapting to the required changes to your daily lives. Our firm, like many others, is taking steps to increase employee safety and efficiency, with employees primarily working from home. Rest assured that we remain fully functional using business disruption protocols and our electronic systems. Fortunately, all our employees are healthy, with no infections to date.

The first quarter brought about an unprecedented situation for our lives, the economy and the financial markets. While the market panic brought about by the novel coronavirus bears some resemblance to past crises such as wars, natural disasters and economic contractions; it is wholly different in other ways. We have never had our governments intentionally trigger a recession by imposing stay-at-home orders and forcing otherwise profitable businesses to close. In response, the government instituted a stimulus package of a magnitude never seen before. Despite the challenges individuals and businesses face, we as investors are focused on what we can control: making sound portfolio management decisions, working to improve the underlying positioning in our portfolios, while at the same time addressing your concerns and questions. We do not know how long the fear-driven market may last, but we do know that the effects of the virus will not last forever. Business confidence and consumer confidence will be restored, and financial markets will recover.

With the social distancing orders, economies around the world came to a sudden and abrupt stop. Businesses in the U.S., both large and small, closed their doors almost in unison. Retail, travel and other service industries were the most directly impacted. It is clear to everyone that the next couple of quarters will be very difficult economically. The sky-rocketing unemployment claims we have already seen are a precursor. Even before official reports of weakness are released, monetary and fiscal policy measures are being taken to help counteract the negative effects of the shutdown. The Federal Reserve has acted in numerous ways to keep capital flowing among banks and businesses. Fortunately, the banking system is much better capitalized than it was during the severe recession of 2008. The CARES Act, which is currently being rolled out, provides business and worker assistance programs intended to prevent lasting damage to the economy. In a recent interview, Treasury Secretary Stephen Mnuchin indicated that the administration stands ready to enact additional relief programs if needed in the coming weeks. But the key to the economic and market recovery will be better news on the spread of COVID-19. Most likely, the social distancing measures will prove effective, and the number of cases will peak this month or perhaps in May, depending on locality. Furthermore, additional availability of test kits, faster response times for tests, improved treatment protocols, antibody testing and progress on effective vaccines will all play a part in controlling the virus. That, in turn, will reduce fear and produce a powerful recovery in financial markets. While the recovery may happen in stages, history tells us that it is likely to occur well before all the bad news filters through economic and earnings reports.

The unusual stress on corporations today was exacerbated by the low interest rate policies that monetary authorities have been following for years. Many companies took on much higher levels of debt relative to cash generation. If the slowdown is extended, companies with too much debt, or with large short-term debt maturities, could be especially pressured. A major focus of our investment team has been analyzing balance sheet risk, especially regarding financial obligations over the next couple of years. In response, we have reduced exposure to stocks that appear over-leveraged. Fortunately, the market sell-off has been relatively indiscriminate. Strong companies with solid balance sheets have seen their stocks decline along with the market. This has given us an opportunity to upgrade and strengthen the portfolio, while also preserving return potential when the recovery comes.

Since cash flow generation from dividends is a primary focus of your Equity & Dividend Plus portfolio, we are keenly focused on the ability of the stocks we hold to maintain dividend payments through the downturn. Stocks we viewed as being weaker from a cash flow standpoint were eliminated, including Carnival Corp, Occidental Petroleum, CenturyLink and Schlumberger. We added stocks with stronger balance sheets such as Home Depot, Texas Instruments, ConocoPhillips and Archer Daniels Midland. Before the market sell-off, a number of stocks were sold through option exercises. These include Target, First Energy and Amgen, all successful investments for us. The current environment may present fewer opportunities to sell call options, but we expect that to be temporary. As individual stocks recover, we will continue to selectively deploy our strategy of selling covered call options to enhance portfolio cash flow. We believe portfolio cash flow objectives for the year will be met.

For additional firm wide information please visit our website at www.fbpinc.com or call us at 1-800-851-3804. As always, we appreciate your continued interest in our firm.