



# NOVEM GROUP

## Equity & Fixed Income Strategies

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Phone: 585-348-9525  
[www.novemgroup.com](http://www.novemgroup.com)



## Equity Strategies

Strategy Name	Minimum	Strategy Goal
Capital Appreciation	\$25,000	Established companies with a long-term track record
Dividend Select	\$25,000	Companies with a history of strong and consistent dividends
Intrinsic Value	\$50,000	High-quality companies at a reasonable price.
Concentrated Growth	\$25,000	Focused strategy to generate long-term capital appreciation

## Fixed Income Strategies

Strategy Name	Return Potential	Volatility
Strategic Fixed Income	Balanced	Medium
High Yield	Aggressive	High

## Strategy Construction

Capital Appreciation (Cap App) seeks to own high quality companies with a proven history of earnings, dividend growth, and stability.

The model utilizes S&P Global Market Intelligence Quality Ranking, which measures 10- year history of earnings and dividend growth and stability.

Historically, stocks with the best Quality Rankings posted higher profit margins, higher return on capital, and stronger cash flows than lower quality stocks. Higher-quality stocks also incurred less volatility.

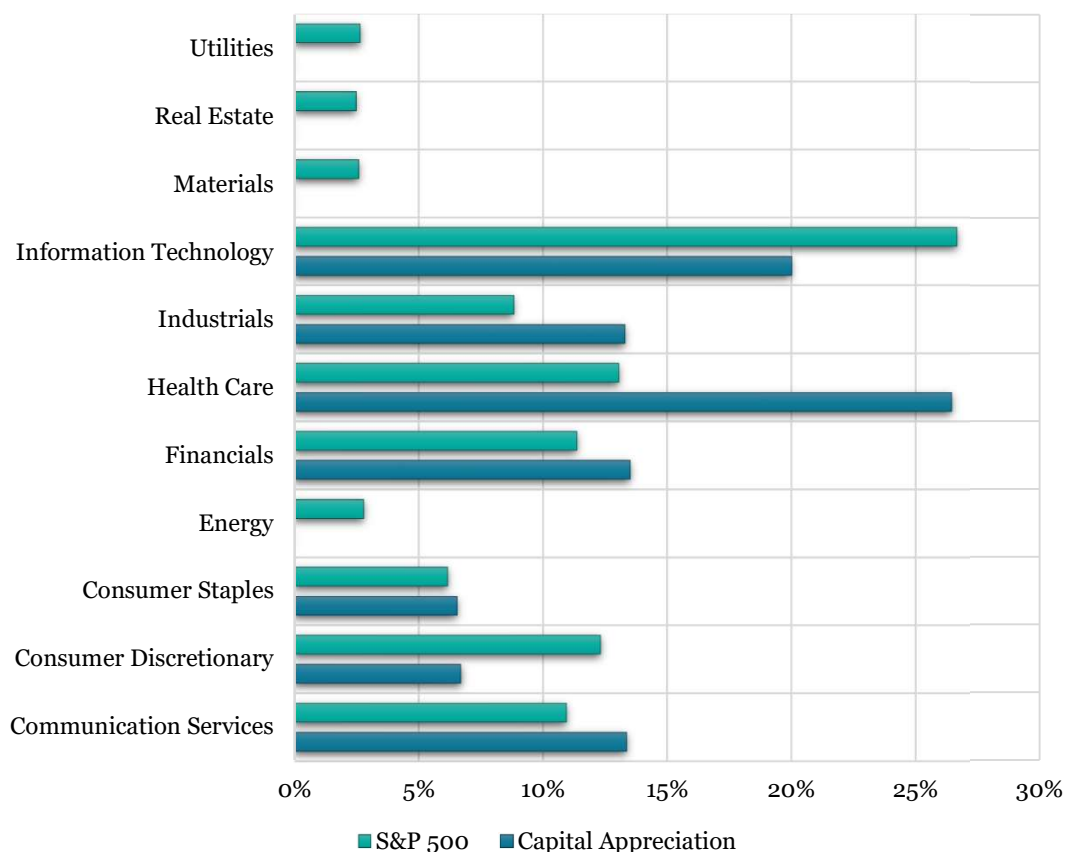
## Portfolio Profile

Category	Individual Equities
Inception	1/1/2016
Holdings	15
Style	Large Blend
Benchmark	S&P 500
Minimum	\$25,000
Expense*	0.70%

\*Maximum Expense Ratio

The Capital Appreciation strategy seeks to own high-quality companies with a strong performance track record.

## Strategy Positioning As of 03/31/2021



## Performance

	YTD	2020	2019	2018
<b>Cap App (Gross)</b>	7.01%	8.29%	37.61%	-5.79%
<b>Cap App (Net)</b>	6.84%	7.59%	36.91%	-6.49%
<b>S&amp;P 500</b>	6.20%	18.35%	28.65%	-7.10%

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## Glossary:

### Beta:

Measure of the volatility, or systematic risk, of an individual stock in comparison to the unsystematic risk of the entire market.

### Turnover Ratio:

The amount of trading the portfolio experienced in the previous 12 months.

### P/E Forward:

The P/E forward ratio (price-to-earnings) denotes the weighted harmonic average of all the P/E's of the securities in the portfolio.

### Avg. Weighted Market Cap:

The market cap of a security is equal to the price of the security multiplied by the number of shares outstanding at the company level. A weighted average is then taken of all the securities in the portfolio.

### Net Debt-to-EBITDA:

Measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or equivalents, divided by EBITDA.



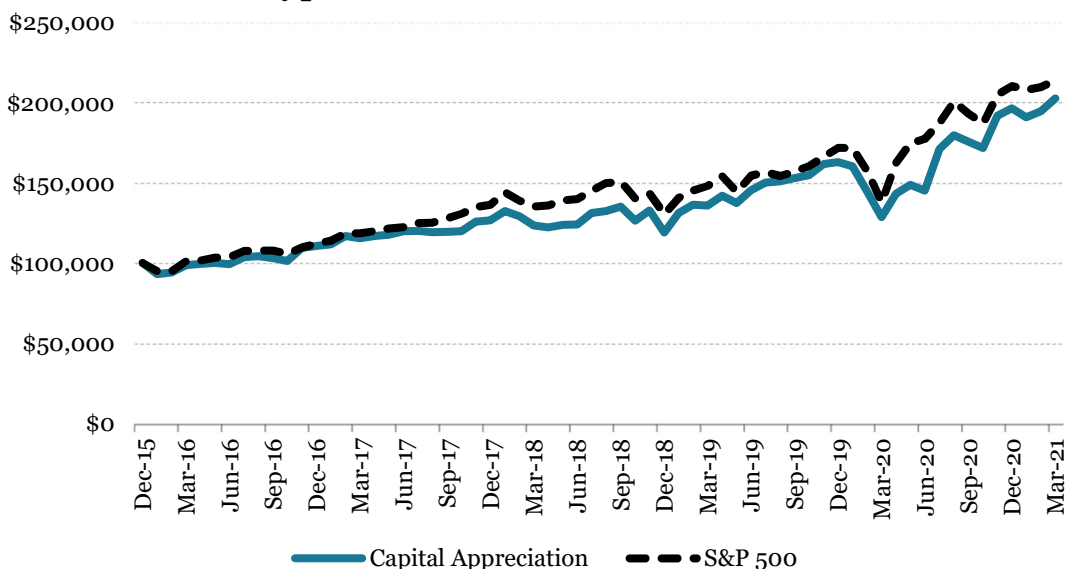
Charles Ruff, CFA  
Portfolio Manager

Characteristics	
<b>Beta</b>	0.94
<b>Turnover Ratio</b>	70%
<b>P/E Forward</b>	22.3x
<b>Avg. Weighted Mkt Cap</b>	\$280.5B
<b>Net Debt-to-EBITDA</b>	1.16
<b>Dividend Yield</b>	1.4%

Leaders (1Q21)		
<b>Charles Schwab</b>	SCHW	23.3%
<b>Tyson Foods, Inc.</b>	TSN	16.1%
<b>Anthem, Inc.</b>	ANTM	12.2%
<b>CVS Health Corp.</b>	CVS	10.9%
<b>Raytheon Tech Corp.</b>	RTX	8.8%

Laggards (1Q21)		
<b>Dollar General Corp.</b>	DG	(3.5%)
<b>Visa, Inc.</b>	V	(3.1%)
<b>Thermo Fisher</b>	TMO	(1.9%)
<b>Walt Disney Company</b>	DIS	1.8%
<b>Int'l Bus. Machines</b>	IBM	2.7%

## Hypothetical Growth of \$100,000



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## Strategy Construction

The Dividend Select strategy is designed for long-term total return. The goal is to provide investors with the opportunity to invest in high quality stocks that offer an attractive dividend yield and capital appreciation.

In order to be considered for the Dividend Select strategy, a stock must have a yield above that of the S&P 500 and the company must not have cut the regular dividend in the last five years.

In addition to dividend yield and consistency, the Dividend Select strategy also seeks to own stocks that will outperform the benchmark over the next 12 months.

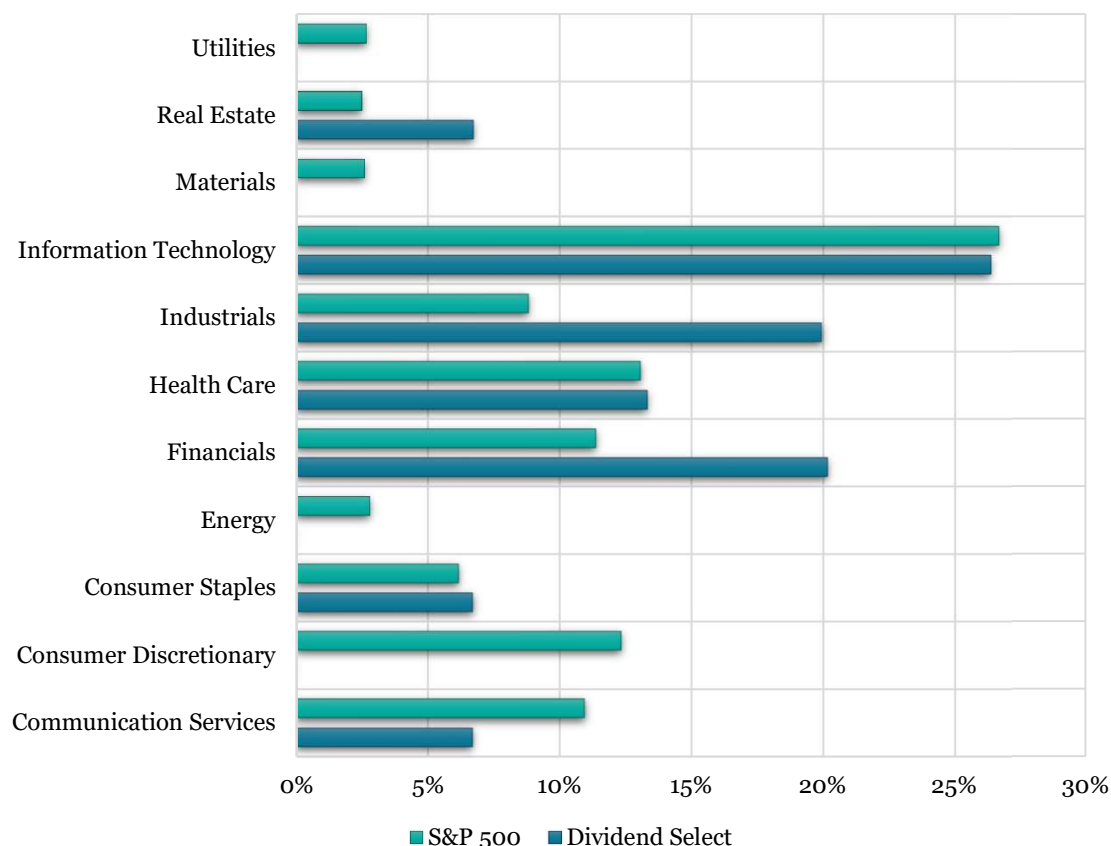
## Portfolio Profile

Category	Individual Equities
Inception	6/1/2016
Holdings	15
Style	Large Blend
Benchmark	S&P 500
Minimum	\$25,000
Expense*	0.70%

\*Maximum Expense Ratio

The Dividend Select strategy seeks to own companies with a strong and consistent dividend yield.

## Strategy Positioning As of 03/31/2021



## Performance

	YTD	2020	2019	2018
<b>Dividend Select (Gross)</b>	10.03%	0.86%	38.80%	-7.56%
<b>Dividend Select (Net)</b>	9.86%	0.16%	38.10%	-8.26%
<b>S&amp;P 500</b>	6.20%	18.35%	28.65%	-7.10%

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**Turnover Ratio:**  
The amount of trading the portfolio experienced in the previous 12 months.

**P/E Forward:**  
The P/E forward ratio (price-to-earnings) denotes the weighted harmonic average of all the P/E's of the securities in the portfolio.

**Avg. Weighted Market Cap:**  
The market cap of a security is equal to the price of the security multiplied by the number of shares outstanding at the company level. A weighted average is then taken of all the securities in the portfolio.

**Net Debt-to-EBITDA:**  
Measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or equivalents, divided by EBITDA.



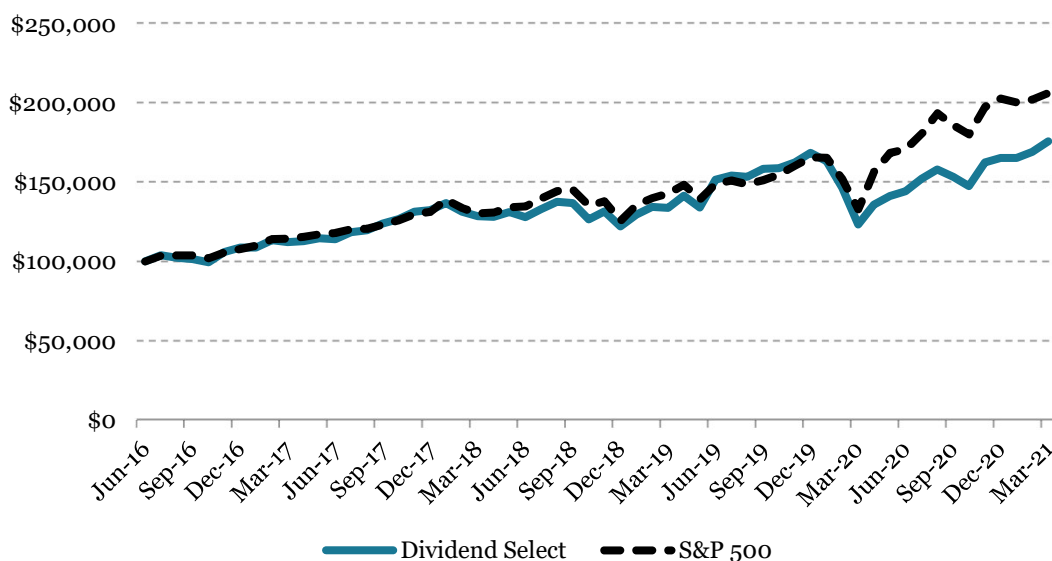
Charles Ruff, CFA  
Portfolio Manager

Characteristics	
<b>Beta</b>	0.93
<b>Turnover Ratio</b>	53%
<b>P/E Forward</b>	19.3x
<b>Avg. Weighted Mkt Cap</b>	\$285.7B
<b>Net Debt-to-EBITDA</b>	1.14
<b>Dividend Yield</b>	2.7%

Leaders (1Q21)		
<b>MetLife, Inc.</b>	MET	30.6%
<b>Johnson Controls plc</b>	JCI	28.7%
<b>General Dynamics</b>	GD	22.9%
<b>JPMorgan Chase</b>	JPM	20.7%
<b>Cisco Systems</b>	CSCO	16.5%

Laggards (1Q21)		
<b>Apple Inc.</b>	AAPL	(7.8%)
<b>Walmart Inc.</b>	WMT	(5.4%)
<b>Merck &amp; Co.</b>	MRK	(4.9%)
<b>Medtronic plc</b>	MDT	1.4%
<b>Lockheed Martin</b>	LMT	4.9%

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## Strategy Construction

The Intrinsic Value strategy uses six specific investment criteria to potentially identify undervalued securities available at a reasonable price. These criteria are listed below:

- I. Free cash flow of at least \$250 million
- II. Net profit margin of 15% or more
- III. Return on equity of at least 15% for each of the past three years.
- IV. A dollar's worth of retained earnings creating at least a dollar's worth of shareholder value over the past five years.
- V. Stocks with market capitalization of at least \$500 million
- VI. Overpriced stocks are identified by comparing our five-year discounted cash flow estimate to current price

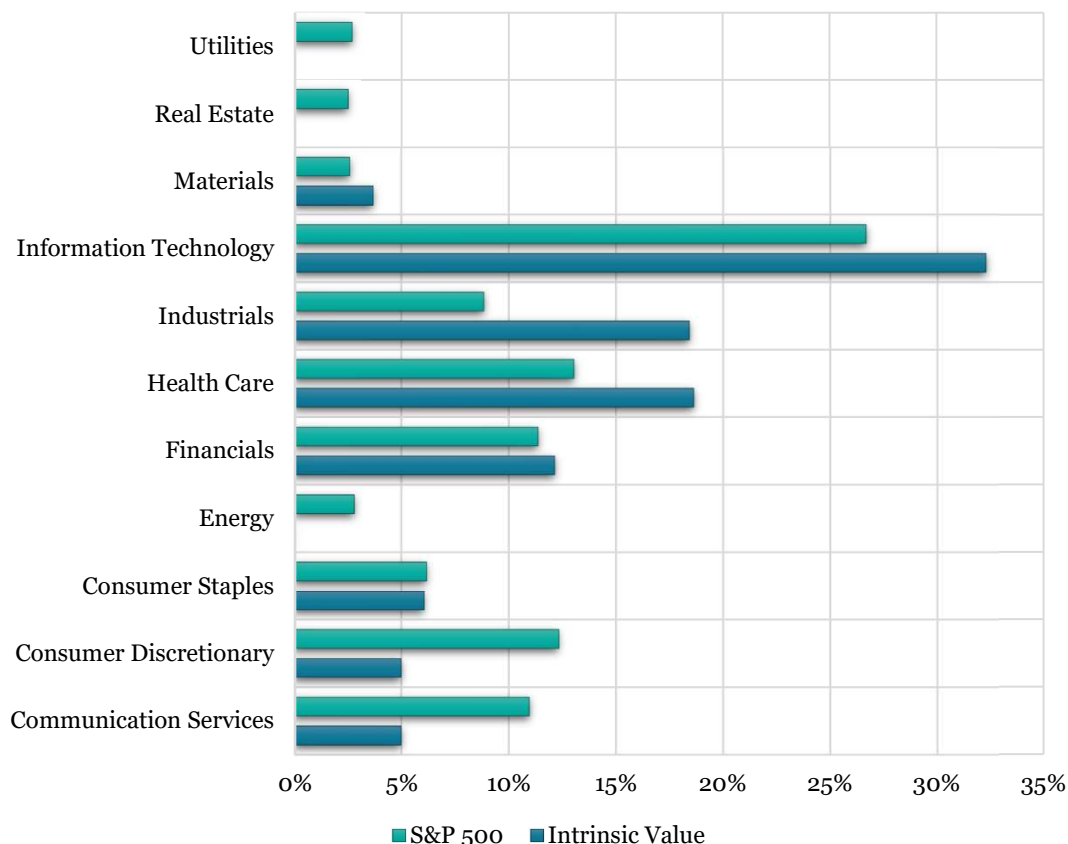
## Portfolio Profile

Category	Individual Equities
Inception	1/1/2016
Holdings	40+
Style	Large Growth
Benchmark	S&P 500
Minimum	\$50,000
Expense*	0.70%

\*Maximum Expense Ratio

The Intrinsic Value strategy seeks to achieve long term capital growth by seeking undervalued stocks trading at a reasonable price.

## Strategy Positioning As of 03/31/2021



## Performance

	YTD	2020	2019	2018
<b>Intrinsic Value (Gross)</b>	4.56%	24.22%	39.19%	-2.84%
<b>Intrinsic Value (Net)</b>	4.39%	23.52%	38.49%	-3.54%
<b>S&amp;P 500</b>	6.20%	18.35%	28.65%	-7.10%

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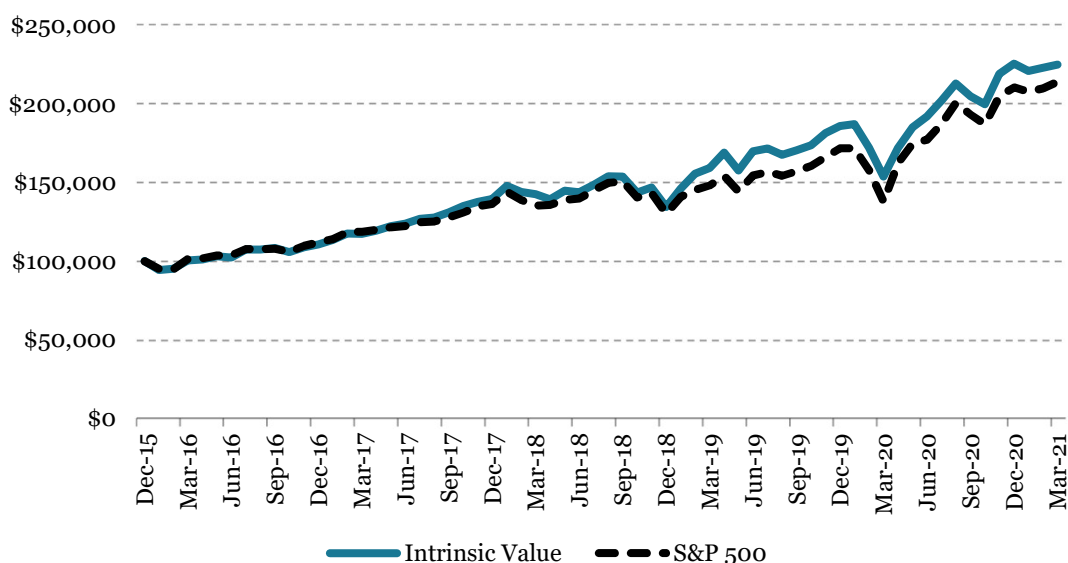
Charles Ruff, CFA  
Portfolio Manager

Characteristics	
<b>Beta</b>	1.01
<b>Turnover Ratio</b>	62%
<b>P/E Forward</b>	26.4x
<b>Avg. Weighted Mkt Cap</b>	\$151.4B
<b>Net Debt-to-EBITDA</b>	0.18
<b>Dividend Yield</b>	1.0%

Leaders (4Q20)		
<b>Southern Copper</b>	SCCO	47.7%
<b>Applied Materials</b>	AMAT	42.7%
<b>Aristan Networks</b>	ANET	40.3%
<b>Lam Research Corp.</b>	LRCX	39.6%
<b>Xilinx Inc.</b>	XLNX	34.3%

Laggards (4Q20)		
<b>Alibaba Inc</b>	BABA	(19.8%)
<b>S&amp;P Global Inc.</b>	SPGI	(9.4%)
<b>Church &amp; Dwight</b>	CHD	(6.1%)
<b>NVIDIA Corp</b>	NVDA	(4.1%)
<b>Intel Corporation</b>	INTC	(3.9%)

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## Strategy Construction

The Concentrated Growth strategy is comprised of stocks considered to have superior risk-adjusted capital appreciation potential. To screen for potential strategy positions we use the STARS (Stock Appreciation Ranking) System.

To enter the Concentrated Growth strategy stocks must have a 5-STAR ranking. Stocks can remain in the strategy if the ranking drops to 4-STAR. If a stock's ranking drops below 4-STAR, it will be removed.

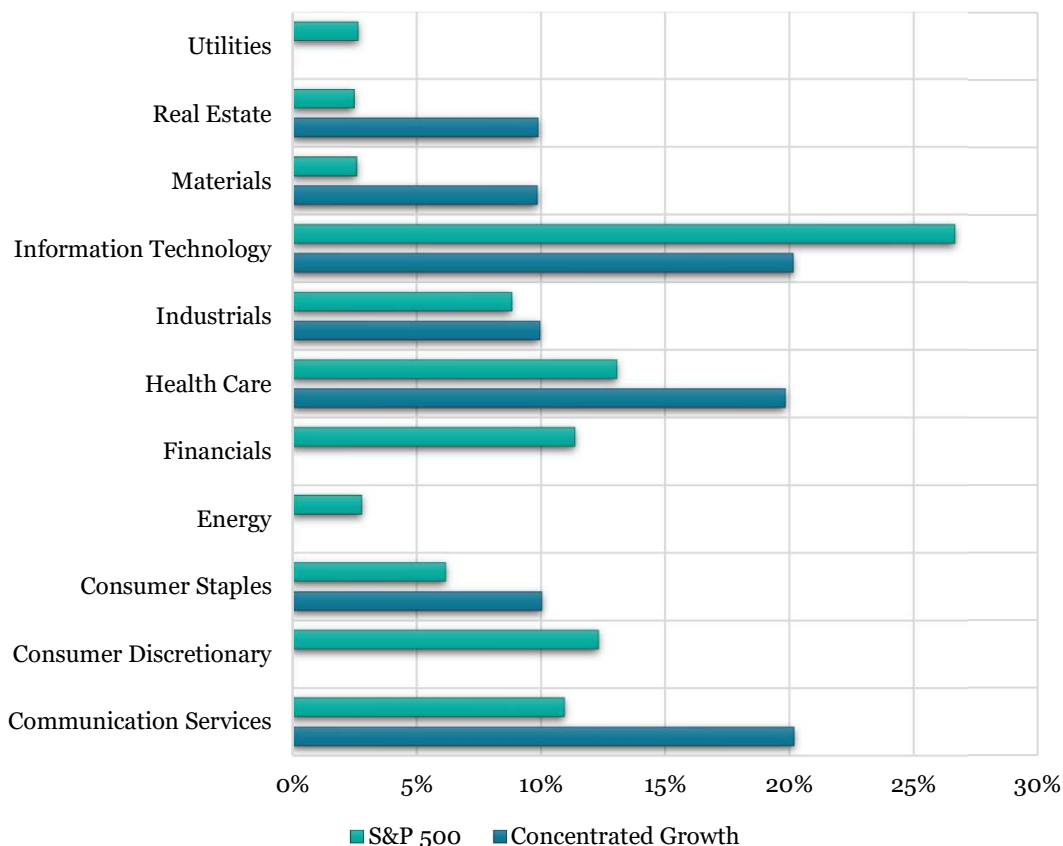
## Portfolio Profile

Category	Individual Equities
Inception	6/1/2016
Holdings	10
Style	Large Blend
Benchmark	S&P 500
Minimum	\$25,000
Expense*	0.70%

\*Maximum Expense Ratio

The Concentrated Growth strategy seeks to achieve long-term growth of capital.

## Strategy Positioning As of 03/31/2021



## Performance

	YTD	2020	2019	2018
<b>Conc. Growth (Gross)</b>	-0.87%	17.67%	39.66%	-20.50%
<b>Conc. Growth (Net)</b>	-1.05%	16.97%	38.96%	-21.20%
<b>S&amp;P 500</b>	6.20%	18.35%	28.65%	-7.10%

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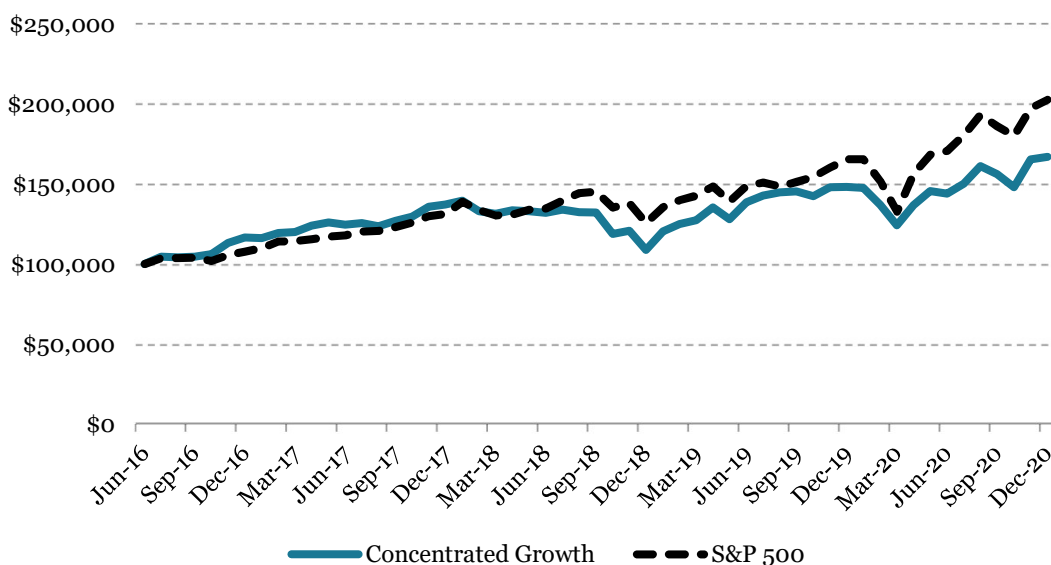
Charles Ruff, CFA  
Portfolio Manager

Characteristics	
<b>Beta</b>	2.5
<b>Turnover Ratio</b>	60%
<b>P/E Forward</b>	26.7x
<b>Avg. Weighted Mkt Cap</b>	\$158.2B
<b>Net Debt-to-EBITDA</b>	2.5
<b>Dividend Yield</b>	1.5%

Leaders (1Q21)		
<b>CVS Health Corp.</b>	CVS	10.9%
<b>Lockheed Martin</b>	LMT	4.9%
<b>Fiserv, Inc.</b>	FISV	4.6%
<b>Walt Disney Co.</b>	DIS	1.8%
<b>FMC Corporation</b>	FMC	(3.3%)

Laggards (1Q21)		
<b>Alexandria R/E</b>	ARE	(7.2%)
<b>T-Mobile US</b>	TMUS	(7.1%)
<b>Walmart Inc.</b>	WMT	(5.4%)
<b>Merck &amp; Co.</b>	MRK	(4.9%)
<b>Salesforce.com, inc.</b>	CRM	(4.8%)

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## Glossary:

### Effective Duration:

A calculation used to approximate the actual, modified duration of a callable bond. It considers that future interest rate changes will affect the expected cash flows for a callable bond.

### Credit Quality:

Informs investors of a bond or bond portfolio's creditworthiness or risk of default. A company or security's credit quality may also be known as its "bond rating."

### Yield:

The income returned on an investment, such as the interest received from holding a security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value.

The Strategic Fixed Income strategy offers a blended fixed income strategy. It seeks to produce income while maintaining downside protection.

	Strategic Fixed Income	Benchmark
Average Effective Duration	3.71	5.93
SEC Yield	1.8%	1.4%
Benchmark	Bloomberg Barclays US Aggregate Bond Index (AGG)	

## Fixed Income Style Box %

			Quality
			High
			Medium
			Low
	Limited	Moderate	Extended
	Duration		

Sector Breakdown	Weight (%)
Government	30.68
Municipal	0.17
Corporate	22.99
Securitized	29.49
Cash & Equivalents	13.51
Derivative	3.14

Credit Quality	Weight (%)
AAA	54.01
AA	2.08
A	4.9
BBB	11.3
BB	14.3
B	8.89
Below B	2.51
NR	2



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Informs investors of a bond or bond portfolio's creditworthiness or risk of default. A company or security's credit quality may also be known as its "bond rating."

### Yield:

The income returned on an investment, such as the interest received from holding a security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value.

The High Yield Strategy allocates to lower-quality fixed income in an effort to generate performance through both income and capital appreciation.

	High Yield	Benchmark
Average Effective Duration	4.76	3.52
SEC Yield	3.0%	4.0%
Benchmark	Bloomberg Barclays High Yield Very Liquid Index (JNK)	

## Fixed Income Style Box %

			High Medium Low	Quality
0	0	0		
0	0	0		
24	49	0		
Limited	Moderate	Extended	Duration	

Sector Breakdown	Weight (%)
Government	7.02
Municipal	0.01
Corporate	63.51
Securitized	7.21
Cash & Equivalents	8.48
Derivative	13.78

Credit Quality	Weight (%)
AAA	5.41
AA	1.21
A	3.08
BBB	10.64
BB	52.52
B	17.57
Below B	5.78
NR	3.79



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# ETF Strategies

## Why ETFs?

- Costs
  - ETFs typically have low expense ratios meaning the investor gets to keep more of their money
- Smart Asset Allocation
  - ETFs can provide diversification across numerous asset classes
- Tax Efficiency
  - Not subject to frequent capital gains taxes like mutual funds
- Low trading fees
  - Intra-day liquidity and free transactions on many platforms like TD, Schwab, E-Trade.

	Minimum	Strategy
Global Income	\$5,000	Targets a high level of income while offering the potential for capital appreciation.
Global Value	\$5,000	Seeks to provide exposure to international equities with a lower P/E multiple.

## Strategy Construction

The Global Income strategy seeks to take advantage of some of the high dividend yield opportunities offered by companies outside of the US.

The strategy seeks to improve diversification through an ETF structure. Additionally, exposure to foreign equities provides broad exposure to global equity market.

The Global Income strategy relies on liquid, well-established ETFs from some of the leading players in the ETF space (Fidelity, Blackrock, First Trust, VanEck).

The Global Income strategy is a proprietary strategy that utilizes globally diversified ETFs to seek a high level of income while maintaining the potential for appreciation.

## Portfolio Characteristics (03/31/2021)

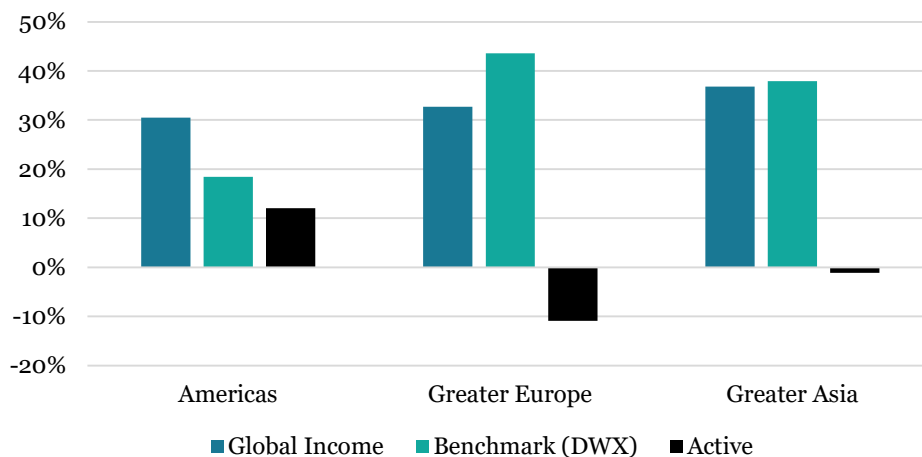
	Novem Global Income	Benchmark: S&P International Dividend Opportunities Index
Dividend Yield	3.6%	3.4%
P/E	12.9x	15.4x
Standard Deviation	16.1	15.9
Avg Mkt Cap (\$m)	\$19.5B	\$15.1B

## Portfolio Profile

Category	Global ETFs
Inception	1/1/2020
Holdings	5
Style	Global Equities
Benchmark	DWX
Minimum	\$5,000
Expense*	0.70%

\*Maximum Expense Ratio

## Equity Weighting by Region



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## Strategy Construction

The Global Value strategy seeks to own companies that are cheaper than their benchmark. Academic research suggests that cheaper securities will outperform over the long-run.

The strategy uses an ETF structure to improve diversification across the global equity market.

ETFs are tax efficient and also offer simplicity for foreign taxes and currencies.

The Global Value utilizes liquid, well-established ETFs from some of the leading players in the ETF space (Fidelity, Blackrock, First Trust, VanEck).

The Global Value strategy seeks to own companies that are cheaper than their benchmark based on various valuation metrics.

## Portfolio Characteristics (03/31/2021)

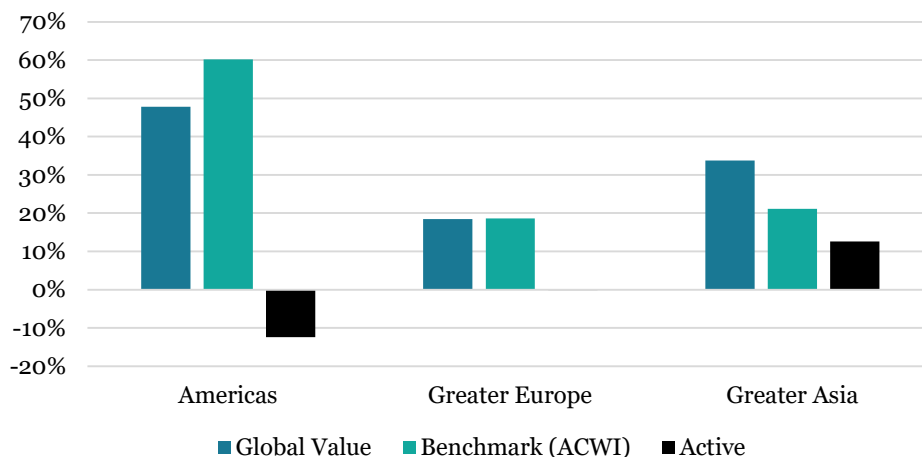
	Novem Global Value	Benchmark: MSCI All Cap World Index (ACWI)
Dividend Yield	2.35%	1.37%
P/E	15.9x	24.9x
Avg Mkt Cap (\$m)	\$6.1B	\$93.9B

## Portfolio Profile

Category	Global ETFs
Inception	1/1/2020
Holdings	5
Style	Global Equities
Benchmark	ACWI
Minimum	\$5,000
Expense*	0.70%

\*Maximum Expense Ratio

## Equity Weighting by Region



## Contact Us

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