

# NOVEM GROUP

## Equity & Fixed Income Strategies

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[www.novemgroup.com](http://www.novemgroup.com)

## Equity Strategies

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

## Fixed Income Strategies

Strategy Name	Return Potential	Volatility
Strategic Fixed Income	Balanced	Medium
High Yield	Aggressive	High
Municipal	Tax-Oriented	Medium

## 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.

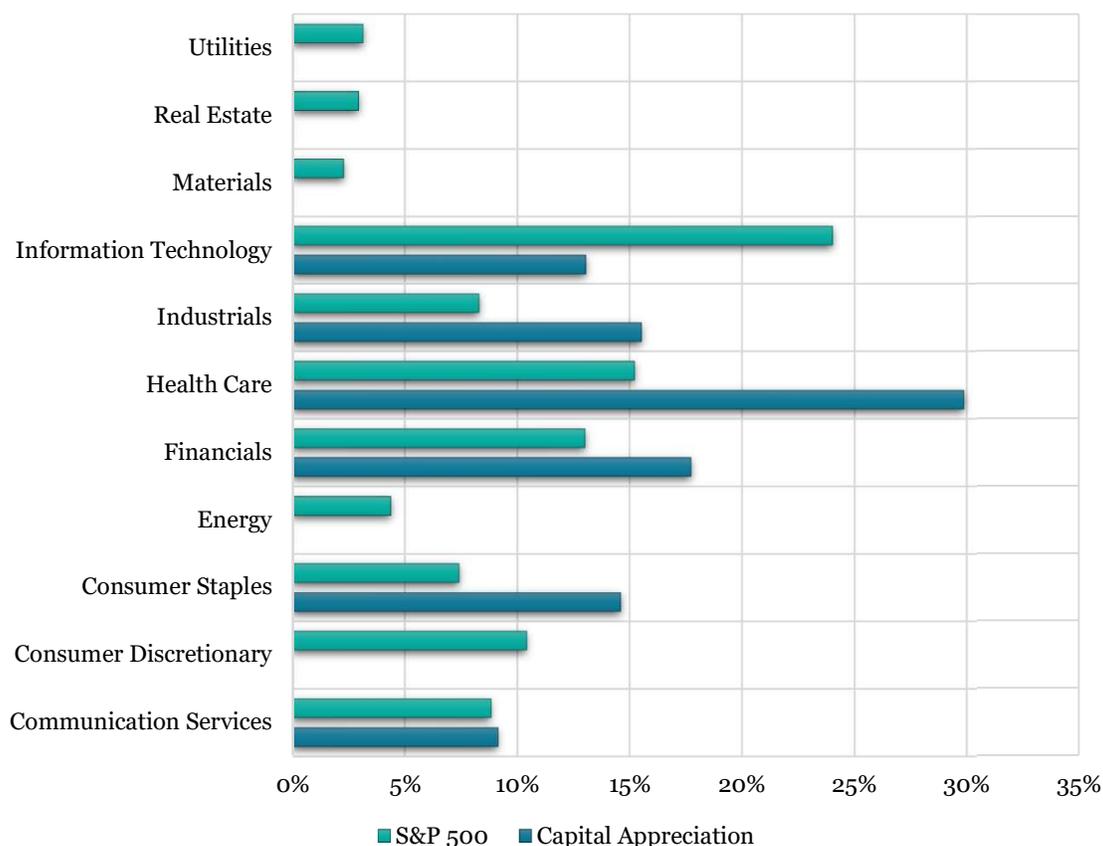
## Portfolio Profile

Category	Individual Equities
Inception	1/1/2016
Holdings	15
Style	Large Blend
Benchmark	S&P 500
Minimum	\$50,000
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 06/30/2022



## Performance

	YTD	2021	2020	2019
<b>Cap App(Gross)</b>	-10.54%	31.69%	8.29%	37.61%
<b>Cap App (Net)</b>	-10.89%	30.99%	7.59%	36.91%
<b>S&amp;P 500</b>	-19.92%	28.70%	18.35%	28.65%

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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.



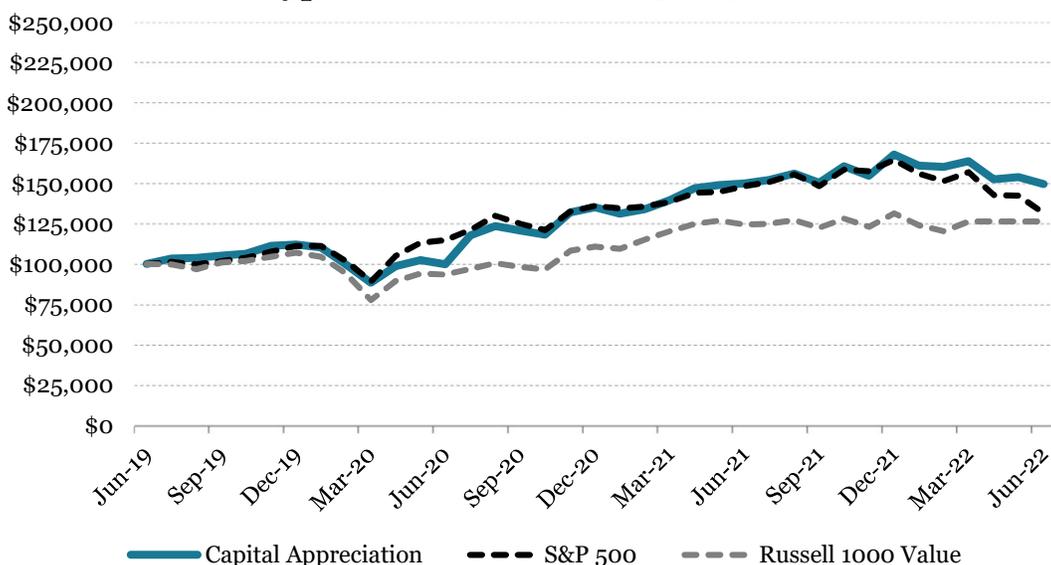
Charles Ruff, CFA  
Portfolio Manager

Characteristics	
<b>Beta</b>	0.81
<b>Turnover Ratio</b>	55%
<b>P/E Forward</b>	18.9x
<b>Avg. Weighted Mkt Cap</b>	\$278.1B
<b>Net Debt-to-EBITDA</b>	1.34
<b>Dividend Yield</b>	1.4%

Leaders (2Q22)		
<b>Dollar General</b>	DG	8.7%
<b>Northrop Grumman</b>	NOC	5.6%
<b>UnitedHealth Group</b>	UNH	0.6%
<b>Elevance Health</b>	ELV	(3.1%)
<b>Raytheon Technology</b>	RTX	(3.4%)

Laggards (2Q22)		
<b>Walt Disney Company</b>	DIS	(31.1%)
<b>Charles Schwab Corp</b>	SCHW	(24.1%)
<b>BlackRock, Inc</b>	BLK	(20.3%)
<b>Accenture plc</b>	ACN	(18.3%)
<b>Comcast Corporation</b>	CMCSA	(17.3%)

## Hypothetical Growth of \$100,000



Advisory services offered through Novem Group, an SEC-Registered Investment Adviser. The illustration shows a hypothetical growth of an initial investment of \$100,000. Model performance shows the reinvestment of dividends and does not consider capital gains taxes or commissions and fees. Performance is gross of advisor's fees, meaning the performance figures do not reflect the deduction of investment advisory fees. The return will be reduced by the advisory fees and any other expenses it may incur in the management of its advisory account. The adviser's maximum fee schedule is available in Novem Group's Form ADV Part 2A or upon request, and actual fees charged are within the client's Investment Advisory Contract and/or Advisory Services Agreement. For use in one-on-one presentations only. Past performance is not indicative of future results. No representation is made that any returns indicated will be achieved. This strategy involves risk and principal loss is possible. This performance calculation does not consider timing differences between the model portfolio selections and purchases made based on those selections by actual investors. Transaction fees, margin, and taxes will affect the actual outcomes for investors. Diversification does not assure a profit or protect against loss in a declining market. Small and medium capitalization companies tend to have limited liquidity and greater price volatility than large capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risks, as well as differences in accounting methods. These risks are greater for emerging markets.

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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.

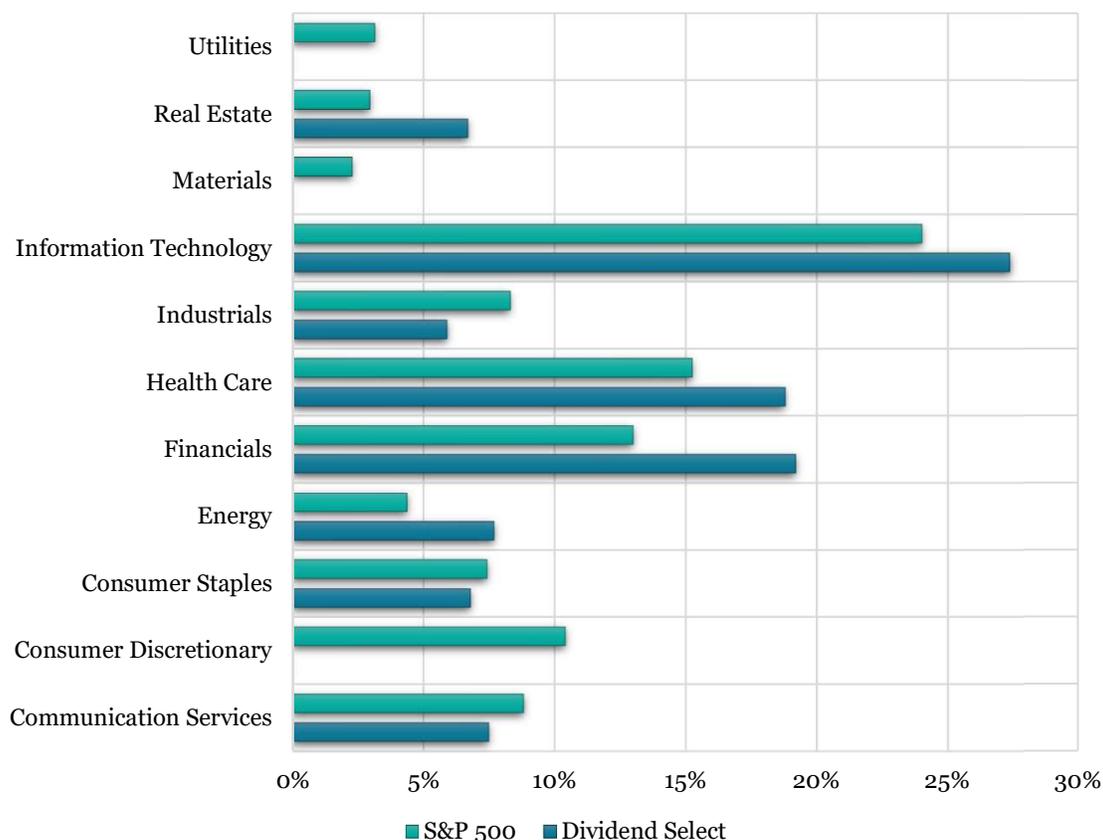
## Portfolio Profile

Category	Individual Equities
Inception	6/1/2016
Holdings	15
Style	Large Blend
Benchmark	S&P 500
Minimum	\$50,000
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 06/30/2022



## Performance

	YTD	2021	2020	2019
<b>Dividend Select (Gross)</b>	-13.34%	29.65%	0.86%	38.80%
<b>Dividend Select (Net)</b>	-13.69%	28.95%	0.16%	38.10%
<b>S&amp;P 500</b>	-19.92%	28.70%	18.35%	28.65%

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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.



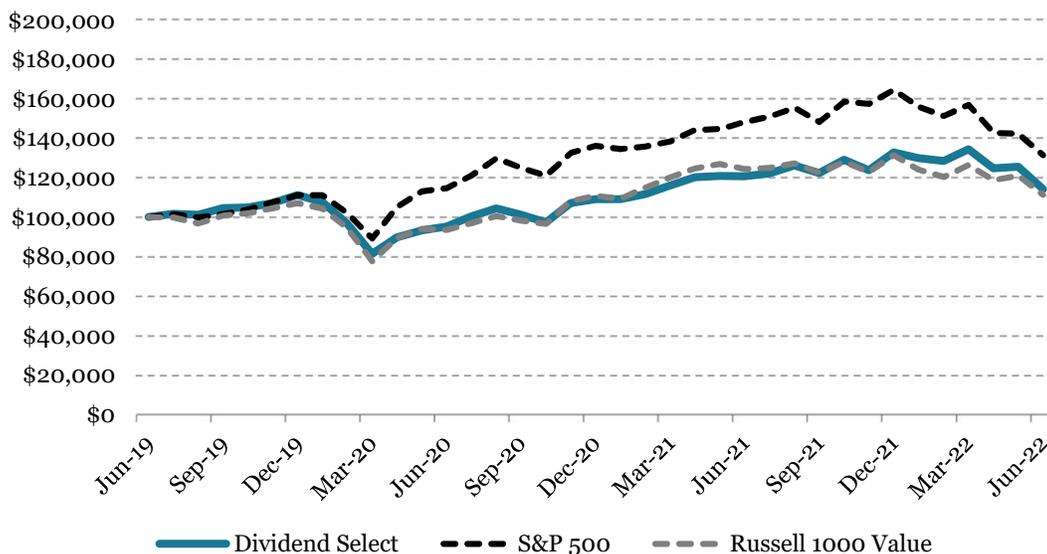
Charles Ruff, CFA  
Portfolio Manager

Characteristics	
<b>Beta</b>	0.79
<b>Turnover Ratio</b>	45%
<b>P/E Forward</b>	14.2X
<b>Avg. Weighted Mkt Cap</b>	\$283.8B
<b>Net Debt-to-EBITDA</b>	1.37
<b>Dividend Yield</b>	2.5%

Leaders (2Q22)		
<b>Merck &amp; Co.</b>	MRK	10.1%
<b>Perrigo Co. plc</b>	PRGO	6.6%
<b>General Dynamics</b>	GD	(0.7%)
<b>Allstate Corp</b>	ALL	(8.6%)
<b>ConocoPhillips</b>	COP	(9.6%)

Laggards (2Q22)		
<b>Prologis Inc.</b>	PLD	(28.5%)
<b>Johnson Controls</b>	JCI	(27.5%)
<b>Cisco Systems</b>	CSCO	(22.9%)
<b>Broadcom Inc.</b>	AVGO	(21.9%)
<b>Apple</b>	AAPL	(21.5%)

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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

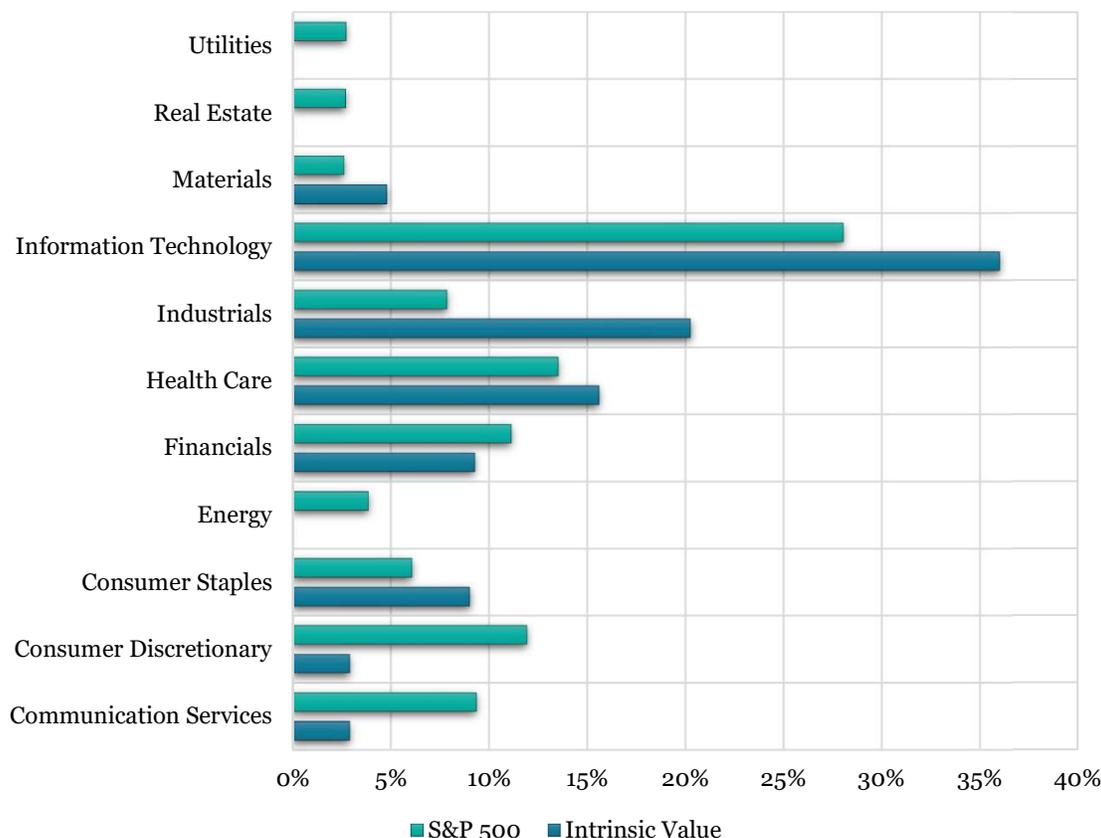
## Portfolio Profile

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 06/30/2022



## Performance

	YTD	2021	2020	2019
<b>Intrinsic Value (Gross)</b>	-23.85%	27.90%	24.22%	39.19%
<b>Intrinsic Value (Net)</b>	-24.20%	27.20%	23.52%	38.49%
<b>S&amp;P 500</b>	-19.92%	28.70%	18.35%	28.65%

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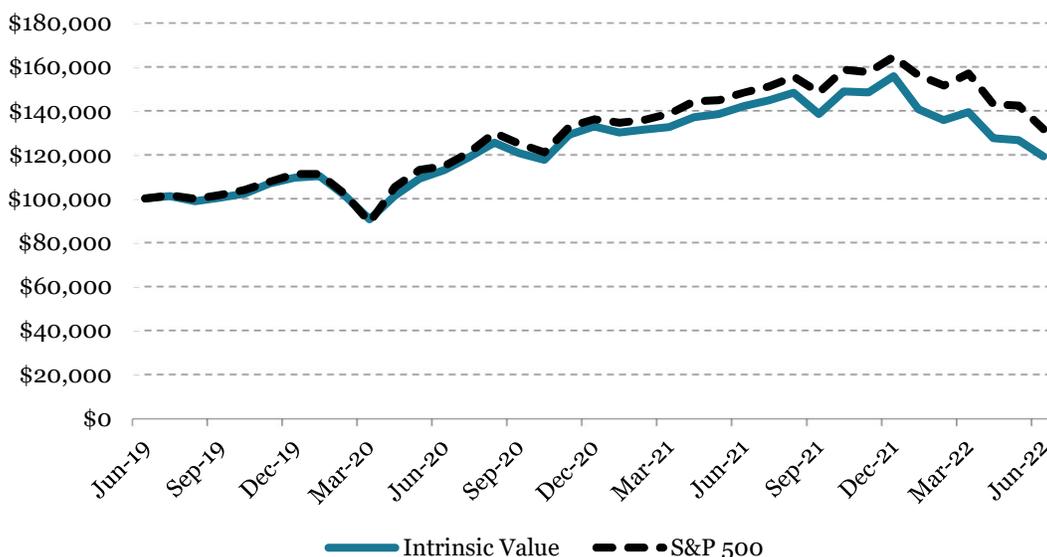
Charles Ruff, CFA  
Portfolio Manager

Characteristics	
<b>Beta</b>	1.02
<b>Turnover Ratio</b>	41%
<b>P/E Forward</b>	20.2x
<b>Avg. Weighted Mkt Cap</b>	\$158.9B
<b>Net Debt-to-EBITDA</b>	0.57
<b>Dividend Yield</b>	1.4%

Leaders (2Q22)		
<b>Monster Beverage</b>	MNST	12.84%
<b>Eli Lilly and Co.</b>	LLY	11.16%
<b>Merck &amp; Co.</b>	MRK	8.17%
<b>Waters Corp.</b>	WAT	7.26%
<b>Northrop Grumman</b>	NOC	4.09%

Laggards (2Q22)		
<b>Align Technology</b>	ALGN	(46.9%)
<b>NVIDIA Corp.</b>	NVDA	(43.2%)
<b>Gold Fields Limited</b>	GFI	(37.5%)
<b>IDEXX Laboratories</b>	IDXX	(36.6%)
<b>Southern Copper</b>	SCCO	(34.8%)

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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	3.89	6.78
SEC Yield	4.1%	2.9%
Benchmark	Bloomberg Barclays US Aggregate Bond Index (AGG)	

## Fixed Income Style Box %

			Quality
			High
			Medium
			Low
	Limited	Moderate	Extended
	Duration		

Sector Breakdown	Weight (%)
Government	41.08
Municipal	0.42
Corporate	26.42
Securitized	17.41
Cash & Equivalents	7.96
Derivative	6.7

Credit Quality	Weight (%)
AAA	51.81
AA	3.38
A	4.28
BBB	12.87
BB	20.31
B	3.07
Below B	4.3
NR	0



Charles Ruff, CFA  
Portfolio Manager

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### 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	4.12	4.15
SEC Yield	6.0%	8.1%
Benchmark	Bloomberg Barclays High Yield Very Liquid Index (JNK)	

## Fixed Income Style Box %

	0	0	0
	17	0	0
	36	36	0
	Limited	Moderate	Extended
	<b>Duration</b>		
			High
			Medium
			Low
			<b>Quality</b>

Sector Breakdown	Weight (%)
Government	6.21
Municipal	0.03
Corporate	71.94
Securitized	5.56
Cash & Equivalents	7.13
Derivative	9.13

Credit Quality	Weight (%)
AAA	9.32
AA	1.37
A	1.87
BBB	7.56
BB	55.29
B	18.67
Below B	4.88
NR	1.04



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Portfolio Manager

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## Glossary:

### Credit Quality:

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### Municipal Bond:

A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures. Municipal bonds are exempt from federal taxes and most state and local taxes, making them especially attractive to people in high income tax brackets.

### Tax-Equivalent Yield:

The tax-equivalent yield is the return that a taxable bond would need to equal the yield on a comparable tax-exempt municipal bond. The calculation is a tool that investors can use to compare the returns between a tax-free investment and a taxable alternative.

Tax-equivalent yield =  
interest rate ÷ (1 – tax rate)



Charles Ruff, CFA  
Portfolio Manager

Allocates to municipal bonds to generate tax advantaged income.

This strategy is not applicable to every investor or account type. Non-qualified accounts held by high-income clients are best positioned to benefit from municipal bonds' tax advantage.

	Municipal Fixed	Benchmark
Average Effective Duration	3.03	5.37
12-month SEC Yield	2.0%	2.8%
Benchmark	iShares Municipal ETF (MUB)	

## Fixed Income Style Box %

			Quality	
	High	44	25	0
	Medium	0	0	0
	Low	0	0	0
		Limited	Moderate	Extended
		Duration		

Sector Breakdown	Weight (%)
Government	0
Municipal	95.29
Corporate	0.32
Securitized	0
Cash & Equivalents	4.39
Derivative	0

Credit Quality	Weight (%)
AAA	25.50
AA	43.90
A	19.50
BBB	6.53
BB	2.75
B	0.34
Below B	0.00
NR	1.49

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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 (06/30/2022)

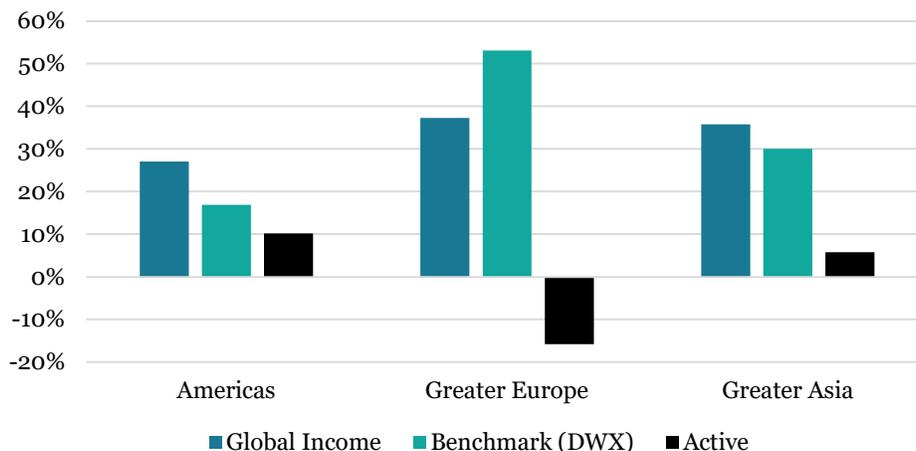
	Novem Global Income	Benchmark: S&P International Dividend Opportunities Index
Dividend Yield	4.8%	3.4%
P/E	10.8x	11.9x
Avg Mkt Cap (\$m)	\$11.4B	\$16.9B

## 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 (06/30/2022)

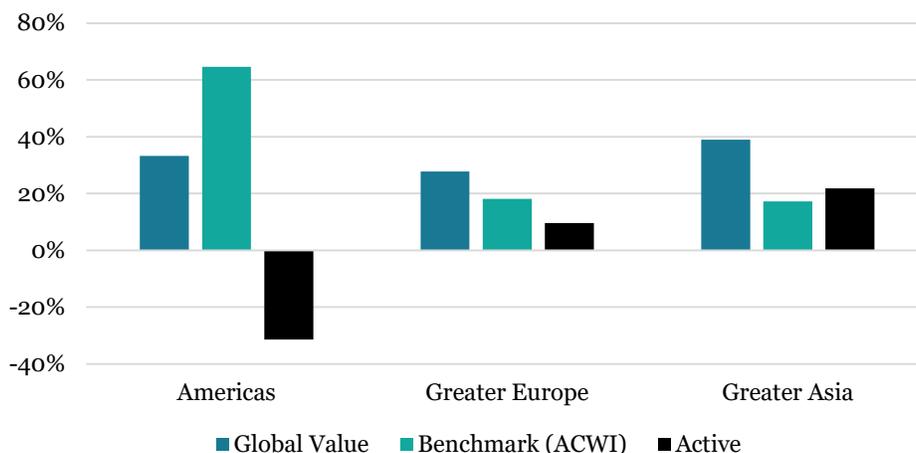
	Novem Global Value	Benchmark: MSCI All Cap World Index (ACWI)
Dividend Yield	2.1%	1.4%
P/E	10.1X	15.4X
Avg Mkt Cap (\$m)	\$5.6B	\$92.4B

## 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



Advisory services offered through Novem Group, an SEC-Registered Investment Adviser. The illustration shows a hypothetical growth of an initial investment of \$100,000. Model performance shows the reinvestment of dividends and does not consider capital gains taxes or commissions and fees. Performance is gross of advisor's fees, meaning the performance figures do not reflect the deduction of investment advisory fees. The return will be reduced by the advisory fees and any other expenses it may incur in the management of its advisory account. The adviser's maximum fee schedule is available in Novem Group's Form ADV Part 2A or upon request, and actual fees charged are within the client's Investment Advisory Contract and/or Advisory Services Agreement. For use in one-on-one presentations only. Past performance is not indicative of future results. No representation is made that any returns indicated will be achieved. This strategy involves risk and principal loss is possible. This performance calculation does not consider timing differences between the model portfolio selections and purchases made based on those selections by actual investors. Transaction fees, margin, and taxes will affect the actual outcomes for investors. Diversification does not assure a profit or protect against loss in a declining market. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs, unlike open-end investment companies. Investments in foreign securities involve greater volatility and political, economic and currency risks, as well as differences in accounting methods. These risks are greater for emerging markets.

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