

Value and Income Creation Portfolio

The Value and Income Creation Portfolio seeks to generate a prudent and consistent rate of return through a capital preservation total return strategy, being patient on the capital appreciation timeline of the underlying assets while more aggressively pursuing current income as steady and above-average cash flow distribution from the securities in the portfolio.

The investment objective is to preserve the long-term capital from the erosion caused by the combined forces of inflation and taxes. This may appear to be a modest goal, but over the long haul, it is a significant challenge, especially having two goals in mind: satisfying clients' current financial obligations through a dependable income flow, and their desire to transfer greater wealth to future generations.

A top-down and global macro approach drives portfolio constructions while a bottom-up selection process based on fundamental analysis determines security selection with no intent to replicate a benchmark nor its performance.

The investment philosophy is contrarian in nature and value oriented as the strategy seeks to spot securities that are depressed in price, out of favor within the investment community, and trading at a substantial discount to intrinsic value. Portfolio management emphasizes:

- *Balance Sheet Quality*
- *Competitive Advantages*
- *Free Cash Flow Generation*
- *Global Operations*
- *Sustainable Dividend Payout Ratios*
- *The Fundamental Strength of a Business Franchise*

These attributes help portfolio management identify the most attractive risk/reward propositions across all market capitalizations, although larger equity capitalization in excess of \$10 billion are more common.

The portfolio typically consists of 70 to 85 positions, between individual stocks (domestic and international) and bond ETFs. U.S. stocks tend to represent 35% of the allocation while international stocks or ADRs comprise about 25%; the remainder of the portfolio maximizes current income through high-yield exposure with short-term bond ETFs typically held to maturity to better control interest rate risk and guarantee liquidity for future repositioning.

Common stocks in portfolio will not represent the latest fad and will not follow the herd; in fact they rather represent the execution of the proprietary research and the selection process outlined, whose criteria target a solid double digit annual return comprised of dividend payments, stock repurchase programs and organic business growth. High-yield bond ETFs are also an important component of the portfolio as they further diversify the allocation in a different asset class, reducing the correlation of the returns, lowering the volatility of the whole portfolio, and allowing it to achieve the portfolio's ultimate goal of generating current income equal to at least 350 to 500 basis points greater than the Ten-Year Treasury Yield. As of 12/30/2020, 10-Year T-Note Annual Yield equals 0.93%.

Past performance is not a guarantee or indicator of future results. Please see the following page for a full disclosure.



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PORTFOLIO MANAGER & PRIVATE WEALTH ADVISOR

Massimo Paone is a Portfolio Manager & Global Private Wealth Advisor for Regal Investment Advisors – with fifteen years' experience in the industry as an investor and portfolio manager, Mr. Paone spent five years at Bank of America Merrill Lynch advising high net worth and ultra high net worth clients providing asset and liability management, financial and estate planning; he is an Accredited Wealth Management Advisor by the College for Financial Planning. Mr. Paone started his career at Ernst & Young and then completed an analyst program in debt capital markets at Unicredit Markets and Investment Banking before leaving to become a private equity investor and join a Family office of the Saudi Royal family as Vice President of the Arabian Gulf Fund. Mr. Paone speaks fluent English, Italian, Spanish and Portuguese; holds a BS in Economics from Bocconi University in Milan, Italy and an MBA in finance from Duke University, The Fuqua School of Business.

Top 10 Equity Holdings¹

(by % weight, as of 12/30/2020)

- | | |
|-------------------------|--------------------------|
| 1. Walt Disney Company | 6. Citigroup Inc. |
| 2. AbbVie Inc. | 7. Bank of America Corp. |
| 3. JPMorgan Chase & Co. | 8. PepsiCo, Inc. |
| 4. Starbucks Corp. | 9. Taiwan Semiconductor |
| 5. Caterpillar Inc. | 10. Phillips 66 |

High-Yield Bond ETF Portfolio Targets²

(as of 12/30/2020)

Yield to Maturity: 4.77%

Yield to Worst: 3.66%

Effective Duration: 2.41 Years

Distribution Rate: 4.50%

¹This is not a recommendation to buy or sell any security. There is no guarantee that these securities will be in any one client's account. It should not be assumed that these securities were profitable or will perform similarly in the future.

² These target metrics are representative of the current holdings of the High-Yield Bond ETF Strategy, which is a part of the VIC portfolio. Typically the portfolio weights are 35% US Equity, 25% International Equities ADRs and 39% bonds, 1% cash. Those three strategies make up the VIC portfolio; weights can be changed depending on the goals of the clients with the same securities, from 0-20% stocks to 80-100% bonds in a more "conservative" VIC to a more "ambitious" 70-80% stocks and 20% bonds.

*Portfolio allocation is subject to change and that allocation of a potential investor's portfolio may differ.

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