
ZACKS DIVIDEND STRATEGY

ZACKS INVESTMENT MANAGEMENT



HISTORY OF ZACKS INVESTMENT MANAGEMENT

Zacks Investment Research

- Founded in 1978 by Leonard Zacks, PhD in Mathematics, MIT
- Wall Street “Think Tank”
- Originated the concept of the EPS surprise
- Pioneer in earnings and earnings estimate revisions analysis
- Development of the Zacks Performance Rank, a time tested, proprietary stock-ranking model which is the core of the Zacks Investment Philosophy
- One of the largest independent equity research providers in U.S.

Zacks Investment Management

- Established in 1992
- Experienced portfolio management – same manager since inception in 1992
- Fundamental investing based on proprietary models
- Blend of quantitative and qualitative stock selection process
- Expertise in earnings and using earnings estimates in the investment process
- Every stock in the universe has a unique alpha-score
- Wholly owned subsidiary of our parent company, Zacks Investment Research

ZACKS INVESTMENT MANAGEMENT: FIRM OVERVIEW

Zacks Investment Management, a boutique wealth management firm founded in 1992, is a leading expert on earnings and using earnings estimates in the investment process. We are a wholly owned subsidiary of our parent company, Zacks Investment Research founded in 1978, one of the largest providers of independent research in the U.S.

In 1978, after receiving his Ph.D. from MIT, Len Zacks published a seminal article which first documented the value of using earnings estimate revisions to select stocks. A few years later we originated the concept of the EPS surprise which has now become widely used in the investment industry. This work led, in 1982, to the development of the Zacks Performance Rank, a proven, proprietary stock-ranking model which is the core of the Zacks Investment Philosophy. At Zacks, our litany of PhDs develop and refine our own proprietary quantitative models and review academic investment research each year in order to uncover new insights into making investment decisions.

Over the past 30 years, the core of our investment management process remains unchanged. The most important fundamental factor affecting stock prices is earnings. The changes in stock values, over time, have always been attributable to earnings. Our studies of analyst estimate revisions have proven to be the most powerful leading indicator in forecasting and predicting material changes in earnings. The end result is an active management approach that has generated exceptional results and we will continue to adhere to this discipline in all market cycles.

WHY DIVIDENDS MATTER

- **Significant Source of Total Return**

Dividends have accounted for nearly 40% of total return to equities since the 1930's

- **Low Relative Volatility**

Dividend paying stocks have historically had lower volatility compared to non-dividend paying stocks.

- **Favorable Tax Treatment**

Dividends are currently taxed at 20% on qualified dividends as opposed to ordinary income.

- **Downside Capture**

Dividend paying stocks offer downside protection during periods of market declines.



Market Scenarios

The case for dividend-paying stocks is particularly compelling considering the recent market climate and current expectations for the foreseeable future.

Slower Economic Growth – Protect yourself from limited price appreciation. Even in a slower economic growth environment dividend yielding stocks provide a more certain level of return as a cushion for volatile times.

Bond Market Concerns – Investor money has poured into fixed income markets causing prices to rise and depress yields. Dividend-paying stocks represent a way to diversify amongst income investments for protection.

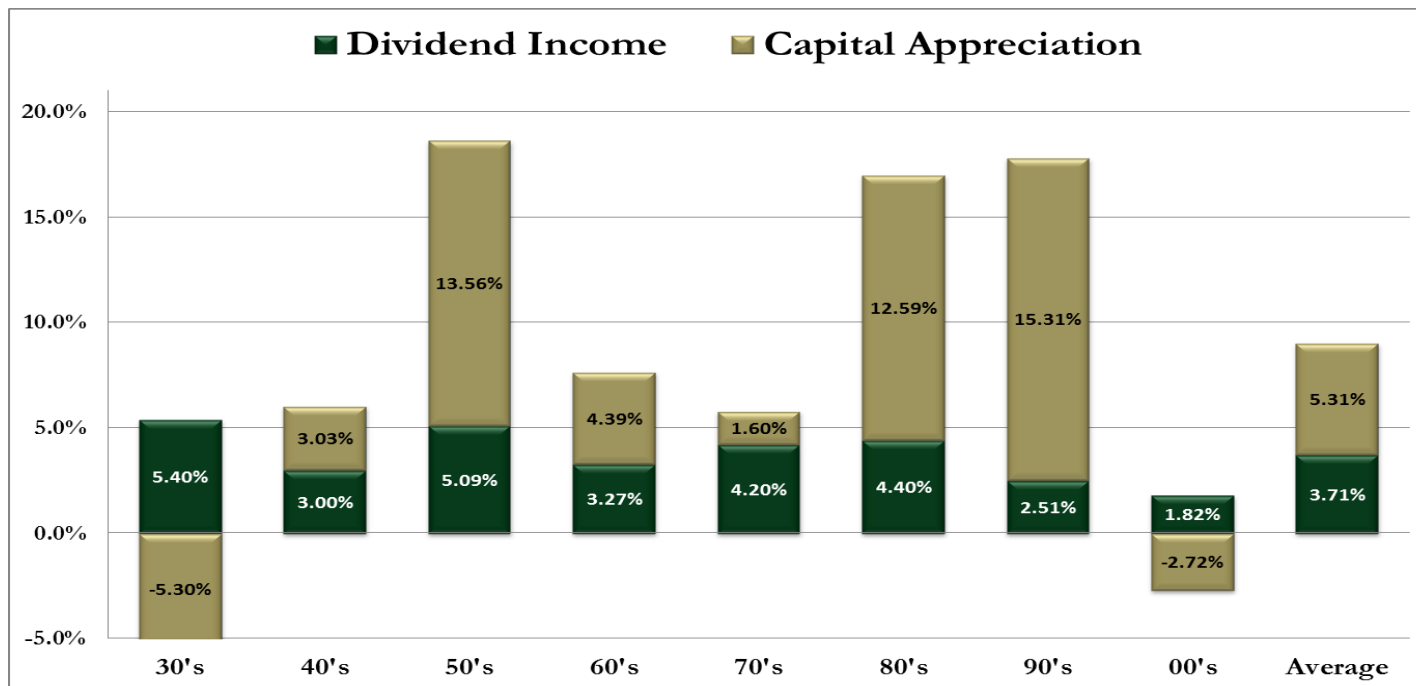
Search for Yield – Yields are becoming scarce in other asset classes as investor demand for yield increases

The above illustration represents \$100,000 invested on January 1, 1950 through December 31, 2016. The lite green line shows the growth of the investment assuming dividends were reinvested. The resulting value equals \$124,888,965. The dark green line represents the value of the investment assuming all dividends were taken in cash and not reinvested. The same \$100,000 investment results in an ending value of \$14,703,198

Source: Standard & Pools / Zacks Investment Research

DIVIDENDS CONTRIBUTE TO TOTAL RETURN AND TEMPER VOLATILITY

- Since the 1930's, dividends have contributed to nearly 40% of the stock market's total return
- Dividends can help lower volatility and offer downside protection during market declines



RETURN GRID

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Annualized Return	Standard Deviation
Commodities 16.23%	Treasuries 17.97%	Corp High Yield 58.21%	REITs 28.07%	Treasuries 15.59%	Large Value Stocks 17.51%	Large Growth Stocks 33.48%	REITS 32.00%	Large Growth Stocks 5.67%	Large Value Stocks 17.34%	Large Growth Stocks 8.33%	REITS 26.68%
Large Growth Stocks 11.81%	Bond Aggregate 5.24%	Large Growth Stocks 37.21%	Commodities 16.83%	Muni Bond 10.07%	REITS 17.12%	Large Value Stocks 32.53%	Large Value Stocks 13.45%	REITS 4.48%	Corp High Yield 17.13%	Corp High Yield 7.45%	Commodities 20.57%
Treasuries 10.20%	Cash 1.80%	REITs 28.46%	Large Growth Stocks 16.17%	REITs 9.37%	Corp High Yield 15.81%	Corp High Yield 7.44%	Large Growth Stocks 13.05%	Muni Bond 3.30%	Commodities 11.77%	Large Value Stocks 5.72%	Large Value Stocks 17.62%
Bond Aggregate 6.97%	Muni Bond -2.47%	Large Value Stocks 19.69%	Large Value Stocks 15.51%	Corp Investment Grade 8.15%	Large Growth Stocks 15.26%	REITS 1.22%	Muni Bond 9.05%	Treasuries 1.63%	Large Growth Stocks 7.08%	Corp Investment Grade 5.47%	Large Growth Stocks 16.53%
Cash 4.74%	Corp Investment Grade -4.94%	Commodities 18.91%	Corp High Yield 15.12%	Bond Aggregate 7.84%	Corp Investment Grade 9.82%	Cash 0.05%	Treasuries 9.00%	Bond Aggregate 0.55%	REITS 6.68%	Treasuries 5.40%	Corp High Yield 12.24%
Corp Investment Grade 4.56%	Corp High Yield -26.16%	Corp Investment Grade 18.68%	Treasuries 9.37%	Corp High Yield 4.98%	Muni Bond 6.78%	Corp Investment Grade -1.53%	Corp Investment Grade 7.46%	Cash 0.03%	Corp Investment Grade 6.11%	REITS 4.63%	Treasuries 7.79%
Muni Bond 3.36%	Commodities -35.65%	Muni Bond 12.91%	Corp Investment Grade 9.00%	Large Growth Stocks 2.64%	Bond Aggregate 4.21%	Bond Aggregate -2.02%	Bond Aggregate 5.97%	Corp Investment Grade -0.68%	Bond Aggregate 2.65%	Bond Aggregate 4.34%	Corp Investment Grade 6.11%
Corp High Yield 1.87%	Large Value Stocks -36.85%	Bond Aggregate 5.93%	Bond Aggregate 6.54%	Large Value Stocks 0.39%	Treasuries 4.16%	Muni Bond -2.55%	Corp High Yield 2.45%	Large Value Stocks -3.83%	Treasuries 1.05%	Muni Bond 4.25%	Muni Bond 4.39%
Large Value Stocks -0.17%	Large Growth Stocks -38.44%	Cash 0.16%	Muni Bond 2.38%	Cash 0.08%	Cash 0.07%	Treasuries -6.04%	Cash 0.03%	Corp High Yield -4.47%	Cash 0.27%	Cash 0.73%	Bond Aggregate 3.44%
REITs -17.55%	REITs -39.20%	Treasuries -6.03%	Cash 0.13%	Commodities -13.32%	Commodities -1.06%	Commodities -9.52%	Commodities -17.01%	Commodities -24.66%	Muni Bond 0.25%	Commodities -5.58%	Cash 0.72%

*As of 12/31/2016

Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not representative of any particular product.

Source: Zephyr Style Advisor

See important disclosure information at the end of this document.

ZACKS DIVIDEND METHODOLOGY

Objective

- The Zacks Dividend Strategy seeks to outperform the Russell 1000 Value Index with less risk than the S&P 500

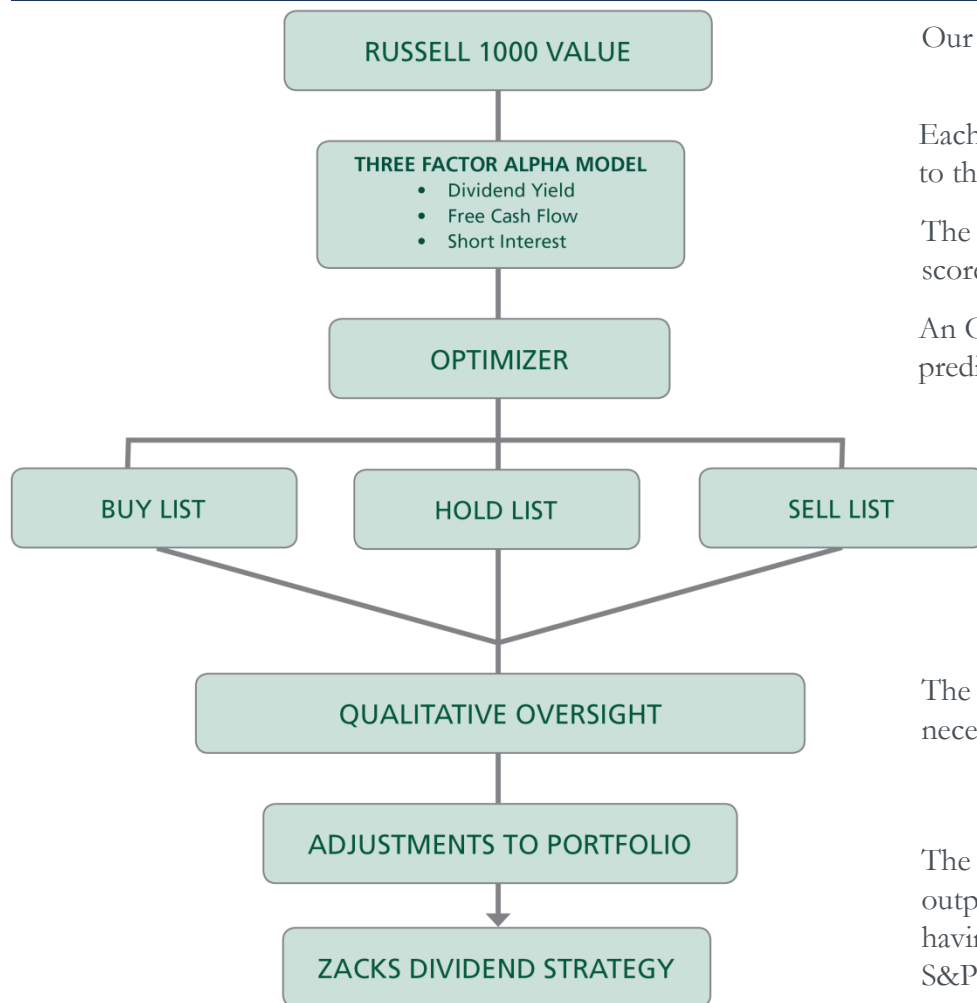
Ranking Companies

- Universe starts with the companies within the Russell 1000 Value index
- Multi-factor model assigns a score; 1-99 on a daily basis (based on three primary factors listed below). Score equates to overall expected alpha
- Buy and sell rules are implemented based on a company's overall alpha score and risk characteristics

Three Factor Alpha Model

- Dividend Yield: Compares the size, growth rate, and predictability of income relative to the market.
- Free Cash Flow: Relatively strong cash flows signal the dividend is sustainable
- Short Interest: Dividend paying securities with low levels of short interest have demonstrated lower volatility over time. Low levels of short interest also indicates a sustainable dividend.

ZACKS DIVIDEND STRATEGY PROCESS



Our investable universe begins with the Russell 1000 Value Index.

Each company within our universe receives three separate scores relative to their peers for each factor in our 3-factor, proprietary alpha model.

The three scores for each company are combined to assign a 1-99 alpha score to each company in our universe.

An Optimizer is then used to maximize predicted return, while reducing predicted risk.

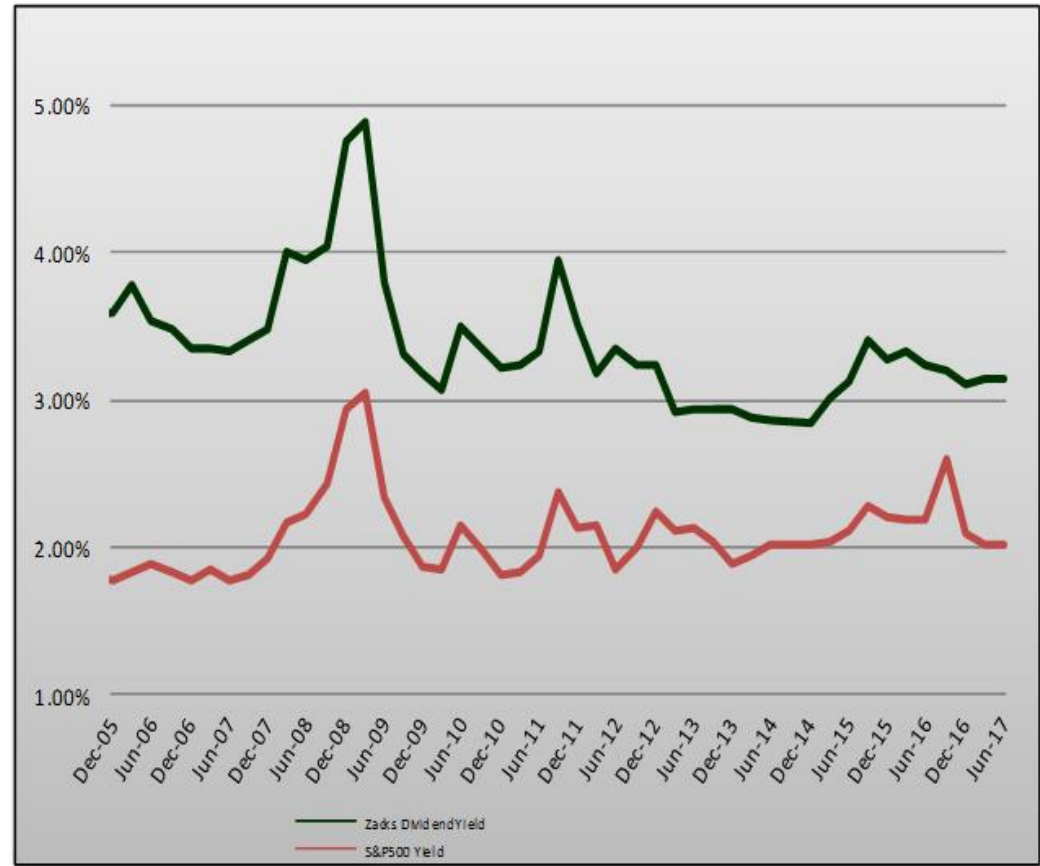
A buy, sell, hold list is created for the current portfolio

The portfolio managers review the buy/sell/hold lists and makes necessary adjustments in the portfolio.

The Zacks Dividend Strategy seeks to outperform the Russell 1000 Value Index while having a significantly higher dividend yield as the S&P 500 Index.

ZACKS DIVIDEND STRATEGY: HISTORICAL YIELD

		Q1	Q2	Q3	Q4
2005	Zacks Dividend Yield	3.50%	3.83%	3.57%	3.60%
	S&P 500 Yield	1.78%	1.81%	1.81%	1.77%
2006	Zacks Dividend Yield	3.77%	3.53%	3.47%	3.35%
	S&P 500 Yield	1.82%	1.89%	1.83%	1.77%
2007	Zacks Dividend Yield	3.34%	3.33%	3.40%	3.48%
	S&P 500 Yield	1.85%	1.78%	1.81%	1.93%
2008	Zacks Dividend Yield	4.00%	3.94%	4.04%	4.76%
	S&P 500 Yield	2.16%	2.22%	2.42%	2.94%
2009	Zacks Dividend Yield	4.89%	3.79%	3.31%	3.18%
	S&P 500 Yield	3.05%	2.33%	2.07%	1.86%
2010	Zacks Dividend Yield	3.06%	3.50%	3.34%	3.22%
	S&P 500 Yield	1.85%	2.15%	1.98%	1.81%
2011	Zacks Dividend Yield	3.24%	3.32%	3.94%	3.52%
	S&P 500	1.82%	1.95%	2.38%	2.12%
2012	Zacks Dividend Yield	3.17%	3.35%	3.23%	3.23%
	S&P 500	2.14%	1.84%	1.99%	2.24%
2013	Zacks Dividend Yield	2.91%	2.93%	2.94%	2.94%
	S&P 500	2.11%	2.13%	2.03%	1.89%
2014	Zacks Dividend Yield	2.87%	2.87%	2.92%	2.84%
	S&P 500	1.94%	1.94%	2.04%	2.01%
2015	Zacks Dividend Yield	3.01%	3.12%	3.40%	3.27%
	S&P 500	2.03%	2.11%	2.27%	2.20%
2016	Zacks Dividend Yield	3.32%	3.24%	3.20%	3.11%
	S&P 500	2.18%	2.18%	2.60%	2.10%
2017	Zacks Dividend Yield	3.15%	3.14%		
	S&P 500	2.02%	2.02%		



Portfolio Characteristics

Zacks Dividend Strategy



Sector Breakdown

Zacks Dividend Strategy

(as of June 30, 2017)

Source: Russell

Sector	Zacks Dividend	R1000 Value	Difference
Technology	10.28%	7.50%	2.78%
Health Care	12.81%	14.15%	-1.34%
Consumer Discretionary and Services	6.65%	8.24%	-1.59%
Consumer Staples	10.59%	8.14%	2.45%
Energy	8.45%	10.53%	-2.08%
Materials and Processing	2.12%	3.08%	-0.96%
Producer Durables	10.98%	8.45%	2.53%
Financial Services	30.81%	30.79%	0.02%
Utilities	7.31%	9.12%	-1.81%

Portfolio Statistics

Zacks Dividend Strategy

(as of June 30, 2017)

	Zacks Dividend	Russell 1000 Value
Price/Earnings	16.70	18.65
Price/Book	2.50	2.05
Dividend Yield	3.14%	2.44%
Number of Holdings	61	719
Turnover	16.00%	N/A

Top Holdings

Zacks Dividend Strategy

(as of June 30, 2017)

Ticker	Company	Weight
JPM	JP MORGAN CHASE & CO.	3.64%
MRK	MERCK & CO	3.10%
JNJ	JOHNSON & JOHNSON	3.02%
PFE	PFIZER INC.	2.72%
MSFT	MICROSOFT	2.69%
WFC	WELLS FARGO	2.65%
PG	PROCTER & GAMBLE	2.54%
PM	PHILIP MORRIS	2.51%
T	AT&T INC.	2.51%
CSCO	CISCO SYSTEMS	2.47%
HD	HOME DEPOT	2.46%
XOM	EXXON MOBIL CORP	2.46%
WMT	WAL-MART	2.40%
GE	GENERAL ELECTRIC	2.28%
PLD	PROLOGIS INC	2.23%
PRU	PRUDENTIAL FINANCIAL	2.11%
MO	ALTRIA GROUP	2.07%
ETN	EATON CORP	2.04%
VZ	VERIZON	1.98%
CCI	CROWN CASTLE	1.96%

DISCLOSURE Past Performance is not indicative of future results. Inherent in any investment is the potential for loss. The portfolio characteristics for the Dividend Strategy are as of 6/30/2017 for a representative account. The reader should not assume that the investments identified and discussed were or will be profitable. All information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell securities. The Russell 1000 Value Index is a well-known, unmanaged index of the prices of 1000 large-company growth common stocks selected by Russell. The Russell 1000 Value Index assumes reinvestment of dividends but does not reflect advisory fees. An investor cannot invest directly in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

THE ADVANTAGES OF MANAGED ACCOUNTS

Managed accounts are growing increasingly popular as more investors recognize their appeal: the advantage of professional money management, the tax benefits of direct ownership of securities, and the ability to construct a portfolio tailored to your particular objective.

Managed Accounts are ideal for investors with:

- A minimum of \$100,000 to invest
- A desire for more personalized investment management
- Long term investment goals
- Recent liquidation of assets

To better illustrate the advantages of Managed Accounts versus Mutual Funds and ETF's ownership, please refer to the chart below.

	Managed Accounts	Mutual Funds	ETF's
Active Professional Money Management	✓	✓	
Ownership of Underlying Securities	✓		
Transparency (all fees and holdings are visible)	✓		
Tax Efficiency (ability to harvest tax gains/losses)	✓		
Customization (restrict certain stocks or sectors)	✓		
Liquidity (access to your investment)	✓	✓	✓
Fully Invested	✓		✓

PORTFOLIO MANAGEMENT TEAM

Mitch Zacks, MBA – Senior Portfolio Manager

Mitch Zacks is the firm's primary expert on quantitative investing. Mitch has written two books on quantitative investment strategies, *Ahead Of The Market* and *The Little Book of Stock Market Profits: The Best Strategies of All Time Made Better*, one of the top selling investment books at that time. Mitch has been with Zacks Investment management for 19 years. Mitch has been featured in various business media including the Chicago Tribune and CNBC and wrote a weekly column for the Chicago Sun-Times. Prior to joining Zacks, Mitch was an investment banking analyst with Lazard Frères in New York. He has a B.A. in Economics from Yale University and an MBA in Analytic Finance from the University of Chicago.

Ben Zacks, Senior Portfolio Manager

Ben is the core of our investment team. He is our Senior Strategist and Portfolio Manager whose prescient market calls have earned him the respect of his clients and his peers. Ben, who is a nationally known expert on corporate earnings, was a co-founder of our parent company, Zacks Investment Research in 1978, and prior to that was with Merrill Lynch. Ben has been featured extensively in the financial media including CNBC, CNN, and CNNfn, and quoted frequently in The Wall Street Journal, The New York Times, The Chicago Tribune, Financial World, Smart Money and Worth magazines. Ben earned his B.A. in Economics from Boston University.

PORTFOLIO MANAGEMENT TEAM

Prasanth Sankar, PhD - Assistant Portfolio Manager

Prasanth works as the Portfolio Manager to the strategy and quantitative analyst and model developer. He is responsible for developing and implementing new quantitative models and improving models used in existing portfolios. Prasanth has a PhD in Theoretical Physics from the University of Illinois at Urbana-Champaign and a Bachelors degree from the Indian Institute of Technology.

Atanu Ghosh, CFA - Assistant Portfolio Manager

Atanu Ghosh has over seven years of finance experience serving as a quantitative and fundamental research analyst and an equity portfolio manager. Atanu develops quantitative models that we utilize in the management of our investment strategies, and is constantly following industry trends and research to ensure that we are always on the cutting edge when it comes to portfolio management. Furthermore, Atanu is consistently refining and improving our investment models as we adapt to changing market environments. Prior to joining Zacks, Atanu was a Senior Research Analyst at Fiduciary Asset Management on their large cap core and quantitative strategy teams. Atanu received his MBA from Washington University, St. Louis and his B.A. in Computer Science from Jadavpur University, Calcutta, India.

Tony Zhang, PhD, MBA, CFA - Assistant Portfolio Manager

Tony is a quantitative analyst at Zacks Investment Management in Chicago, IL. His primary research interests relate to the use of massive financial data in markets, portfolio management, and investment strategies. Tony has a PhD in Electrical and Computer Engineering from University of Minnesota, Twin Cities. He earned his MBA with honors from the Booth School of Business at the University of Chicago with a concentration in analytical finance. Prior to joining Zacks Investment Management, he was a Visiting Research Assistant Professor of State University of New York at Binghamton, and a research scientist at Lemko Corporation.

DISCLOSURE

Past performance is no guarantee of future results. All Investments carry a certain amount of risk.

This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date of herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole.

There is no assurance that a separately managed account will achieve its investment objective. Separately managed accounts are subject to market risk, which is the possibility that the market values of securities owned will decline and that the value of the securities may therefore be less than what you paid for them. Accordingly, you can lose money investing in a separately managed account.

DISCLOSURE

Index Disclosure:

Large Value Stocks are represented by the Russell 1000 Value Index which measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Large Growth Stocks are represented by the Russell 1000 Growth Index, which measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Bond Aggregate is represented by the Barclays Capital U.S. Aggregate Bond Index, which covers the USD-denominated, investment-grade, fixed-rate, taxable bond market. The index includes government and corporate securities, mortgage-backed securities, and asset-backed securities, with maturities of at least one year.

REITs are represented by the Wilshire U.S. REIT Index, which measures U.S. publicly traded Real Estate Investment Trusts.

Cash is represented by the Citigroup 3-month T-Bill Index, and index of three-month Treasury Bills

Treasuries are represented by the Barclays Capital U.S. Treasury Index which is comprised of U.S. Treasury with a remaining maturity of at least one year.

Corp Investment Grade is represented by the Barclays Capital U.S. Corporate Investment-Grade Index, which tracks the performance of publicly issued, USD-denominated, fixed-rate, investment-grade corporate debt.

Corp High Yield is represented by the Barclays Capital U.S. Corporate High Yield Index, which tracks the performance of publicly issued, USD-denominated, fixed-rate, below investment-grade corporate debt.

Muni Bond is represented by the Barclays Capital Municipal Bond index which is a market value weighted index designed for the long-term, tax-exempt bond market.

Commodities are represented by the Dow UBS Commodity Index which is a diversified benchmark that track the commodity futures market. It is composed of futures contracts on 19 physical commodities.