



# LARGE CAP DIVIDEND GROWTH

1<sup>ST</sup> QUARTER 2019

CAMPBELL NEWMAN

## DIFFERENTIATORS:

- Earnings growth drives stock prices and a company's dividend policy is tangible evidence of management's confidence in future earnings growth
- Returns are enhanced by valuation methodology and sell discipline

## PORTFOLIO CONSTRUCTION

- High conviction portfolio of 25 to 35 holdings
- Initiate positions at approximately 2%, depending upon cash levels
- No minimum threshold for sector weightings
- Cash is a residual of bottom-up research process

## SELL DISCIPLINE

- Dividend not increased or cut
- Achieves 90% of 20-year high valuation
  - 1/3 of the position must be sold
  - Re-validate the total return hurdle rate for the next 18 months
- Achieves price target
- Bond rating falls below investment grade
- Fundamental deterioration

## REPRESENTATIVE HOLDINGS

(10 Largest Holdings as of 3/31/19)

Cisco Systems, Inc.	5.0%
American Tower Corp.	4.9
Microsoft Corp.	4.6
Analog Devices, Inc.	4.4
Becton, Dickinson & Co.	4.3
UnitedHealth Group	4.2
JP Morgan Chase & Co.	4.1
Texas Instruments, Inc.	4.0
Lowe's Companies, Inc.	3.7
Visa, Inc.	3.7

## PERFORMANCE HISTORY

(CUMULATIVE RETURNS)	DIVIDEND GROWTH (GROSS)	DIVIDEND GROWTH (NET)	S&P 500
Bull Market (3Q 2003-2007)	85.05%	80.29%	63.62%
Bear Market (2008)	-26.45	-26.88	-37.00
Speculative (2009)	21.73	21.17	26.46
Bull Market (2010-1Q 2019)	205.21	195.14	208.27
Market Cycle (3Q 2003-1Q 2019)	405.69	371.48	301.88

## RISK RETURN STATISTICS

INCEPTION TO 3/31/19*	DIVIDEND GROWTH	S&P 500
Annualized Excess Return (Gross)	1.61%	
Annualized Excess Return (Net)	1.12%	
Alpha	2.67%	
Beta	0.86	
Upside Capture	93.63%	
Downside Capture	83.54%	
Sharpe Ratio	0.79	0.59
Standard Deviation	12.12%	13.41%

Source: Zephyr

## PORTFOLIO STATISTICS

	DIVIDEND GROWTH	S&P 500
Number of Securities	32	505
1 Year Turnover	13.0%	
Weighted Avg. Market Capitalization	\$184.1 Bil	\$233.1 Bil
Median Market Capitalization	\$107.7 Bil	\$21.7 Bil
3-5 Yr. Avg. Projected EPS Growth	10.8%	11.3%
Avg. Annual 5-Year EPS Growth Rate	15.1%	16.4%
Avg. 4 Qtr. Return on Equity	24.9%	18.1%
Avg. Price Earnings Ratio:		
2019 Estimate	17.6x	16.8x
2020 Estimate	15.6x	15.1x
Avg. Dividend Increase Trailing 4 Qtrs.	15.8%	9.3%
Avg. Current Yield	2.2%	1.9%

Source: Zacks Investment Research

\*Inception: 6/30/03



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## PERFORMANCE HISTORY

	1Q19	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION TO 3/31/19*
Large Cap Dividend Growth (Gross)	14.02%	8.27%	14.43%	11.10%	15.30%	10.84%
Large Cap Dividend Growth (Net)	13.90	7.80	13.96	10.67	14.88	10.35
S&P 500	13.65	9.50	13.51	10.91	15.92	9.23

## FIRM INFORMATION

- Year Founded: 1977
- 100% Employee Owned
- Total Assets Under Advisement: \$1,020 million
  - Assets Under Management: \$667 million
  - Model SMA/UMA Assets<sup>1</sup>: \$353 million
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## PORTFOLIO TEAM

Thomas H. Bolgert, CFA

- 34 Years Investment Experience
- On Product Since Inception (2003)

Mary C. Brown, CFA

- 32 Years Investment Experience
- On Product Since Inception (2003)

Rimas M. Milaitis

- 32 Years Investment Experience
- On Product 14 Years (2005)

\*Inception: 6/30/03

Returns greater than 1 year are annualized.

<sup>1</sup>Campbell Newman has entered into several model portfolio arrangements whereby third party investment advisers are provided Campbell Newman's investment models to implement when managing their clients' assets. These assets are excluded from our GIPS Firm AUM. These assets are estimates.

## LARGE CAP DIVIDEND GROWTH COMPOSITE PERFORMANCE NOTES:

Campbell Newman Asset Management, Inc., formerly Campbell, Newman, Pottinger and Associates, Inc., is a privately held, independent investment adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level of skill or training. The firm offers advisory services under equity strategies to taxable and tax-exempt clients. The large cap dividend growth composite, formerly the dividend growth equity composite, is comprised of tax-exempt portfolios that have a market value greater than or equal to \$200,000 and holdings that are primarily dividend paying growth stocks and cash. Beginning 7/1/09, the criteria used to determine fully discretionary portfolios was amended to include maximum position and cash size of 5% and maximum ADR's of 10%. The composite name changed 04/01/2009. For comparison purposes, the large cap dividend growth composite is shown against the S&P 500 Index®. The S&P 500 Index® measures performance of approximately 500 large cap companies. The S&P 500® focuses on the large cap segment of the market, with approximately 80% coverage of the U. S. equities. (Source: <http://www.spindices.com>). Indexes are unmanaged. It is not possible to invest directly in an index. All returns presented are calculated using U.S. dollars. Performance results include the reinvestment of all income. Returns are presented gross and net of management fees. Returns reflect the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid or actually paid, other than custodial fees. In most instances, returns must be shown net of fees. Net of fees performance is calculated using actual management fees. Past performance is not indicative of future results. To receive a complete list of Campbell Newman Asset Management Inc.'s composite descriptions and/or a presentation that adheres to the Global Investment Performance Standards (GIPS®), contact: CN Marketing, 330 East Kilbourn Avenue, Suite 1125, Milwaukee, WI 53202, Telephone: 414-908-6670. Campbell Newman Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®).