

International ADR Dividend Income Strategy

Portfolio and Economic Commentary – 1st Quarter 2017





INTERNATIONAL ADR DIVIDEND INCOME STRATEGY COMMENTARY

As value investors, we constantly focus on our duty to protect the principal of our investments even as we look for ways to grow them over time as well. As economists, we remain alert to trends taking place in the larger global economy. As analysts, we seek to invest in securities priced with a margin of safety in order to account for their near term volatility and our uncertainty about what the future holds. With this in mind, we look for opportunities in three specific categories: classic value, persistent earners, and distressed or contrarian.

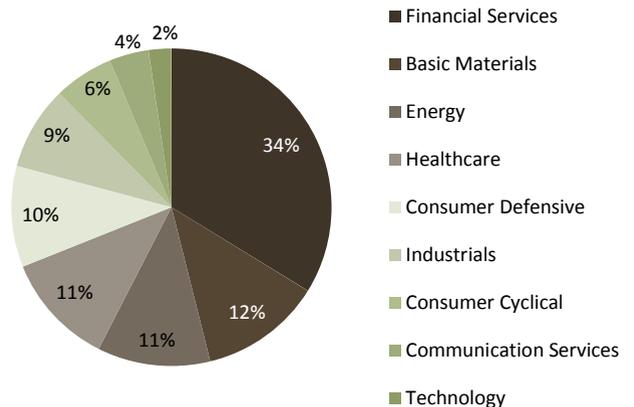
Classic value stocks sell at attractive valuations and provide above-average dividend yields and growth. Persistent earners are companies which have steady and predictable earnings and that are selling below their historic valuation. The distressed/contrarian category refers to stocks that are out of favor due to what we perceive to be temporary factors and are likely to appreciate substantially as the temporarily distressing factor recedes. Typically the distressed category is the smallest in the portfolio.

PERFORMANCE COMMENTARY

The International ADR Dividend Income strategy had both positive absolute and relative performance returning 7.23% for the quarter. The MSCI EAFE Value index was higher by 6.05% while the S&P Int'l Dividend Opportunities index gained 6.19%. Since its inception on June 1, 2010, the strategy has produced annualized returns of 5.58% versus 4.04% for the S&P Int'l Dividend Opportunities and 6.28% for the MSCI EAFE Value indices respectively. Since its inception, the strategy has produced alpha against the MSCI EAFE Value index due to its significantly lower beta.

Our sector allocations detracted from relative performance while our stock selection had a positive impact during the quarter versus the EAFE Value index. The consumer defensive, communication services, healthcare and industrials sectors attributed the greatest portion to relative performance while energy, financial services and basic materials were the largest detractors. Going forward, we believe we will find more value amongst international issues than U.S. companies while expecting the energy and basic materials sectors to be continued benefactors of global economic stabilization. The top performers for the quarter were POSCO (22.7%), Unilever (22.0%), Telefonica (21.6%), British American Tobacco (20.5%) and Banco Santander (18.4%) while the bottom performers were Transocean (-15.5%), EnSCO (-7.8%), Toyota (-7.3%), Aegon (-7.2%) and BP (-6.0%).

Sector Allocation (Morningstar)



Top Ten Holdings

Weight

Lloyds Banking Group	4.19%
HSBC Holdings	4.12%
Barclays	3.87%
Lazard LTD	2.64%
Posco	2.35%
Taiwan Semiconductor	2.30%
Siemens	2.29%
Banco Santander	2.29%
Daimler	2.20%
BNP Paribas	2.18%



DISCLOSURES

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The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. The S&P 500[®] Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Index is adjusted for dividends, weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. The Russell 1000 Value Index is an unmanaged index commonly used as a benchmark to measure value manager performance and characteristics. The Dow Jones U.S. Select Dividend Index is an unmanaged index commonly used as a benchmark to measure dividend manager performance and characteristics. The Russell 2000 Index, the Russell 2000 Growth Index, and the Russell 2000 Value Index are unmanaged indices commonly used as benchmarks to measure small cap manager performance and characteristics. The MSCI EAFE[®] Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The Barclays Capital U.S. Aggregate Bond Index and Bank of America Merrill Lynch US High Yield Master II Total Return Index are unmanaged indices that are commonly used as benchmarks to measure fixed income performance and characteristics. Index performance returns do not reflect any management fees, transaction costs or expenses. Investments cannot be made directly in an index. **Investments made with Altrius Capital Management, Inc. are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested. Past performance is not a guarantee of future returns.**