

# Tax-Advantaged Income



## INVESTMENT OBJECTIVE

MRM's Tax-Advantaged Income strategy invests in US stocks listed on the NYSE, ASE and OTC markets, seeking to maximize income while having potential for capital appreciation. Using a quantitative, bottom-up investment process, the methodology focuses on identifying stocks that have a consistent record of paying dividends and the ability to sustain their dividend payments. The strategy invests in up to the top-ranked 20 stocks that meet the criteria, approximately equal-weighted with diversification between companies and sectors, with no exposure to REITs.

## FEATURES & BENEFITS

- Seeks to provide predictable and relatively high return compared to the decreasing income levels of many asset classes during this period of low interest rates
- Low portfolio turnover results in more tax-efficient income
- When the bulk of a stock's return is based on dividends, management discipline tends to increase and price volatility tends to decrease
- Regular portfolio reviews to identify change and adjust, as necessary
- Suitable for long term investment

## FIRM BACKGROUND

Since commencing operations in 1988, MRM has adhered to a consistent philosophy of managing portfolios for long-term growth and preservation of clients' core wealth. We have maintained unwavering focus on the broad spectrum of markets.

## SECTOR ALLOCATION & DIVIDEND PAYMENTS (09/18)

Sector	%	Holding*	# of Years Dividend Paid
Energy	34%	CATERPILLAR INC	56
Technology	20%	INTERNATIONAL BUSINESS MACHS	56
Consumer Defensive	15%	COCA COLA CO	56
Communication	10%	EXXON MOBIL CORP	56
Healthcare	10%	MERCK & CO INC	48
Consumer Cyclical	5%	PROCTOR & GAMBLE	48
Industrials	5%		

Source: Yahoo Finance.

\* Top six holdings

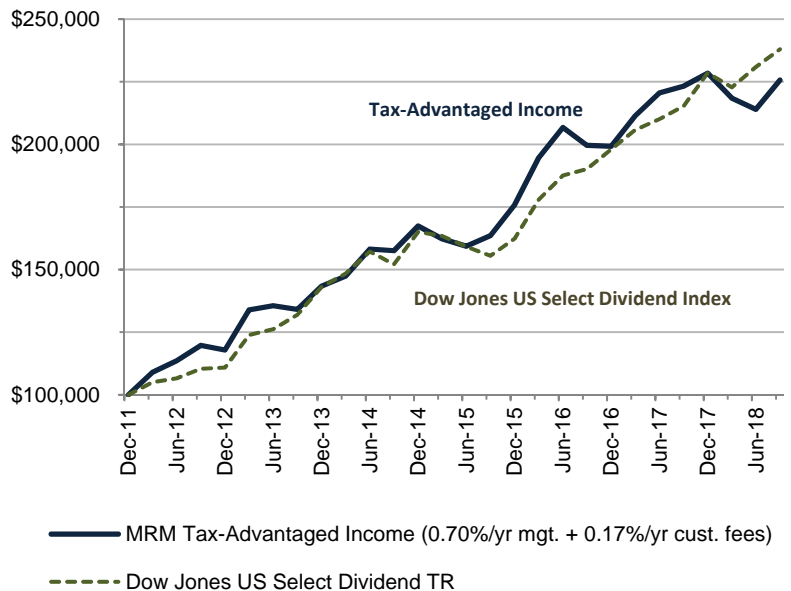
## QUARTERLY NET PERFORMANCE OF MODEL<sup>1</sup> (09/18)

	Q1	Q2	Q3	Q4	YTD	DJ US Select Div Index
2012	9.02%	4.20%	5.38%	-1.56%	17.84%	10.84%
2013	13.65%	1.22%	-1.09%	6.90%	21.63%	29.06%
2014	2.85%	7.30%	-0.40%	6.24%	16.77%	15.36%
2015	-3.05%	-1.83%	2.65%	7.51%	5.04%	-1.64%
2016	10.74%	6.20%	-3.46%	-0.19%	13.31%	21.98%
2017	6.12%	4.31%	1.21%	2.31%	14.63%	15.43%
2018	-4.36%	-2.04%	5.47%		3.32%	6.85%

## STATISTICAL SUMMARY (01/12 – 09/18)

	MRM Tax-Advantaged Income	Dow Jones US Select Dividend Index
Current Dividend Yield (09/18)	4.91%	3.85%
Avg Portfolio Turnover	14.23%	NA
Avg Quarterly Return	3.16%	3.33%
Quarterly Standard Deviation	4.62%	3.79%
Upside Capture	15.48%	NA
Downside Capture	61.27%	NA
Sharpe Ratio	0.68	0.88
Correlation	0.78	1.00
Growth of \$100,000	\$225,683	\$238,008

## CUMULATIVE NET RETURN OF \$100,000 (01/12 – 09/18)



## ANNUALIZED NET RETURNS (09/18)

	YTD	1 Year	3 Years	5 Years
MRM Tax-Adv Income	3.32%	5.47%	11.33%	10.98%
Dow Jones Select Div	6.85%	3.08%	15.24%	12.53%

Please refer to important disclosure information on the back page  To obtain the composite presentation, please call MRM (314) 628-1100

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## A CASE FOR DIVIDENDS

Dividends are one of the few constants in the world of investing, contributing about a third of the stock market's total returns historically. Dividend-paying stocks offer solutions to a host of investment problems by providing:

### **More predictable returns**

Over long stretches of time, a stock's return tends to correlate with its dividend yield plus subsequent dividend growth. In any given year, other factors – earnings swings, market fads – can overwhelm this rule. But, over the longer time horizons, these cyclical variations smooth. The more predictable dividend payments are the more likely returns will stay in a predictable range.

### **Lower volatility**

When the bulk of a stock's total return is built with steady dividends, there's less reason for investors to obsess about earnings estimates, management soap operas, merger rumors, and the like. The company acquires a long-term, low-turnover base of owners who have reasonable expectations – and little reason to sell at every bump in the road.

### **Management discipline**

The best-dividend-paying firms are compelled by the expectations of shareholders to continue making dividend payments, lest they risk alienating the kind of owners they've worked hard to attract. This imposes a discipline on management's decision making that is manifested in a conservative balance sheet, the efficient generation of cash, and a focus on core operations.

*Source: Morningstar.com*

**Please contact MRM Group to obtain a Compliant Presentation and/or MRM's list of Composite descriptions.**



## DISCLOSURES

MRM Group, Inc. is an SEC registered investment advisor. MRM Group, Inc. is an independent management firm that is not affiliated with any parent organization.

<sup>1</sup> The Tax-Advantaged Income strategy composite started trading on June 1, 2017. All performance data presented before this date is based on back-testing. Back-tested trades were not actually executed. They are simulations. Such simulations cannot reflect all of the complexities of actual investing. There are numerous factors related to the markets in general and to the implementation of any specific investing program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual investing results. All performance shown assumes reinvestment of dividends. The investment return and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Deviation from the model's diversified structure may result in different risk, return and diversification characteristics and would therefore not be representative of the model portfolio design.

Tax-Advantaged Income is a quantitative strategy that uses domestic securities chosen by the portfolio managers of MRM Group at its sole discretion. The benchmark is the Dow Jones U.S. Select Dividend Index, which aims to represent the U.S.'s leading stocks by dividend yield. An investment cannot be made directly into an index.

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempts to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, or can accurately predict future market, industry, and sector performance.

Valuations are computed and performance is reported in U.S. dollars. Client performance may differ based upon the structure of a particular investment program. For example, some programs are structured as wrap fee programs in which trading costs and brokerage commissions are included in one all-inclusive wrapped fee. As such, these costs may be higher than if the client were to pay trading costs and brokerage commissions separately. Deviation from the model's diversified structure may result in different risk, return, and diversification characteristics and would therefore not be representative of the models.

Net-of-fees returns are presented after assumed advisor, management, custodial and trading expenses. The net of fee returns are calculated based on a 0.7%/year management fee and a 0.17%/year custodial and trading expenses. The fees could be higher or lower, which could affect performance.

All information contained herein is for informational purposes only. This is not a solicitation to offer investment advice in any state where it would be unlawful. There is no assurance that this platform will produce profitable returns or that any account will have results similar to those of the platform. Past performance is not a guarantee of future results. You may lose money. Factors impacting client returns include individual client risk tolerance, restrictions client may place on the account, investment objectives, choice of broker/dealer or custodians, as well as other factors. Any particular client's account performance may vary substantially from the program results due to, among other things, commission, timing of order entry, or the manner in which the trades are executed. The investment return and principal value of an investment will fluctuate dramatically, and an investor's equity, when liquidated, may be worth more or less than the original cost. Investors should consider the investment objective, risks, charges, and expenses carefully prior to investing. Tax-Advantaged Income is suitable for the long-term investor.

If you wish to modify or impose reasonable restrictions concerning the management of your account, or if your financial situation, investment objectives, or risk tolerance have changed, please contact your MRM Group investment advisor representative or contact the Manager at (800) 233-1944. We will contact you at least annually to determine if your investment goals, objectives, and risk tolerance have changed.