

Introduction to the

***Verity Dividend Builder
Separate Account Service***

Verity Asset Management

Presentation outline

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Separate Account Service Benefits

- **Customization:** Portfolios can be customized for investors' unique needs. We can avoid stocks based on client preferences and existing holdings. We can spread purchases over time. We can shift strategies as investors' needs change.
- **Tax Efficiency:** In taxable accounts, we seek long-term capital gains and qualified dividends. We utilize tax-minimization techniques to reduce capital gains taxes.
- **Investment Benefits:** Each separate account holds individual stocks purchased at attractive valuations.

Investment Philosophy – Dividends, Quality, and Value

We Believe: Investors can achieve long-term growth and income objectives by holding a diversified portfolio of high-quality dividend paying stocks, purchased at attractive valuations.

Dividends – Dividend-paying stocks have historically provided higher cumulative returns with less volatility than non-dividend paying stocks over long-term holding periods.¹

Quality – We view quality companies as those we believe can be relied upon to generate future profits and dividend growth. We seek to identify some of the highest quality American companies by looking for these characteristics:

- ***Established long-term competitive advantages*** - durable enough to fend off competitors for at least a decade.
- ***Sound financial strength*** - Companies have the financial ability and likelihood to pay and grow dividends.
- ***Profitable long-term outlook*** - Analysts expect robust returns on capital over at least the next decade.

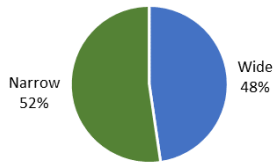
Value – We will pay fair value for quality companies, though we prefer lower valuations. We have adopted Warren Buffett's view of value: "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

¹ Historical dividend research was from a study by Nobel Laureate Kenneth R. French, using data for the years 1928-2013. Past performance does not guarantee future results.

Investment Process – How We Build and Manage Portfolios

Typical Buylist Characteristics

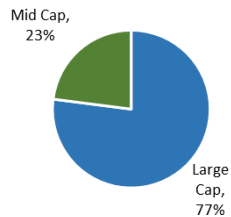
Economic Moats



Dividend Risk



Market Capitalization



- 1. We maintain a buylist of quality companies meeting these criteria.** We rely on analysts at outside research firms for their ratings:
 - **Wide moat companies:** These companies are believed to have the strongest and most durable competitive advantages. Returns on capital are expected to exceed costs of capital for *two decades* or longer.
 - **Narrow moat companies:** These companies are believed to have competitive advantages, although they may be less durable than those of wide moat companies. Returns on capital are expected to exceed costs of capital for at least the next decade.
 - **Sound financial strength:** All stocks on our buylist have investment-grade debt ratings. They also have “low,” or “very low,” dividend risk ratings. Dividend risk ratings reflect the potential for a dividend cut or suspension. Dividend risk ratings are determined by a specialized team of analysts using dividend-based accounting models and fundamental analysis.
- 2. We purchase buylist stocks trading at prices below or near fair value.** We use analysts at an outside research firm for their estimates of fair values. We avoid buying over-valued stocks.
- 3. We diversify portfolios for each strategy.** Additional customization is provided, if needed.
- 4. We follow a sell discipline.** Stocks may be replaced if they become significantly over-valued, if they lose their economic moat, or their financial strength deteriorates. Depending on the strategy, they can be replaced with other more attractive buylist stocks. In taxable accounts, we take holding periods into consideration, and stocks may be sold for tax management purposes.
- 5. We exercise judgement.** The portfolio manager is responsible for the selection of buylist stocks. Stocks meeting our quality and value criteria are vetted by the portfolio manager. The portfolio manager can also add stocks to the buylist with exceptions to these criteria.

Three Strategies Designed for Income and Growth

Our strategies are designed to meet different investor needs and objectives:

Growth & Income

Suitability: *Investors seeking long-term growth of capital with less need for current income.*

Portfolio holdings : *Wide and narrow moat companies, focusing on the highest potential for long-term total return.*

Objective: *Exceed the total return performance of the median U.S. large-cap value mutual fund over a market cycle.*

Core

Suitability: *Investors seeking a balance of growth and income.*

Portfolio holdings: *Wide moat companies, focusing on those with the highest dividend yields.*

Objective: *Meet or exceed the total return performance of the median U.S. large cap value mutual fund over a market cycle - with higher dividend income and less volatility.*

Maximum Income

Suitability: *Investors seeking income with modest growth of capital.*

Portfolio holdings : *Wide and narrow moat companies, focusing on those with the highest dividend yields.*

Objective: *Stable dividend income above the market average with moderate long-term growth of capital.*



Growth & Income: Sample Portfolio Holdings

Name	Value				Quality			Sector	Sector Category
	Recent Price	Dividend Yield	5-Yr Div. Growth	Price to Fair Value	Economic Moat	Dividend Risk	Uninterrupted Dividends Years		
Coca-Cola Co	\$47.04	3.5%	4%	87%	Wide	Low	58	Consumer Defensive	Defensive
Colgate-Palmolive Company	\$71.31	2.5%	4%	102%	Wide	Very Low	56	Consumer Defensive	Defensive
Kellogg Company	\$65.90	3.5%	4%	84%	Wide	Low	29	Consumer Defensive	Defensive
Mondelez International Inc	\$51.36	2.2%	13%	99%	Wide	Low	6	Consumer Defensive	Defensive
PepsiCo, Inc.	\$136.49	2.8%	8%	97%	Wide	Very Low	47	Consumer Defensive	Defensive
Philip Morris International In	\$77.50	6.1%	4%	76%	Wide	Low	11	Consumer Defensive	Defensive
Medtronic PLC	\$98.75	2.2%	12%	84%	Wide	Very Low	42	Healthcare	Defensive
Merck & Co., Inc.	\$82.10	3.0%	5%	80%	Wide	Very Low	29	Healthcare	Defensive
Pfizer Inc.	\$38.03	4.0%	7%	86%	Wide	Low	9	Healthcare	Defensive
Comcast Corporation	\$38.40	2.4%	13%	82%	Wide	Very Low	11	Communication Services	Sensitive
Caterpillar Inc.	\$116.03	3.6%	8%	78%	Wide	Very Low	27	Industrials	Sensitive
General Dynamics Corporation	\$137.26	3.2%	11%	70%	Wide	Very Low	28	Industrials	Sensitive
Kansas City Southern	\$134.67	1.2%	6%	101%	Wide	Low	7	Industrials	Sensitive
Lockheed Martin Corporation	\$386.41	2.5%	10%	90%	Wide	Very Low	19	Industrials	Sensitive
Masco Corp	\$42.01	1.3%	8%	86%	Wide	Low	10	Industrials	Sensitive
Roper Technologies Inc	\$339.90	0.6%	18%	91%	Wide	Very Low	27	Industrials	Sensitive
United Parcel Service, Inc.	\$97.31	4.2%	8%	88%	Wide	Low	21	Industrials	Sensitive
Applied Materials, Inc.	\$51.00	1.7%	16%	78%	Wide	Very Low	14	Technology	Sensitive
Intel Corporation	\$59.48	2.3%	7%	85%	Wide	Very Low	22	Technology	Sensitive
Intuit Inc.	\$270.05	0.8%	16%	96%	Wide	Very Low	8	Technology	Sensitive
Lam Research Corporation	\$264.99	1.8%	41%	85%	Wide	Low	6	Technology	Sensitive
Microsoft Corporation	\$171.07	1.2%	11%	92%	Wide	Low	25	Technology	Sensitive
Nike Inc	\$89.42	1.1%	12%	91%	Wide	Very Low	36	Consumer Cyclical	Cyclical
BlackRock, Inc.	\$500.27	2.9%	11%	100%	Wide	Very Low	17	Financial Services	Cyclical
Charles Schwab Corp	\$37.34	1.9%	25%	87%	Wide	Very Low	30	Financial Services	Cyclical
Averages:		2.5%	11%	88%			24		

Data is for illustration purposes only and is not intended to reflect the characteristics of a specific client portfolio. 5-year dividend growth is historical, not an estimate of future dividend growth. Sample portfolio illustration is for a taxable account or an IRA. Prices and data are as of 4/28/2020.

Core: Sample Portfolio Holdings

Name	Value				Quality			Sector	Sector Category
	Recent Price	Dividend Yield	5-Yr Div. Growth	Price to Fair Value	Economic Moat	Dividend Risk	Uninterrupted Dividends Years		
Coca-Cola Co	\$47.00	3.5%	4%	87%	Wide	Low	58	Consumer Defensive	Defensive
Colgate-Palmolive Company	\$71.23	2.5%	4%	102%	Wide	Very Low	56	Consumer Defensive	Defensive
Kellogg Company	\$65.95	3.5%	4%	85%	Wide	Low	29	Consumer Defensive	Defensive
PepsiCo, Inc.	\$136.53	2.8%	8%	98%	Wide	Very Low	47	Consumer Defensive	Defensive
Philip Morris International In	\$77.49	6.0%	4%	76%	Wide	Low	11	Consumer Defensive	Defensive
Merck & Co., Inc.	\$82.11	3.0%	5%	80%	Wide	Very Low	29	Healthcare	Defensive
Pfizer Inc.	\$38.04	4.1%	7%	86%	Wide	Low	9	Healthcare	Defensive
Dominion Energy Inc	\$79.74	4.7%	9%	95%	Wide	Low	29	Utilities	Defensive
3M Co	\$157.15	3.7%	11%	92%	Wide	Low	61	Industrials	Sensitive
Automatic Data Processing	\$144.83	2.5%	13%	105%	Wide	Very Low	45	Industrials	Sensitive
C.H. Robinson Worldwide Inc	\$74.58	2.7%	7%	97%	Wide	Very Low	25	Industrials	Sensitive
Caterpillar Inc.	\$115.79	3.6%	8%	78%	Wide	Very Low	27	Industrials	Sensitive
Emerson Electric Co.	\$57.82	3.5%	1%	89%	Wide	Low	63	Industrials	Sensitive
General Dynamics Corporation	\$137.18	3.2%	11%	70%	Wide	Very Low	28	Industrials	Sensitive
Honeywell International Inc.	\$144.62	2.5%	12%	86%	Wide	Very Low	27	Industrials	Sensitive
Lockheed Martin Corporation	\$386.61	2.5%	10%	90%	Wide	Very Low	19	Industrials	Sensitive
Paychex, Inc.	\$69.59	3.6%	10%	101%	Wide	Low	28	Industrials	Sensitive
Raytheon Technologies Corp	\$65.70	2.4%	5%	80%	Wide	Low	25	Industrials	Sensitive
Union Pacific Corporation	\$161.48	2.4%	14%	101%	Wide	Very Low	21	Industrials	Sensitive
United Parcel Service, Inc.	\$97.34	4.1%	8%	88%	Wide	Low	21	Industrials	Sensitive
Maxim Integrated Products Inc.	\$55.93	3.4%	12%	102%	Wide	Low	16	Technology	Sensitive
Texas Instruments Incorporated	\$115.91	3.1%	21%	101%	Wide	Very Low	31	Technology	Sensitive
Mcdonald's Corp	\$186.58	2.7%	8%	91%	Wide	Low	45	Consumer Cyclical	Cyclical
BlackRock, Inc.	\$499.71	2.9%	11%	100%	Wide	Very Low	17	Financial Services	Cyclical
T. Rowe Price Group Inc	\$114.69	3.2%	12%	101%	Wide	Very Low	33	Financial Services	Cyclical
Averages:		3.3%	9%	91%			32		

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Maximum Income: Sample Portfolio Holdings

Name	Value				Quality			Sector	Sector Category
	Recent Price	Dividend Yield	5-Yr Div. Growth	Price to Fair Value	Economic Moat	Dividend Risk	Uninterrupted Dividends Years		
Coca-Cola Co	\$46.95	3.5%	4%	87%	Wide	Low	58	Consumer Defensive	Defensive
Philip Morris International In	\$77.70	6.0%	4%	76%	Wide	Low	11	Consumer Defensive	Defensive
Merck & Co., Inc.	\$82.10	3.0%	5%	80%	Wide	Very Low	29	Healthcare	Defensive
Pfizer Inc.	\$38.02	4.0%	7%	86%	Wide	Low	9	Healthcare	Defensive
Walgreens Boots Alliance Inc	\$44.95	4.1%	7%	82%	Narrow	Low	44	Healthcare	Defensive
Brookfield Infrastructure Part	\$38.83	5.0%	9%	83%	Narrow	Low	11	Utilities	Defensive
Dominion Energy Inc	\$79.23	4.7%	9%	94%	Wide	Low	29	Utilities	Defensive
Duke Energy Corp	\$87.92	4.3%	4%	93%	Narrow	Low	12	Utilities	Defensive
Pinnacle West Capital Corporat	\$80.19	3.9%	5%	90%	Narrow	Very Low	26	Utilities	Defensive
PPL Corp	\$26.02	6.4%	2%	96%	Narrow	Low	20	Utilities	Defensive
Southern Co	\$58.13	4.4%	3%	100%	Narrow	Low	31	Utilities	Defensive
AT&T Inc.	\$30.83	6.7%	2%	83%	Narrow	Low	36	Communication Services	Sensitive
Omnicom Group Inc.	\$56.73	4.6%	7%	72%	Narrow	Very Low	31	Communication Services	Sensitive
Verizon Communications Inc.	\$58.08	4.2%	2%	98%	Narrow	Very Low	29	Communication Services	Sensitive
Enterprise Products Partners	\$17.21	10.4%	4%	67%	Wide	Low	21	Energy	Sensitive
Magellan Midstream Partners	\$41.09	9.9%	9%	75%	Wide	Low	18	Energy	Sensitive
3M Co	\$158.13	3.8%	11%	93%	Wide	Low	61	Industrials	Sensitive
MSC Industrial Direct Co Inc	\$61.65	4.9%	15%	78%	Narrow	Very Low	16	Industrials	Sensitive
Paychex, Inc.	\$69.33	3.6%	10%	100%	Wide	Low	28	Industrials	Sensitive
United Parcel Service, Inc.	\$97.03	4.2%	8%	87%	Wide	Low	25	Industrials	Sensitive
International Business Machine	\$126.83	5.1%	9%	107%	Narrow	Low	25	Technology	Sensitive
Eastman Chemical Company	\$60.78	4.4%	12%	72%	Narrow	Very Low	25	Basic Materials	Cyclical
Genuine Parts Company	\$80.16	4.0%	6%	89%	Narrow	Low	63	Consumer Cyclical	Cyclical
Whirlpool Corporation	\$114.14	4.2%	11%	69%	Narrow	Very Low	29	Consumer Cyclical	Cyclical
Franklin Resources, Inc.	\$17.54	6.2%	13%	88%	Narrow	Very Low	40	Financial Services	Cyclical
Averages:		5.0%	7%	86%			29		

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Portfolio Manager Profile and Important Disclosures

Meet Your Portfolio Manager

Malcolm M. Trevillian has managed portfolios for a variety of clients with care and thoughtful oversight since 1986.

Malcolm joined Verity in 2008 and serves on the firm's Investment Team. He holds two professional designations: Chartered Financial Analyst and Chartered Market Technician. He is a past Governor of the Chartered Financial Analyst Institute.

Malcolm designed the Verity Income Builder Strategy from his experience as a portfolio manager in the Trust division of a major southeastern bank during the 1980s and '90s.

Malcolm can be reached directly at mtrevillian@verityinvest.com or 919-489-8181.



Important Disclosures

Portfolios of common stocks are subject to market risk. Diversification does not assure a profit or protect against loss in a declining market. All investing involves risk of loss. Portfolio values will fluctuate with changing market conditions, and there is no guarantee that strategies that have been successful in the past will be similarly successful in the future. Low dividend risk ratings provide no guarantee that dividend growth will be sustained, and dividends can be discontinued at any time. This material may contain forward looking statements. There is no guarantee that these outcomes will be achieved.

"Fair Value," "Economic Moat" and "Dividend Risk" are terms used to define some of the investment characteristics of the stocks purchased by the strategy. They are determined by outside research sources, which we believe are reliable. However, there is no guarantee that these factors will continue to be reliable in the future. Due to changing stock prices, research opinions, and other factors, initial portfolios may differ from this proposal and holdings will likely change over time.

Investment Philosophy statements on page 2 are aspirational and not intended to necessarily express statements of fact. Data regarding the historical dividend research was from a study by Nobel Laureate Kenneth R. French, using data for the years 1928-2013 is available on request. Warren Buffet quote was from 1989 Berkshire Hathaway Letter to Shareholders.

Verity Asset Management ("Verity") is an SEC registered investment adviser with its principal place of business in the State of North Carolina. Any references to the terms "registered investment adviser" or "registered," do not imply that Verity Asset Management or any person associated with Verity Asset Management have achieved a certain level of skill or training.