Guided Portfolio: Prime Income

The Guided Portfolio: Prime Income is designed for conservative investors seeking above-average current income with potential for capital appreciation. The Portfolio emphasizes businesses that generate highly dependable cash flows, possess a strong balance sheet, have a management team with a track record of returning capital to shareholders and whose stock has an attractive dividend yield. This concentrated Portfolio of 22 equities should appeal to investors who value the consistency of dividends/distributions with modest market risk.

Objective

- The Portfolio is designed for investors seeking exposure to companies that produce an above-average level of income through common dividends. Above-average current income is defined as a yield in excess of the S&P 500 Value benchmark.
- Modest market risk is defined as lower volatility and variability of returns relative to the benchmark.

Portfolio management

- Traditional equity-income securities compose the Portfolio’s foundation. These include: Utilities, Telecommunications Services, REITs and energy infrastructure. Sector concentrations are held at a maximum of 25% per sector exposure. Sector allocation is determined by business cycle, valuation and relative opportunity.
- The Portfolio will include a minimum of four industry sectors for diversification. Additional sectors are included given the opportunity for attractive current income relative to the S&P 500. Some companies may have variable dividend policies.
- Stock selection prioritizes balance sheet strength, stability of cash flow and an established track record of dividend/distribution payments.
- For initial inclusion, each equity holding must have an average daily trading volume of at least 500,000 shares, and at least a Neutral or equivalent rating from one of our national research sources.
- Reasons for Portfolio changes include, but are not limited to, a shift in underlying industry or company fundamentals, a meaningful move in valuation and/or a desire to change sector exposure or weighting as the economic cycle progresses.
Risk profile

- This Portfolio is geared to investors with a moderate risk profile. The relatively concentrated nature of the Portfolio may cause some volatility.
- Given the focus on dividend income, the Portfolio will likely exhibit greater defensive characteristics relative to the broad equity market and may underperform during bull markets.
- Although the Investment Committee will carefully evaluate the risk/reward of Portfolio constituents, an unexpected increase in interest rates would likely pressure the valuations of many dividend-paying companies.

Benefits

- Consistent and disciplined approach to investing: Constituents in the Portfolio are selected and monitored on an ongoing basis via a consistent and disciplined approach by the Investment Committee.
- Simplified: The Portfolio is concentrated in nature, which can result in lower Portfolio turnover, creating potential tax benefits for investors.
- Transparency: Quarterly reports will be published that analyze the Portfolio, update specific positions and review the Portfolio’s performance and positioning.

Portfolio Managers

Rick Novak
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Rick has over 25 years of experience in the financial services industry. He joined RBC Wealth Management as a Portfolio Analyst in 1996. Rick focuses on mid-to-large-cap equity-income companies, with a heavier focus on consumer names and REITs. He utilizes technical analysis and believes it is an important tool to use when making investment decisions. Rick has a Bachelor of Arts degree from the University of Michigan.

Alan Robinson
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Alan is a 25+ year veteran of the financial markets and previously worked in London and Hong Kong, where he traded currency and credit derivatives. He joined RBC Wealth Management in 2006 and now guides investments for the firm’s tactical, income and ADR portfolios. Alan speaks on a wide range of global issues including international investing, currencies and broad market commentary. He has a Bachelor of Science degree in physics from Imperial College, London and an MBA from the University of Washington.

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Sean has over 18 years of experience in the financial services industry and joined RBC Wealth Management in 2017. Currently the senior manager of U.S. equities, Sean focuses on fundamental analysis of U.S. equities and sectors, as well as broad market commentary. Sean earned a Bachelor of Arts degree in international affairs at Lafayette College and an MBA from the University of Minnesota. He is a CFA charterholder and has passed the Series 7, 24, 63, 86 and 87 exams.