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Dividend Integrity

Now More Than Ever!

CRAWFORD
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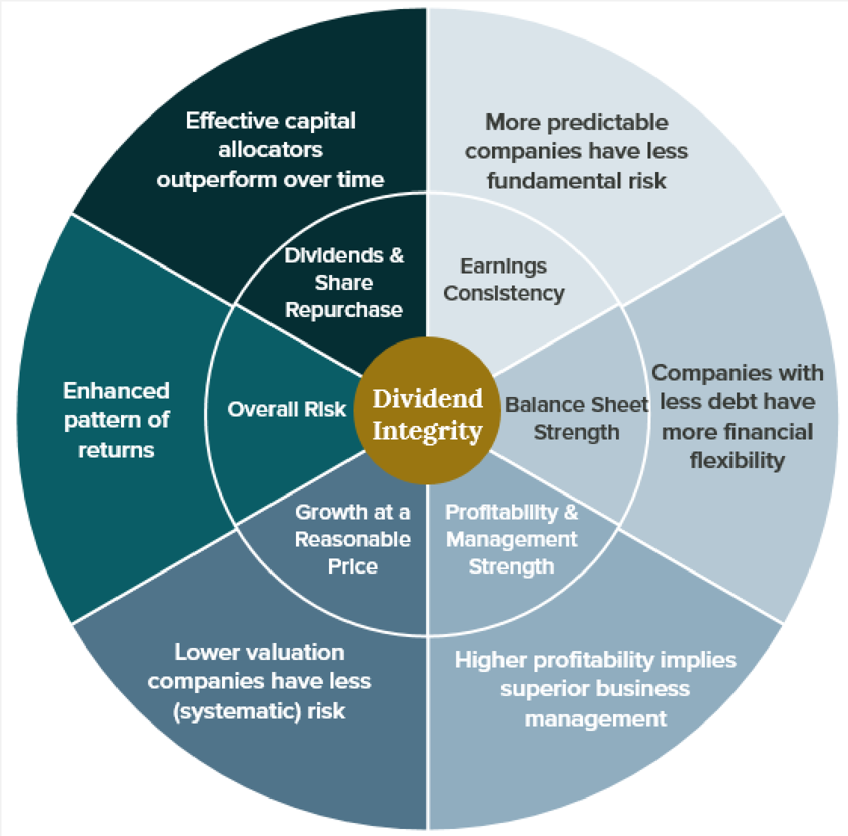
We have talked about *Dividend Integrity* in the past, and this is an integral component and important byproduct of Crawford Investment Counsel's investment philosophy and process. Given the current environment, we believe now is a particularly good time to revisit and reemphasize our commitment to this concept. Given all that is going on in the economy, markets, and banking sector, most agree it is a good time to focus on businesses that demonstrate an unusual amount of consistency and predictability. We believe companies that exhibit *Dividend Integrity* are better equipped to withstand macroeconomic headwinds, maintain earnings, and sustain and raise dividends over time.



Dividends & Share Repurchase. Our effort to own companies with *Dividend Integrity* begins with a recognition that effective capital allocation is a critical component that drives shareholder return. Over our 42-year history, we have found that the most attractive long-term investment opportunities are available in high-quality companies that succeed in investing for sustainable financial increase, while also returning substantial capital to shareholders through a steady and growing dividend. In many cases, these businesses also reduce the number of shares outstanding through periodic share repurchase. Crawford focuses on higher-quality companies that recognize the virtue of a balanced capital allocation policy, because these businesses both grow AND return capital to shareholders.

Earnings Consistency. Once we identify management teams and boards of directors that believe in returning capital to shareowners, we then analyze underlying business models to identify companies that demonstrate unusual consistency and predictability in their revenues, earnings, and cash flow. We pursue companies of this nature because we readily acknowledge that the future cannot be predicted. As evidence of this, even company management teams themselves experience difficulty estimating financial metrics and how their business will perform from quarter to quarter. So instead of trying to “out-predict” other market participants, we embrace the reality of uncertainty and focus on high-quality companies that have more consistent business models. We believe this focus helps narrow the range of investment outcomes and enhances our likelihood of success.

Balance Sheet Strength and Profitability & Management Strength. Fortunately, most companies that are more consistent and predictable also have stronger balance sheets, in addition to more asset-lite business models. This is an added benefit of focusing on quality, and it provides important flexibility to management teams in case they need to access debt or want to be opportunistic. A lower level of physical assets typically implies higher profitability as well. So, high-quality companies tend to have higher profitability as measured by Return on Equity, Return on Assets, and overall profit margins.

Growth at a Reasonable Price. Another key component of our investment framework includes focusing on companies that are reasonably priced, with valuations reflecting relatively modest expectations on behalf of other investors. We know the valuation of any stock represents a key component of total shareholder return, and we are price-sensitive investors. We believe our best stocks are traditionally consistent and predictable businesses that encounter a short-term problem, just like all companies do. Often, investors with a shorter time horizon will translate a relatively insignificant business issue into a valuation that suggests a more chronic condition. This is where we typically get interested and perform fundamental research to determine the nature of the issue. The effort revolves around making a judgement to determine whether or not we are being presented with an opportunity to invest in a high-quality business at an attractive valuation. As valuations compress, the dividend yield rises, so an enhanced return is being earned while the problem is being solved. We know from experience that another key benefit of quality is this: good companies with high profitability, balance sheet strength, and business consistency are also well-equipped to solve problems and overcome disruptions.

Enhanced Pattern of Returns. All of these factors work together to provide a more consistent and predictable pattern of returns for our investors. We believe *Dividend Integrity* has many benefits, including a positive influence on a portfolio’s risk/return tradeoff, enhanced visibility, and a stable and often growing stream of income. All of these factors coalesce to reduce risk, smooth out the ride, and ultimately create a higher likelihood of earning positive returns.

Dividend Integrity: Now More Than Ever!

We have long emphasized the importance of *Dividend Integrity*, but today we believe it is particularly important. In fact, the environment we are facing suggests a heightened level of uncertainty and challenging business conditions for the foreseeable future. Hence our title: *Dividend Integrity: Now More Than Ever!*