



# Palouse Capital Management, Inc.

## Diversified Income

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### PORTFOLIO OBJECTIVE

The Diversified Income (“DI”) Strategy’s objective is to provide income from diversified asset classes by opportunistically focusing on investments we believe offer relatively high income potential while attempting to avoid asset classes that we believe have relatively high risk. We also seek capital appreciation by investing in securities that we believe are fundamentally undervalued.

### PORTFOLIO CHARACTERISTICS

The DI Strategy’s investable universe is very large and includes dividend paying common equities, preferred stocks, exchange traded funds and bonds. The DI Strategy is tactically allocated to maximize income while controlling risk via asset class diversification.

### RISK CONTROLS

The Portfolio Management Team controls risk by diversifying portfolios through asset allocation, security selection, sector weightings, credit ratings and maturity selection.

### STRATEGY STATISTICS

Inception Date: 9/1/10  
Number of Holdings: 30-40  
Current Projected Yield: 3.75%-4%  
Minimum Investment: \$100,000  
Market Indicators: Barclays Agg/  
S&P 500/Russ1000Value

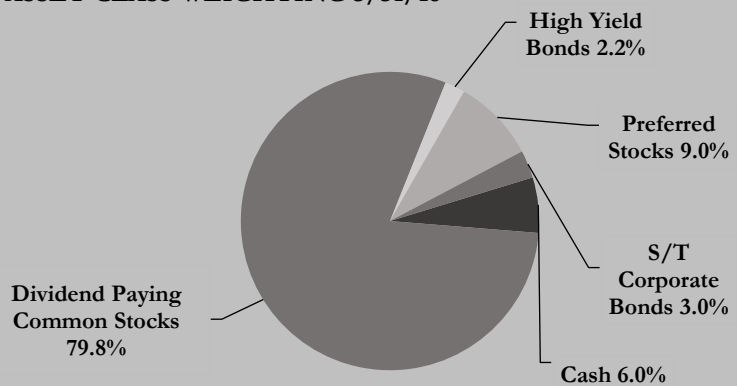
### PORTFOLIO MANAGERS

Bryn D. Harman, CFA  
Kenneth M. Roberts  
Spencer Shelman, CFA

### INVESTMENT PROCESS

The DI investment process begins with a top-down approach by assessing income generating investments at the asset class level. We assess each asset class in the context of the general level of interest rates and our view of potential interest rate changes. Our asset allocation decisions are based on the goal of generating income and controlling risk through asset class diversification. Once asset class weightings are determined, the portfolio management team employs a rigorous fundamental research process on individual investments within those asset classes. While we generally apply PCM’s fundamental value approach to common equity selection within the DI Strategy, we prioritize income with all investment decisions. Therefore, we seek to invest in common equities with higher than average dividend yields and dividend potential. Fixed income or preferred stock analysis involves interest rate projection, yield curve analysis and credit analysis. The DI Strategy also uses specialty asset classes such as ETFs and REITs. The DI Strategy is actively monitored and tactical adjustments are made as relative value parameters change among asset classes or industry groups.

### ASSET CLASS WEIGHTING 3/31/18



For more information please contact Barry Menne at (800)624-3833 or [bmenne@palousecap.com](mailto:bmenne@palousecap.com)  
[www.palousecap.com](http://www.palousecap.com)

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## PORTFOLIO MANAGEMENT TEAM

At PCM the most important thing we do is investment research. All members of our investment team are research analysts, regardless of title. We run our Diversified Income Strategy using a collaborative team approach.

### **Bryn Harman, CFA**

Chief Executive Officer & Chief Investment Officer

Bryn Harman, CFA, is the firm's Chief Investment Officer. He provides leadership to the firm's investment processes and specializes in equity research. Bryn's career with equities started in the early 1990's in the Western Canadian corporate finance industry. Since that time Bryn has served as a corporate finance consultant, stock exchange Listings Officer, Senior Equity Analyst, Director of Research, public company Chief Financial Officer, Public company Director, Portfolio Manager and Chief Investment Officer. Bryn has focused on equity research for most of his career and he takes pride in applying a rigorous bottom-up analytical approach to evaluating investment opportunities. Bryn is a CFA charterholder and holds a Bachelor of Commerce degree from the University of Saskatchewan.

### **Ken Roberts**

Chief Investment Strategist

Mr. Roberts founded PCM in 1994 and has worked tirelessly for us ever since. Ken started his career in the brokerage industry in 1966. In 1981 Mr. Roberts started the Shearson Fundamental Value Fund, a mutual fund, and ran it until 1990. Ken also formed and managed his own investment advisory group with Smith Barney Shearson immediately prior to founding PCM. He is currently serving on the Board of Trustees of Whitworth University and is a member of the National Board of Advisors for the Washington State University College of Business. Ken is also a member of the CFA Institute and was past President of the CFA Society of Spokane. Mr. Roberts earned his B.A. in Economics from Whitworth University and an M.B.A. degree in Finance from Harvard University.

### **Spencer Shelman, CFA**

Portfolio Manager

Mr. Shelman joined Palouse as a Portfolio Manager in mid-2015. Spencer's background includes more than ten years of buy-side analytical and portfolio management experience. Virtually all of his experience has involved bottom-up fundamental research for individual and institutional equity portfolios. Spencer is a Chartered Financial Analyst and graduated cum laude with degrees in Finance and Economics from Washington State University, where he was named the Outstanding Student in Finance his senior year. He was a 4-year member of the WSU football team that went to the Rose Bowl and the Holiday bowl during his time on the team. Spencer formerly served as President of the CFA Society of Spokane and is a member of the CFA Institute. He is also on the National Board of Advisors for the Washington State University College of Business.

*The S&P 500 is a capitalization-weighted index of the prices of common stock of the 500 leading companies representing the leading industries of the U.S. economy, which are actively traded in the United States on the New York Stock Exchange or the NASDAQ. The Russell 1000<sup>®</sup> Value Index measures the performance of the large-cap value segment of the U.S. equity universe, specifically those companies from the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The Barclays Capital U.S. Aggregate Bond Index is an intermediate-term market capitalization-weighted index of investment grade bonds that includes treasury securities, government agency bonds, mortgage and asset backed bonds (including Agency Hybrid Adjustable Rate Mortgage securities), corporate bonds, and a small amount of foreign bonds traded in the U.S.*

*The information provided in this document should not be considered a recommendation to purchase or sell a security or securities in a particular asset class, industry, or sector. The investment strategy selected by the client provides Palouse Capital Management, Inc. (PCM) with a general guideline for investment; PCM cannot assure any client that PCM will achieve the selected investment objective. Accounts are managed in accordance with the investment objectives, guidelines, and restrictions established by each client, therefore portfolios within the same investment objective may differ as to securities held and performance achieved. A client's actual asset class weightings will vary depending on various factors. The income generated by the securities held in this strategy may decline. This strategy may include investments in lower quality, higher yielding fixed income securities which may be subject to greater price fluctuation than higher quality fixed income securities. This information is not intended to be used as the primary basis of investment decisions nor should it be construed as advice designed to meet the particular investment needs of any specific investor. Additional information regarding the services provided by PCM is available in Form ADV Part 2, which is available upon request.*

For more information please contact Barry Menne at (800)624-3833 or [bmenne@palousecap.com](mailto:bmenne@palousecap.com)  
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