

## BENEFIT OF WORKING WITH CIC: INCOME AND GROWTH OF INCOME

Owning income-producing securities is an important and differentiating element of working with Crawford Investment Counsel. Because the firm only invests in income-producing securities, we are able to meet or come close to meeting most clients' spending needs from portfolio income alone. And, because we prefer and specialize in investing in companies that raise their dividends year after year, we want our clients to experience rising annual income, which, in turn, enables the current spend rate to keep up with or exceed inflation, enhancing purchasing power in the process. Our research efforts are exclusively focused on dividend-paying stocks and high-quality, income-producing bonds. The use of these types of securities aligns us with the needs of most of our investors who either have current income needs or who may rely on the investment portfolio to support future spending. To best seek to meet our clients' objectives, an appropriate mix of our strategies is chosen and custom-blended to honor income needs and at the same time reflecting preservation of capital and total investment return (growth).

It is important to distinguish among income, yield, and total investment return. Portfolio income is simply the dollar amount of stock dividends and bond interest payments expected to be received over the next 12 months. When this income figure is expressed as a percentage of the portfolio market value, it provides the yield (% rate). The income is what can be spent before invading principal, and it is a component of total investment return. The total investment return combines portfolio income plus or minus any capital appreciation or depreciation. The income is the stable component of this equation, so we want to emphasize it to the extent possible.

We invest for total investment return, since that is the cumulative client experience we are seeking to optimize, but we want to achieve this by owning individual securities with income tailwind. We know the income will be positive in each and every year, but, depending on market conditions, the securities will either appreciate

or depreciate (bonds to a much lesser degree than stocks). We also know that any income received helps meet spending requirements and reduces the amount of principal that must be invaded. This becomes particularly critical in periods of market stress.

Not only do we favor income, but since 1980, our research efforts have had a dual focus on stocks that regularly increase their dividends and high-quality bonds with

strong credit quality. High-quality companies can be more predictable and consistent, typically producing rising earnings and cash flow each year. This is what enables them to pay and raise dividends each year, and a history of rising annual dividends is a very good place to identify stocks that can continue to pay and increase dividends in the future. This rising stream of income is a byproduct of the high-quality companies that comprise our portfolios. The rising dividend pattern of

the portfolio means that income can actually grow in real terms (adjusted for inflation). Importantly, this also can help preserve capital because income generates a positive component of total return each year.

We have always believed that a rising stream of income can help produce a consistently rising total investment return over time. Income and growth of income are important components of the Crawford investment approach.

By aligning our firm's focus with the primary objectives of our clientele, we improve our clients' chances for success and are better able to meet goals and exceed expectations. Not only do income and growth of income help satisfy spending needs, but their aspects actually help lead to lower risk portfolios and are important components of total investment return.

For additional perspective on how rising dividends help lead to attractive total investment return, please refer to the article "Benefits of Working with CIC - Total Investment Return".

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## INVESTMENT OBJECTIVE - INCOME AND GROWTH OF INCOME

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