

CMC Dividend Appreciation Strategy

Fourth Quarter 2019
Fact Sheet

Company Profile

- The Capital Management Corporation (CMC) is an investment boutique managing institutional and high net worth client portfolios.
- Our investment strategies include All-Cap Growth, Alpha, Balanced G&I, Core, Dividend Appreciation, Focus, Growth & Income, SMID, and SRI.
- Bottom-up stock selection process with all-cap growth emphasis.
- Long track record, GIPS® compliant since 1995.
- Investment team includes Timothy C. Call, CFA, MBA, CIO & Mark W. Livesay, CFA.
- Wealth management team includes Bradley D. Shiveley, MBA, Preston S. Smith and Kenneth L. Walker, MBA.
- Assets under management \$509 million.

Investment Process

- Investment research starts with a universe of over 3,000 companies run through a proprietary quantitative screening system.
- Primary emphasis is placed on growth of earnings, cash flow and economic margin. Profitability is assessed on excess cash generation per unit of capital base.
- Relative comparison among companies in many industries after adjusting for differing accounting policies, asset life, mix of age, inventory methods and capital structure.
- Emphasis on company business lines, strategy and competitive advantages enabling pricing power and strong profit margins.
- Evaluation of company management including trustworthiness and decision-making track record.
- Apply valuation disciplines as entry price affects investment return.

Investment Style

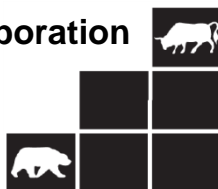
- Invest in stocks of companies with above average growth prospects, improving business conditions and enduring competitive advantages.
- Each holding pays a dividend with most increasing annually.
- Portfolio turnover can be lower than 25% due to a long-term investment horizon and the desire to limit capital gains taxes.
- Capital gains will be taken to limit portfolio downside risk and increase diversification.

Portfolio Attributes

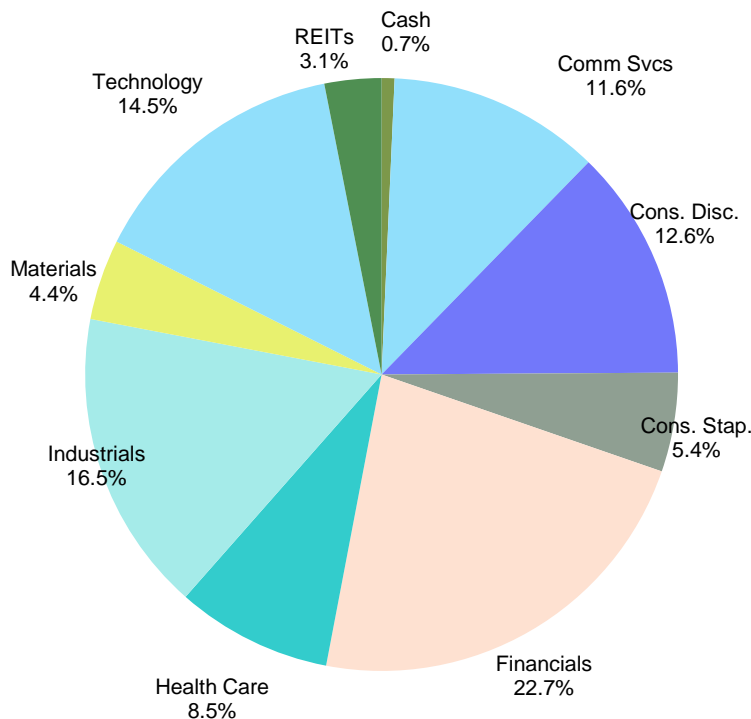
- Approximately 20 to 35 stocks with strong operating cash flow and free cash flow.
- All holdings pay dividends. Many dividend yields exceed that of the S&P 500 and are expected to increase in the future.
- Average dividend yield is greater than 2%.
- Potential for price-to-earnings (P/E) multiple expansion.
- Expectation of revenue and earnings growth.
- Mutual funds and exchange traded funds (ETFs) can be utilized.
- Large sector weights are typically within 50% of the S&P 500 Index or growth indices.

The Capital Management Corporation

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Sector Diversification



Portfolio Characteristics

Number of Holdings	31
Dividend Yield (%)	3.1
Wtd. Avg. Market Cap (\$ Billions)	62.2
Price/Book	5.4
Price/Cash Flow	8.3
Current P/E	19.1
Forward P/E	15.2
Historical EPS Growth (5 Years)	9.2

Volatility Measurements (3 Years Annualized Gross)

Beta	1.0
Alpha	-1.4
Standard Deviation	14.5

Market Capitalization	Large Cap (>\$10B)	Mid Cap (\$2B-\$10B)	Small Cap (<\$2B)
12/31/2019	49%	24%	27%
09/30/2019	55%	22%	23%
06/30/2019	59%	22%	19%
03/31/2019	67%	26%	7%

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Style Positives

- Income stocks provide a recurring stream of cash dividends to investors.
- Growth stocks tend to rise in value faster than inflation over time.
- Dividend growth stocks provide a rising stream of above average cash dividends.
- Above average dividend yields tend to provide a cushion of safety in weak markets.
- Diversification across many economic sectors can lower portfolio risk.
- Steadier returns than many other investment styles over time due to lower volatility and higher recurring dividends.

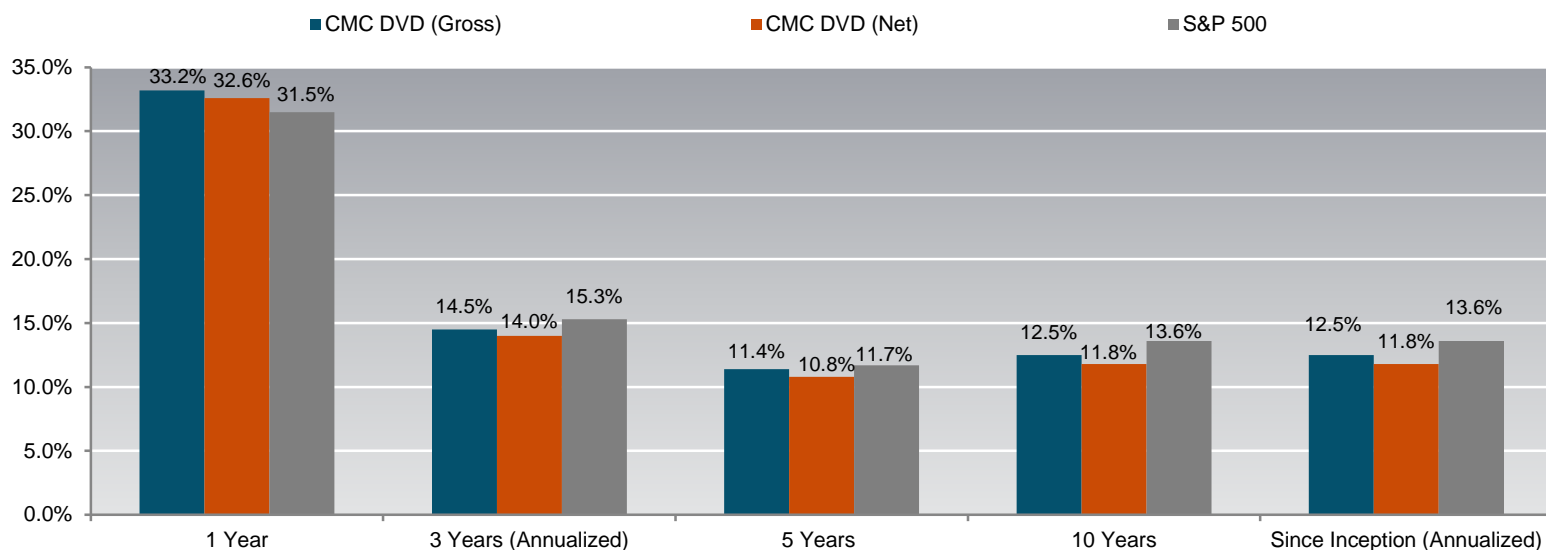
Sell Disciplines

- Overvaluation on CMC's proprietary valuation model.
- Deterioration in fundamentals.
- Loss of confidence in management.
- If stock declines 15% from purchase price, it is reassessed.
- If stock underperforms the benchmark by 20%, it is reassessed.

Top Ten Holdings	% of Portfolio	Symbol	Sector
Greenhill & Company	6.1%	GHL	Financials
Air Lease	5.7%	AL	Financials
Sinclair Broadcast Group	5.0%	SBGI	Comm Svcs
Gilead Sciences	4.9%	GILD	Health Care
Goldman Sachs	4.8%	GS	Financials
Royal Caribbean Cruises	4.8%	RCL	Cons Disc
Tessco Technologies	4.7%	TESS	Technology
Mastercard	4.5%	MA	Technology
Albemarle	4.4%	ALB	Materials
Mobile Mini	4.1%	MINI	Industrials

CMC Dividend Appreciation Performance Returns as of December 31, 2019

Strategy Inception: 12/31/2009



Annual Performance	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
CMC Dividend Appreciation (Gross)	33.2%	-9.1%	24.1%	18.4%	-3.6%	9.9%	36.8%	7.5%	0.9%	15.8%
CMC Dividend Appreciation (Net)	32.6%	-9.5%	23.4%	17.8%	-4.3%	9.0%	35.8%	6.6%	0.5%	15.8%
S&P 500	31.5%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	15.1%

Disclosures: Composite includes Equity + Cash of non-restrictive discretionary accounts. The portfolio's investment objectives focus on long-term growth with an income bias provided by the U.S. capital markets. Investments include small, mid and large-capitalization stocks approved by the Advisor. Inception date of Dividend Appreciation Composite is 12/31/2009.

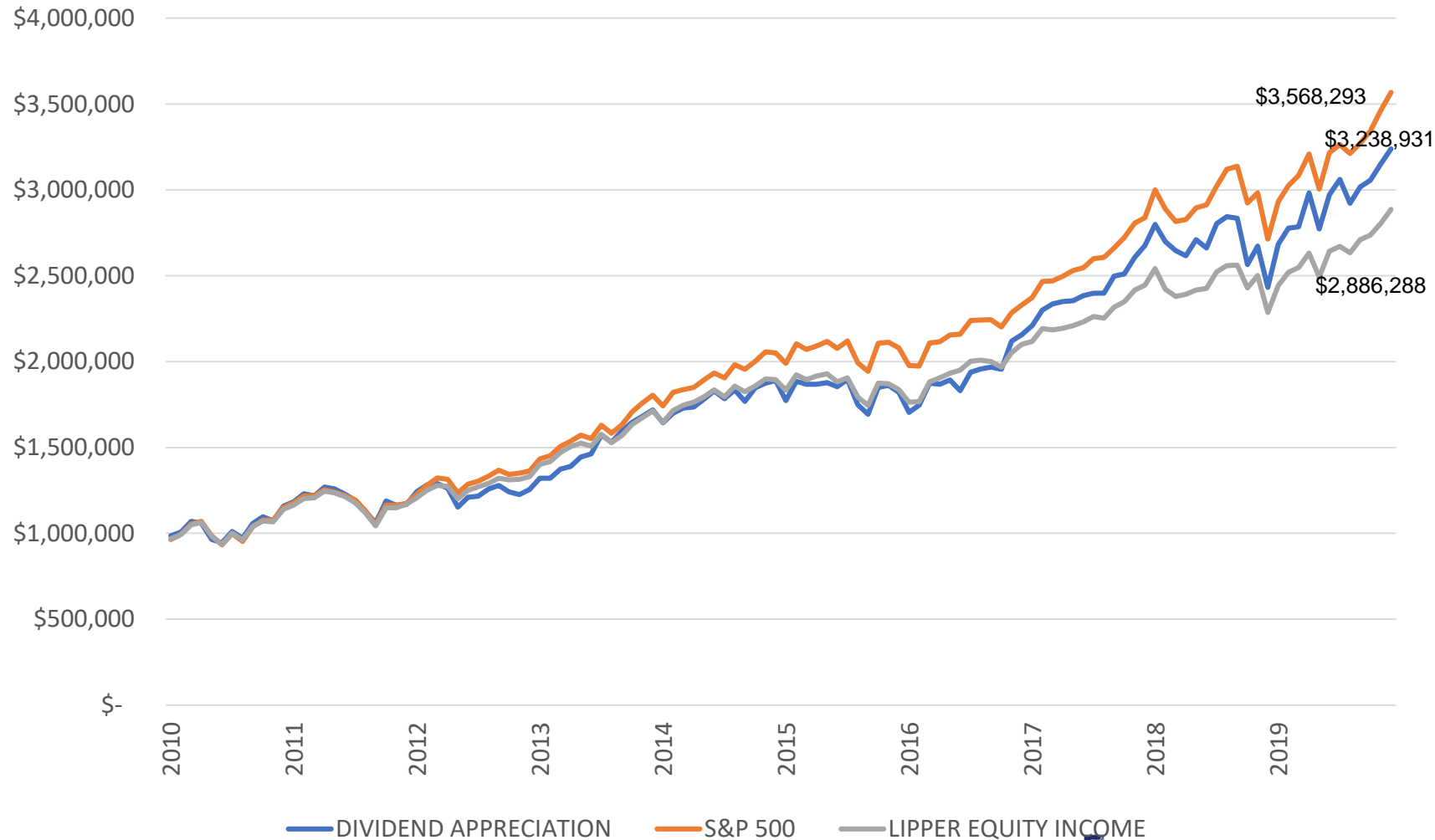
The Capital Management Corporation (the FIRM) claims compliance with the Global Investment Performance Standards (GIPS®). The firm has been verified through 12/31/2017. All results are time weighted and returns are in US Dollars. Past performance is not to be construed as a guarantee of future performance. Compliant presentations and/or the firm's list of composite descriptions are available upon request.

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DIVIDEND APPRECIATION Composite Returns (Gross)

12/31/2009-12/31/2019

Growth of \$1,000,000



Dividend Appreciation Composite For the years ended December 31, 2010 through 2019

Year	Performance		S & P 500	3 Year Standard Deviation Composite	3 Year Standard Deviation Index	Number of Accounts	Wrap Accounts % of Assets	Composite Dispersion	Composite Assets \$MM	Firm Assets \$MM	Non Fee Paying %
	Gross %	Net %									
2019	33.2	32.6	31.5	14.4	11.9	27	7	0.6	35.8	509	25
2018	(9.1)	(9.5)	(4.4)	13.4	10.8	25	8	1.1	25.6	433	25
2017	24.1	23.4	21.8	12.9	12.3	18	11	1.5	19.4	469	1
2016	18.4	17.8	12.0	13.6	13.4	20	11	1.7	16.2	389	2
2015	(3.6)	(4.3)	1.4	12.5	12.8	17	13	0.5	11.9	344	3
2014	9.9	9.0	13.7	11.3	11.7	14	13	1.0	12.1	418	3
2013	36.8	35.8	32.4	13.8	16.6	13	16	1.6	9.3	386	0
2012	7.5	6.6	16.0	16.2	18.5	11	15	1.6	7.0	275	11
2011	0.9	0.5	2.1	n/a	n/a	6	34	0.7	3.0	261	35
2010	15.8	15.8	15.1	n/a	n/a	≤5	25	n/m	0.9	257	75

Notes:

1. The Capital Management Corporation is an independent investment management SEC registered firm and is not affiliated with any other entity. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
2. The Dividend Appreciation Composite includes fully discretionary accounts which generally invest in U.S. domestic companies with a long-term growth and income bias. Investments include small, mid and large capitalization stocks. All holdings pay a dividend. The minimum account size is \$100,000.
3. The benchmark is the S & P 500 Index.
4. Valuations are computed and performance is reported in US Dollars.
5. Total gross-of-fee returns are presented before management fees but after all trading expenses and all wrap fees (which may include custody fees, investment management fees, trading expenses and client reporting fees) if applicable. Total net of fee returns are calculated using actual fees. The Capital Management Corporation's current fee schedule is 1.00% on the first million in assets, 0.70% on the next four million, and 0.50% on the excess over five million.
6. The composite was created on January 1, 2010. A complete list of composite descriptions is available upon request.
7. Composite dispersion is measured by the asset-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the full calendar year. Where such portfolios number five or fewer, the standard deviation calculation would not be meaningful and that is indicated (n/m). Three-year standard deviation for both the composite and the benchmark index are shown beginning in 2011 in compliance with GIPS standards.
8. Past performance is not to be construed as a guarantee of future performance.

The Capital Management Corporation claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The Capital Management Corporation has been independently verified for the periods 1 January 1997 through 31 December 2017. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.