1879 Advisors
A Bruderman Company

Select Dividend Strategy

1879 Advisors
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Introduction

The 1879 Advisors Select Dividend Strategy is an investment strategy that has its roots in the once popular and successful "**Dogs of the Dow**" strategy. By focusing our investment selection process on high-quality, high-yielding stocks, we provide investors with a methodology and potential to generate a steady income stream from dividends, all the while having the opportunity for market appreciation if the selected stocks rise in value.

The 1879 Advisors Select Dividend Strategy invests in a portfolio comprised of 15 to 30 high-dividend paying stocks, representing a minimum of 4 sectors, whose companies have strong balance sheets, predictable earnings outlooks, and pay a sizable dividend.

The 1879 Advisors Select Dividend Strategy was initially launched on January 1, 2011. To help ensure that clients benefit from our most up-to-date research and security selection process, a new series is launched every quarter. The January 1, 2011 portfolio, in accordance with our strategy, was rolled into a new series in April 2012 and again in July 2013. For a detailed breakdown of this portfolio performance please contact your 1879 Advisors investment consultant. All figures are net of fees and expenses.

Why Dividends?

Over the years, investors appetite for dividends has waxed and waned. Historically, research in dividend investing has measured everything from performance of equities during periods of heightened dividend yields to improvements in corporate governance due to aligned interests between management and shareholders. We believe dividend-paying stocks are a suitable part of a diversified portfolio for many reasons.* First, dividends are meaningful to total return. Second, dividend-paying companies historically have outperformed non-dividend paying companies, with less risk. Finally, a well-constructed portfolio of dividend-paying companies can help investors fund their long-term liabilities, such as retirement cash-flows or philanthropic endeavors. The purpose of this paper is to explore how to provide solid risk-adjusted returns, build wealth, and increase portfolio cash-flow via dividend investing.

The "Quality" Stock Rotation

Since the financial crisis of 2008 monetary measures such as quantitative easing have created an environment that has collectively brought down interest rates and lessened market volatility. As a result, investors have shown an affinity for lower quality companies, which have gained an appearance of greater safety as a result of the highly unusual monetary policies the Federal Reserve as instituted, economic improvements, and a general absence of market volatility. This backdrop has been unfavorable for higher quality companies, creating a wide divergence in performance (Exhibit 1, below).

EXHIBIT 1: HIGH QUALITY VS LOW QUALITY

12/31/08 - 12/31/14		AVERAGE ANNUALIZED PERFORMANCE	AVERAGE DIVIDEND YIELD	AVERAGE BETA	AVERAGE 5-YEAR DIVIDEND GROWTH
HIGH	A+	12.0%	2.1%	0.81	16.6%
EARNINGS QUALITY	A	20.3%	2.4%	0.93	13.3%
	A-	16.0%	2.2%	1.05	11.5%
	B+	16.3%	1.8%	1.09	8.7%
	B	20.4%	2.0%	1.12	3.7%
	B-	20.2%	1.2%	1.34	-9.2%
LOW	C	26.7%	0.0%	1.44	0.3%
S&P 500 INDEX		**17.2%**	**1.8%**	**-**	**8.5%**

Data source: FactSet as of 12/31/14. **Past performance is no guarantee of future results**. The returns do not reflect the deduction of any fees, expenses or taxes, and assume reinvestment of all income. Investors cannot invest in an index.

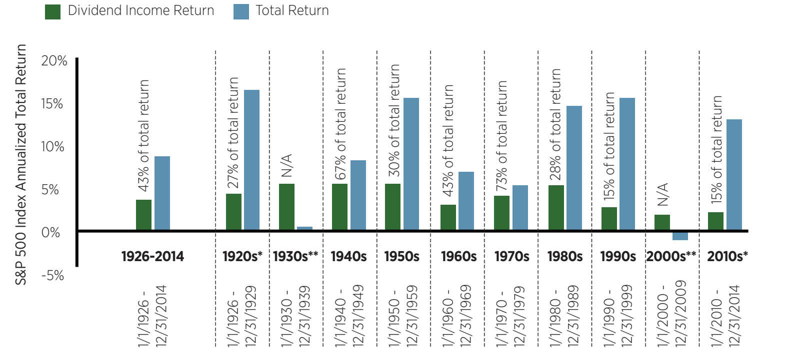
From December 30, 2008 through December 31, 2014, the S&P 500 Index (S&P 500) had an average annualized return of 17.2%. During the same time period, companies with the lowest earnings quality in the S&P 500 averaged returns of 26.7%, S&P 500 companies with a beta greater than the market averaged returns of 16.7%, and non-yielding companies in the S&P 500 averaged returns of 23.8%. However, as the Federal Reserve (Fed) measures taper off, the resulting impact might eventually be felt with higher interest rates and potentially increased volatility – an environment that has historically favored higher quality companies. Businesses that exhibit revenue growth, stable earnings, and maintain capital discipline have historically had the ability to consistently raise dividends and also experience below-average volatility.

A total return perspective

Market participants believe that earnings growth has been the driver of long-term returns. However, decade by decade, with the exception of the 1990s, a period marked by excessive valuations, dividends have been a significant contributor to total return for equity investors. In fact, between 1926 to 2014, 43% of the annual total return of the S&P 500's annualized return was actually derived from the payment and reinvestment of dividends, while capital appreciation/depreciation has contributed the rest, as shown in Exhibit 2 (shown to the right).

EXHIBIT 2: DIVIDEND INCOME AS PERCENTAGE OF TOTAL RETURN

(January 1, 1926 - December 31, 2014)



 Past performance is no guarantee of future results. For a description of the S&P 500 Index and methodology, see Endnotes for Exhibit 2 below.

* Represents a partial period and not a full decade.

** The analysis provided by Ned Davis indicates that the data is not applicable because the Dividend Income Return data for the 1930s and 2000s is disproportionately high versus the other decades due to the low or negative Total Returns

Periods greater than one year are annualized. The S&P 500 Index is a capitalizationweighted index of 500 stocks designed to measure the performance of the broad domestic stock market. The S&P 500 Index in its present form began on March 4, 1957. Prior to the 500 Composite, from 1923-1926 S&P used as its first broad market indicator, a composite index of 233 stocks. In 1926, to disseminate market indicator information more frequently, S&P created a more manageable subset of stocks that became known as the S&P 90 Stock Composite Index. Prices for the 500 Composite were linked to the 90 Stock Composite to provide daily records back to 1928 and monthly data back to December 31, 1925. Return performance is based on equal-weighted geometric average, computed monthly. Dividend income return is based on the return percentage of all dividend-paying companies in the S&P 500. The returns do not reflect the deduction of any fees, expenses or taxes, and assume reinvestment of all income. Investors cannot invest in an index.

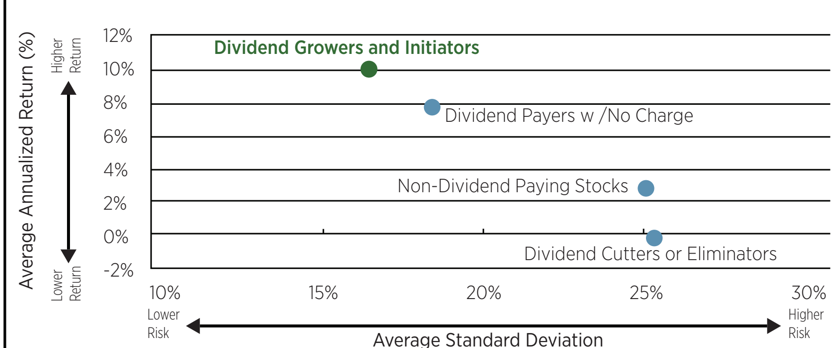
Dividends can be an important check on corporate governance and financial health

Dividends can be an important check on corporate governance. Management teams should allocate capital based on a belief that the payoff will provide a positive net present value. Conversely, examples of inefficient allocation of capital can include: acquisitions that are not accretive to a company's earnings; investing in capital projects that have a negative return on investment; or buying back shares, which are then all too often used as executive compensation. But allocating capital to paying and growing dividends can show that management is committed to its shareholders. Companies are currently sitting on a record pile of cash and liquid assets, but they are increasingly putting that cash back into the hands of investors in the form of dividends.

Dividend-paying stocks have outperformed with less risk. Ultimately, the goal for every investor should be maximizing return while minimizing risk. As illustrated in Exhibit 3 (right), research has shown that over the long term "dividend growers and initiators" have generated higher returns with lower standard deviation, a measure of risk, than companies that maintained their dividend, paid no dividend and ones that reduced or eliminated their dividend.

EXHIBIT 3: RISK VS RETURN

(January 21, 1972 - December 31, 2014)



 Past performance is no guarantee of future results. For a description of how each stock is grouped by dividend policy, see Endnotes for Exhibit 3 description on last page.

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White Plains, NY 10601

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Suite 2A
Goshen, NY 10924

Fishkill, NY
300 Westage Business Center Dr.
Suite 370
Fishkill, NY 12524

Saddle Brook, NJ
Park 80 West
250 Pehle Ave.
Plaza 2, Suite 106
Saddle Brook, NJ 07663

Danbury, CT
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Suite 125
Danbury, CT 06810

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