

# Winning with Defense

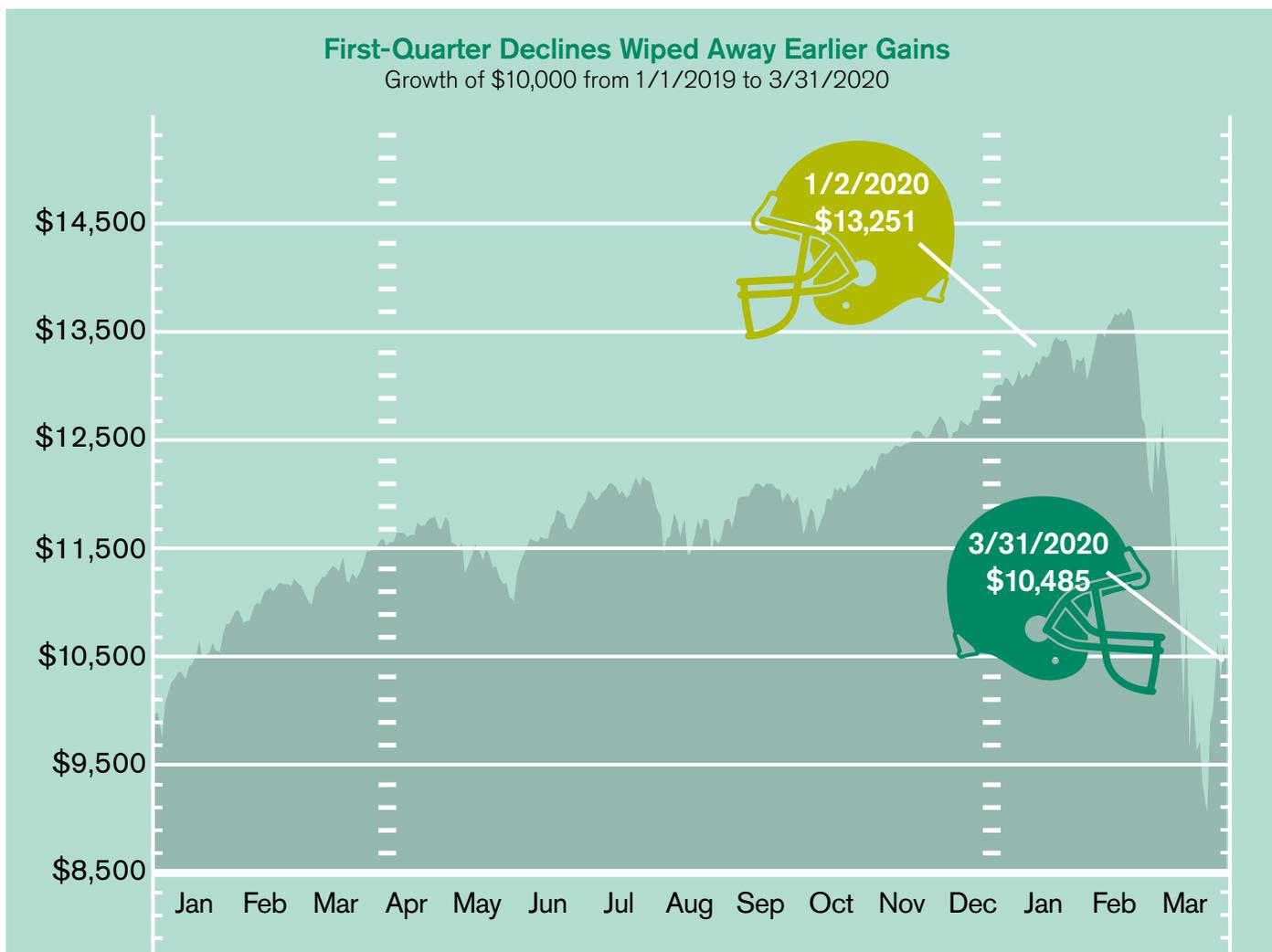
Markets in Motion Series

## MVPs for Tough Markets

High-scoring returns during bull runs get the most cheers. We believe winning over the long haul, however, requires a well-rounded portfolio with a mix of positions that react differently when market conditions change. At times, your most valuable players (MVPs) could be those that seek to provide some defense when the going gets rough.

## Performance Replay

Although there were stumbles along the way, the stock market found its footing to post a remarkable gain for 2019. It continued to hit new highs until mid-February when it plunged as the coronavirus spread across the globe, oil prices dropped dramatically, and a worldwide economic slowdown unfolded.

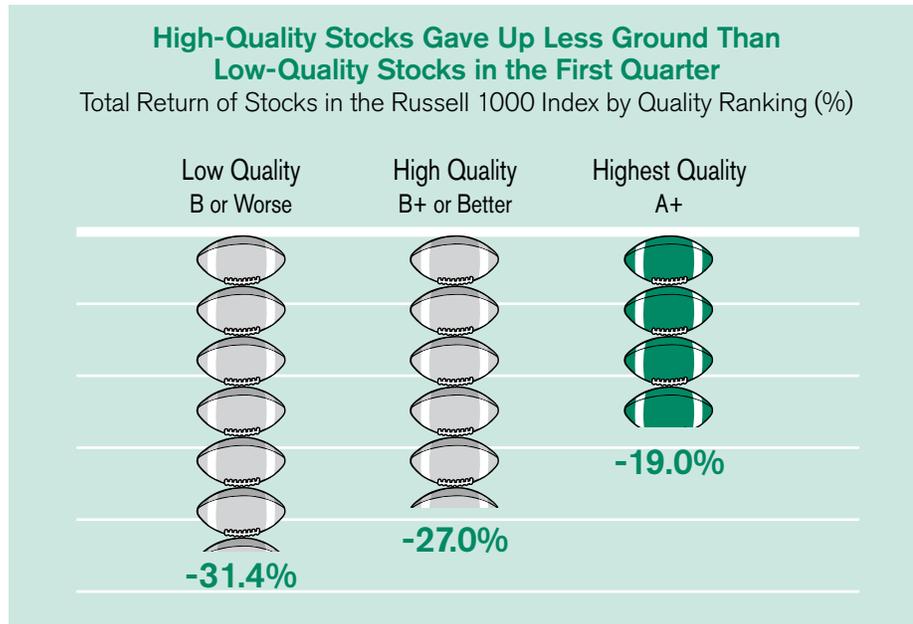


Stock market represented by the Russell 1000 Index. Source: Morningstar. The index does not reflect fees, brokerage commissions, taxes or other expenses of investment. Investors cannot invest directly in an index. Past performance is no guarantee of future results.

With volatility increasingly putting assets at risk, it's important to consider strategies that may help mitigate the impact of declines.

## High-Quality Players Stand Out

When the going got rough, high-quality players stepped up. As shown in the chart below, the higher its quality, the better a stock held its ground.



Data from 12/31/2019 - 3/31/2020. Quality is based on S&P Quality Ranking System. Returns reflect an equal-weighted average of the return of stocks in the Russell 1000 Index by quality categorization. Source: FactSet, Merrill Lynch, U.S. Bureau of Economic Research.



## Getting to the Goal Line

Do you have enough high-quality players in your roster to tackle downturns? Given their history of delivering superior performance with less risk over time, quality stocks may be a good option for many investors today.

A strategy or emphasis on environmental, social and governance factors ("ESG") may limit the investment opportunities available to a portfolio. Therefore, the portfolio may underperform or perform differently than other portfolios that do not have an ESG investment focus. A portfolio's ESG investment focus may also result in the portfolio investing in securities or industry sectors that perform differently or maintain a different risk profile than the market generally or compared to underlying holdings that are not screened for ESG standards.

Diversification does not assure a profit nor does it protect against loss of principal.

**Russell 1000® Index** is a market-capitalization weighted, large-cap index created by Frank Russell Company to measure the performance of the 1,000 largest publicly traded U.S. companies, based on total market capitalization.

The **Quality Rankings System** is managed by S&P Global Market Intelligence. It attempts to capture the growth and stability of earnings and the dividends record with a single rank. The rankings are generated by a computerized system and are based on per-share earnings and dividends records of the most recent 10 years. Basic scores are computed for earnings and dividends and, then, adjusted by a set of predetermined modifiers for changes in the rate of growth, stability within long-term trends and cyclicalities. Adjusted scores for earnings and dividends are then combined to yield a final ranking.

The Quality Rankings are based on the following scale:

Quality Ranking	Description	Quality Ranking	Description	Quality Ranking	Description
A+	Highest	B+	Average	C	Lowest
A	High	B	Below Average	D	In Reorganization
A-	Above Average	B-	Lower	LIQ	Liquidation

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

This information is for educational purposes only and is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice.

**Non-FDIC Insured • May Lose Value • No Bank Guarantee**

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## Characteristics of Quality Companies

- Strong management teams
- Leading market positions and strong brands
- Business models that provide steady streams of income
- High standards for environmental, social impact and corporate governance issues
- Low levels of debt that can help them weather a market downturn or acquire other businesses