



Governing Principles

We will primarily invest in blue chip companies with above-average dividend yields and an established history of paying dividends.

The fixed income portfolio places an emphasis on investment grade quality bonds.

We will treat your investment with St. James as if it were our own.

We will remain significant investors with you in St. James Investment Advisors portfolios.

Our decision-making process takes full advantage of individual insights within a partnership oriented culture.

We are patient, long-term investors.

We will discourage short-term speculators and market timers.

We will communicate with our investment partners as candidly as possible.

We think “benchmark risk” is part of investment life. Our firm’s goal is to earn good absolute investment returns over long periods of time without exposing our clients’ capital to undue risk. We do not think about any particular index when we make investment decisions.

Objective

The St. James Blue Chip Dividend with Income Portfolio seeks to provide total return through a combination of equities and fixed income. The equity portion of the portfolio places an emphasis on selecting companies with above average dividends and those trading at reasonable discounts from our assessment of intrinsic value. The fixed income portion of the portfolio provides long-term growth of income and a moderate level of current income.

Philosophy

Absolute Return: We are absolute return investors and each investment must meet our strict fundamental research and macroeconomic criteria, not just offer opportunity relative to other alternatives.

Long-term focus: We believe the best way to accomplish our goals is to accept short-term underperformance in exchange for long-term success. We expect to hold our investment positions unless fundamental valuation parameters change. We are not speculators and adhere to a strict value investment discipline. We are willing to hold cash.

Why We Believe Dividends Are Important:

- Over the long term, the return from dividends has been a significant contributor to the total returns produced by equity securities. According to Standard & Poor’s, dividends comprised an average of 35% of the monthly total return of the S&P 500 from 1926 to 2009.
- Stocks with apparent high and sustainable dividend yields may be more resistant to a decline in price than lower yielding stocks because the stock is in effect “yield supported.”
- There is an abundance of empirical evidence which suggests that portfolios consisting of high dividend yielding securities may produce attractive total returns over long measurement periods.

Focus as bottom-up managers: Most of our energy goes to evaluating investment opportunities and trying to quantify potential downside scenarios. However, we do take some interest in the macro environment, as economic conditions profoundly affect the business models we are evaluating.

Primary Portfolio

Equity portion will be invested in dividend-paying equities and the fixed-income portion of the portfolio will utilize electronically traded funds or select fixed-income securities.

St. James Investment Advisor

We are professional portfolio managers Committed to Value Investing. St. James is an independent, fee-only, United States Securities and Exchange Commission registered investment advisory firm, providing customized portfolio management services to individuals and their financial advisors.

Partnership Investing

We invest our money alongside you as partners in our process. As managers we have significant amounts of our own capital invested in the strategy.



Quarter Ending June 30, 2022 | Commentary

The second quarter of 2022 has seen a significant spike in market volatility, along with negative equity and bond returns. Historically, this has been one of the worst starts to a calendar year for both stocks and bonds. Nearly everywhere you turn, from friends and colleagues to cable news shows, you can find someone with strong commentary about the financial markets. From time to time, markets go through periods of decline. It is essential to realize that downturns are not rare events and successful long-term focused investors endure many of them during their lifetimes. Even knowing this, it can be unsettling to witness the decline of your portfolio during one of these events. After a significant decline, it is hard to predict how long it will take for markets to recover. Over the long run, markets have been very generous to investors who maintained their discipline. At this point, we do not know how severe this current market decline will be, how long it will last, or how long it will take to recover. Please remember these market conditions do not last forever. As a long-term investor, you can ignore commentary that might cause you to deviate from your plan and remain committed to achieving your long-term goals. Downturns come and go. They are never pleasant. However, the results of a well-designed and carefully followed investment plan can serve you well.

During the last quarter the St. James Blue Chip Dividend with Income Portfolio benefitted with exposure to:

- Consumer Discretionary

During the last quarter the St. James Blue Chip Dividend with Income Portfolio exposure to the following was negative:

- Financials
- Information Technology
- Industrials

These are the individual contributors and detractors from the portfolio during the last quarter:

Contributors:	Detractors:
McDonald's Corp.	Berkshire Hathaway Inc.
Pfizer Inc.	Brookfield Asset Management
PepsiCo Inc.	Cisco Systems Inc.

As of quarter-end, the St. James Blue Chip Dividend with Income Portfolio had the following compositions:

Equities:	51.00%
Fixed-Income:	47.50%
Cash Equivalents:	1.50%
Total:	100.00%

Investment Highlight

PepsiCo, Inc. (PEP) is one of the world's leading food and beverage companies. The company's portfolio of brands includes Pepsi-Cola, Quaker, Gatorade, Mountain Dew, 7UP, Frito-Lay, and Tropicana. Through its operations, authorized bottlers, contract manufacturers, and other third parties, PepsiCo markets, distributes, and sells a wide variety of convenient beverages, foods, and snacks, serving customers and consumers in more than 200 countries and territories. The company has 23 brands that generate more than \$1 billion in estimated annual retail sales. PepsiCo is organized and operates in seven reporting segments; PepsiCo Beverages North America; Frito-Lay North America; Quaker Foods North America; Latin America; Europe; Africa, Middle East, and South Asia; and Asia Pacific, Australia and New Zealand, and China. In 2021, PepsiCo generated 56% of net revenues from the U.S. and 44% internationally. The company has a market capitalization of \$235.9 billion and generated a 2021 annual revenue of \$79.5 billion. Current dividend yield is 2.57%.

All investing involves risk of loss, and the St. James Blue Chip Dividend with Income Portfolio investment strategy could lose money over short or even long periods. The Investment Highlight position described above was randomly selected and was not selected based on performance. Views expressed regarding a particular company, security, industry, or market sector should not be considered an indication of trading intent of any investments managed by St. James Investment Advisors. These views should not be considered investment advice, nor should they be considered a recommendation to buy or sell. Data is based on a representative account selected because it has the least number of restrictions and best represents the implementation of the strategy. Presentations of composite performance are available upon request. Part 2 of form ADV is available upon request or at www.stjamesia.com.