

Sure Dividend

HIGH-QUALITY DIVIDEND STOCKS, LONG-TERM PLAN

Interview: Ryan Krueger *Freedom Day Dividend ETF (MBOX)*

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Ryan Krueger and his team recently launched the [Freedom Day Dividend ETF](#) (MBOX). The interview questions and answers below give a better understanding of the Freedom Day Dividend ETF.

Can you briefly take us on your career journey that led to you co-founding Freedom Day Solutions?

We opened this investment management firm in 2006. I worked the previous ten years as a portfolio manager at the largest bank & brokerage firm in the world, at that time. I liked learning so much in that incredible environment, but I loved the idea of getting smaller on purpose. I wanted to remove all the friction points and expensive layers that cause investors confusion.

The most helpful lessons were learning all the many pages in the most sophisticated investment playbooks that are completely unnecessary. I don't say that for simple's sake, the real Holy Grail in this business is deeply informed simplicity. I learned in the belly of the beast.

I think there are some Sure Dividend members with the back of an envelope and a sharp pencil that have better plans than many Wall Street offices.

Then, describe the journey to launching the Freedom Day Dividend ETF (MBOX)?

I had zero intention of adding another product to the over-stuffed shelves of ETFs. I mean absolutely none. How's that for a pitch? Did I mention we don't have a marketing department?!

But it became perfectly clear to me that there is a giant problem to solve that we could help with. Investment advisors are the ones who nudged me to build the ETF for them. We all already have more than enough choices to add more growth or income to portfolios. What investors need the very most going forward will be more growth OF income.

We have worked a long time on a concentrated recipe to help deliver just that. So, we were asked to take our rising dividends strategy and build an ETF for it.

I'm a slow mover. I did years of research just on that one question, no different than any other aspect of portfolio management for me. One tremendous advantage that emerged is a more tax-efficient solution for the same portfolio we were already managing. Actively managed ETFs have the same tax-exemption for capital gains not being distributed, as indexes do. Very few, even professionals inside the industry, were aware of this. As always around here, I just used myself as the guinea pig – would I do this with my own money first? That's one simple rule that has never changed in 25 years for me as a portfolio manager. Now, more than ever that answer can't even be a yes, it must be a "heck yea!" or it's a no. So, to answer all that I have learned about why to launch MBOX most simply in one sentence – *it will be my largest personal investment holding.*

What is 'Freedom Day'?

When investment income delivered to your mailbox is greater than bills you pay going out, we call that Freedom Day. We have found the math is far better from multiple streams of rising income, than any retirement plan relying on withdrawals of hope-for-appreciation and principal. Even more

important than better math, is the peace of mind that comes with Freedom Days, which can be healthier and more inspiring than retirement.

One of the families we serve, scribbled our little mailbox logo that may look goofy to somebody that does not believe those days are possible. The feeling he drew was being the only one in a neighborhood without a red flag pointing up with more outgoing checks. And, instead a green flag pointing down, as he smiled about more dividend checks arriving.



Freedom Day also means no longer worrying or wondering about what others are doing because you are getting paid while they are predicting.

What does your 'Mailbox Math' concept mean?

There is only one metric to measure stocks that has a 200+ year track record of success for U.S. companies – a dividend. There are no black boxes or algorithms needed to count them, any old metal mailbox will do! It is the only metric that you know is real, because you can hold it in your hand. Mailbox math is our tip of the cap to that vintage truth, but we also believe it is the best way to calculate plans for the future. If you are stakeholder who has received rising dividends over a number of years, *your* dividend yield is very different than the current dividend yield everybody else is looking at.

Let's say you own a portfolio of rising dividends with an average current yield of 2% and you get 10% annual dividend pay raises over the next decade, which you reinvest. To make this example easy, and the math conservative, let's also say you don't add another dollar after the original investment and let's not factor in one penny of stock price appreciation. Starting in year 11, YOUR dividend yield is more than 7% annually. That mailbox math is profoundly simple.

You would potentially have free cash flow income greater than the most sophisticated financial planners' models withdrawing principal and hoping for appreciation.

What goes into the security selection process for the MBOX ETF?

We designed a 5-step repeatable process over many years. Across dozens of variables, we make stocks compete against each other every month to compare the math of:

1. Operating Business Advantage
2. Quality of the Dividend & its Growth
3. The Direction of that Advantage and Growth
4. Price
5. Balance

#1 & #2 do a lot of the heavy lifting, eliminating thousands of stocks from consideration. #3 is where we really roll our sleeves up to find unusual candidates. The notion of a wide moat is popular for very clear reasons. But those reasons attract crowds – of competition, and also from investors. We do not enjoy crowds. Our work is focused not just on the size of an advantage, but its direction. That is one big difference between MBOX and many dividend ETFs.

The more un-crowded the better #4) is, our entry price as stakeholders. We want to own a portfolio of businesses that are growing, generating increasing free cash flow internally and for stakeholders, all at well above market averages, but also at a cheaper valuation. Efficient market theories and passive index investors do not believe that is possible. I will humbly submit something better than an opinion that shows they are wrong – objective math.

The other big difference we have found in our approach from our peers is #5), a strict discipline of balance across sectors. Too often, high current yields attract dividend investors who become overly concentrated in just a few sectors. We own stocks in all sectors. Some of the most incredible rising dividends we find are coming from non-traditional dividend industries.

We believe the beauty of active management is a repeatable process with buy and sell disciplines that do not care what I think will happen, but pays full respect to what is happening. Less than 1% of U.S. stocks make it through that 5-step process in any given month.

About how many securities does MBOX invest in? Why that number? Are securities equally weighted or weighted in some other way?

Approximately 50 stocks are held. Our research shows there is no perfect answer, but that's as close as it gets to benefit from selection while remaining diversified. Each position begins at close to 2%. Any outsized position will only be the result of output not input. What I mean by that is a larger position will only happen from positive performance not my conviction. That would be one of two simple rules I think anybody could adopt and have a shot at a better track record than many professional money managers. The other one is setting your sell disciplines before a purchase.

What level of dividend yield can investors expect from MBOX?

That will fluctuate based on when somebody reads this, and I'd hate to be misleading. Know that my own benchmark, since I was the first investor, is that MBOX dividend yield, and more importantly the dividend raises, need to be better than alternative choices or we shouldn't be hired. I hold myself accountable to clearing the highest bars for an investor who has plenty of good choices for their hard-earned savings.

Disclosures:

Investments involve risk. Principal loss is possible. ETFs may trade at a premium or discount to their net asset value. Redemptions are limited and often brokerage commissions are charged on each trade which may reduce returns.

The Fund invests in dividend paying companies and may hold securities of companies that have historically paid a high dividend yield. Those companies may reduce or discontinue their dividends, thus reducing the yield of the Fund. Low priced securities in the Fund may be more susceptible to these risks. Past dividend payments are not a guarantee of future dividend payments.

Some sectors of the economy and individual issuers have experienced particularly large losses due to economic trends, adverse market movements and global health crises. This may adversely affect the value and liquidity of the Fund's investments especially if the fund concentrates its investments in the securities of a particular issuer, industry or sector.

Investing in mid-capitalization companies may be more vulnerable to adverse market or economic developments and have greater volatility or trade in lower volume than large-capitalization companies.

New Fund Risk. The Fund is a recently organized management investment company with limited operating history and track record for prospective investors to base their investment decision.

The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. Click here for the [MBOX Prospectus](#), and [MBOX SAI](#). All fund documents can be found at <https://freedomdaydividend.com/documents/>. A free hardcopy of any prospectus may be obtained by calling +1.215.882.9983. Read carefully before investing.

The Funds are distributed by Quasar Distributors, LLC. The Funds' investment advisor is Empowered Funds, LLC which is doing business as Alpha Architect.

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