

High-Dividend Portfolio

Portfolio Manager Commentary

As of 12/31/2023



Q4 2023 Review

In our October 2023 third quarter commentary we discussed the flow of money into cash due to competitive yields and its negative impact on the performance of dividend-yielding stocks. At that time, we also highlighted such inflows can often be temporary in nature as the benefit of cash diminishes when the Federal Reserve (Fed) eventually changes course and begins to cut interest rates. Furthermore, we expected the markets and investors would anticipate a change in Fed policy well in advance of actual interest rate cuts.

Fourth quarter performance for the **High-Dividend Portfolio (HIDIV)** seems to support this view—up a strong 8.34% (7.51% net of maximum fees) versus a 9.76% return for its S&P 500 Low Volatility High Dividend (SP5LVHD) benchmark. Dividend stocks enjoyed a resurgence with the Fed leaving rates unchanged for three consecutive meetings after a consistent string of rate increases over the previous year and a half. The recent inaction could suggest an end to the Fed's monetary policy tightening campaign and, as such, dividend stocks reacted accordingly.

We believe the positive performance of higher-yielding dividend stocks in recent months may continue into 2024 for the following reasons:

- Investors could likely seek higher yields as the return on cash diminishes if interest rates decrease
- Unlike cash, dividend-paying stocks offer potential growth of income
- Dividend yield could contribute a greater portion to overall total return if indeed we enter a period of lower equity returns as some are projecting

Importantly, for the full year 2023, HIDIV was up 4.99% (1.91% net)—nicely outperforming the SP5LVHD's gain of 1.70%. HIDIV's more conservative and defensive stock selection among Financials and Real Estate sectors were the primary drivers of the outperformance for the full year. This marks the second consecutive year in which the portfolio has outperformed its benchmark by over 300 basis points on a gross comparison.

Heading into 2024, HIDIV continues to be relatively well balanced between defensive (50%) and cyclical (50%) sectors and positions, which should allow the portfolio to participate in upside potential associated with a soft landing economic scenario, while offering a reasonable level of protection against a recession and other less favorable economic scenarios. This balance was on display during 2023 with the portfolio moderately underperforming its benchmark during the fourth quarter "risk on" scenario, while still participating in significant upside during the quarter, and solidly outperforming for the full year that experienced a great deal of volatility.

Objective

Seeks to generate a high level of current income with dividend growth to cover inflation and a yield that is competitive with U.S. high-yield bond benchmarks

Portfolio Management Team



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About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets over \$4.7 billion as of December 31, 2023.*

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

	Total Returns			Annualized Returns				Calendar-Year Returns					
	3-Mos	6-Mos	YTD	1-year	3-year	5-year	Inception	2018	2019	2020	2021	2022	2023
Gross %	8.34	5.60	4.99	4.99	12.42	9.67	7.59	-7.95	21.78	-8.30	29.86	4.22	4.99
Benchmark %	9.76	5.40	1.70	1.70	8.74	7.00	5.58	-5.87	20.76	-9.67	25.26	0.93	1.70
Net %	7.51	4.03	1.91	1.91	9.15	6.48	4.45	-10.68	18.25	-10.99	26.08	1.21	1.91

As of 12/31/2023; Inception – September 1, 2017; Benchmark = S&P 500 Low Volatility High Dividend Index

Net returns reflect the deduction of the maximum managed account fee of 3.00% which includes the wrap sponsor fee and EquityCompass investment management fees. Actual fees may vary.

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Perhaps another indication of the portfolio's stability can be demonstrated by its relative performance over the past two years in which the markets absorbed very high inflation, the subsequent material increase in interest rates, and heightened volatility. During this timeframe, HIDIV has generated a two-year compound annual growth rate (CAGR) of 4.61% (1.56% net of maximum fees)—outperforming both its benchmark (up 1.32%) and the broader market as represented by the S&P 500 total return (up 1.69%). In addition, during this two year period, the portfolio has avoided the substantial performance swings experienced in some of the broader market indices.

As customary, the following statistics highlight HIDIV's portfolio management approach in an effort to address market challenges and provide support for income stability.

- Staying true to the portfolio mantra of generating consistent cash flow for investors, HIDIV maintains a weighted average dividend yield of 5.27% at quarter end—approximately three times that of the broader market
- For the full year 2023, investors have captured 23 dividend increases among the 30 stock portfolio
- The average growth of those dividend increases has been 3.4%—**excluding** special and supplemental dividends paid
- Seeking to maintain quality constraints, approximately 93% of the companies in the portfolio have investment-grade debt ratings
- Since inception, HIDIV has generated a five-year CAGR of cash dividend income of 5.66%—well in excess of the realized level of inflation over that period

INVESTMENT PERFORMANCE DISCLOSURE**HIGH-DIVIDEND PORTFOLIO WRAP COMPOSITE (09/01/2017 – 12/31/2022)**

Year-End	Gross-of-Fees Return*	Net-of-Fees Return**	Benchmark Return	Composite 3 Yr. Ex Post Std. Deviation	Benchmark 3 Yr. Ex Post Std. Deviation	Composite Number of Portfolios	Internal Dispersion (%)	Portfolios With Bundled Fees (%)	Composite Assets (USD Mil.)	Strategy Assets (USD Mil.)†	Firm & Advisory Assets (USD Mil.)
2017 §	8.8%	7.8%	6.9%	N/A	N/A	<6	N/A	67%	\$0.11	\$0.11	\$3,785
2018	-8.0%	-10.7%	-5.9%	N/A	N/A	<6	N/A	67%	\$0.15	\$0.15	\$3,831
2019	21.8%	18.2%	20.8%	N/A	N/A	<6	N/A	67%	\$0.25	\$14	\$4,294
2020	-8.30%	-10.99%	-9.67%	20.48%	20.29%	<6	N/A	50%	\$0.29	\$36	\$4,012
2021	29.86%	26.08%	25.26%	20.30%	20.76%	<6	N/A	50%	\$0.37	\$87	\$5,038
2022	4.22%	1.21%	0.93%	21.87%	22.34%	<6	N/A	50%	\$0.44	\$180	\$4,469

* Supplemental information. Please see Fees section for details. ** Net returns are calculated by subtracting the highest applicable wrap fee (3.00% on an annual basis) from the gross composite return. † Supplemental Information. § Returns are for the period 9/01/17 through 12/31/17.

EquityCompass Investment Management, LLC ("EquityCompass") claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS standards. EquityCompass has been independently verified for the periods 06/01/14–12/31/22. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Definition of the Firm

EquityCompass is registered as an investment adviser with the Securities and Exchange Commission. The firm provides a broad range of investment strategies to individuals, financial intermediaries, and institutions in the United States. EquityCompass, a wholly owned subsidiary of Stifel Financial Corp., was organized as an entity in 2007, and has been registered with the SEC since May 5, 2008. SEC Registration does not imply a certain level of skill or training. Please refer to the firm's ADV Part 2 for additional disclosures regarding the firm and its practices. To obtain a GIPS Report or a list of our composite descriptions and/or policies for valuing investments, calculating performance, and preparing GIPS reports, please call (443) 224-1231 or send an e-mail to info@equitycompass.com.

Composite Description

The performance results displayed herein represent the investment performance record for the High-Dividend Portfolio Wrap Composite. The composite includes wrap and non-wrap accounts that are invested in the composite strategy and managed on a discretionary basis by EquityCompass. High-Dividend Portfolio strategy invests in a focused portfolio of dividend-paying stocks domiciled in the U.S. and developed international markets seeking to generate a high level of current income with dividend growth to cover inflation and a yield that is competitive with U.S. high-yield bond benchmarks. It is available in wrap fee programs through third-party intermediaries (each, a "Sponsor") that have engaged EquityCompass to manage client accounts on a discretionary basis or to provide non-discretionary investment recommendations in the form of model portfolios. The Composite was created in January 2018 and the inception date is September 1, 2017.

Benchmark Description

The benchmark is the S&P 500 Low Volatility High Dividend Index. The S&P 500 Low Volatility High Dividend Index measures the performance of the 50 least-volatile high dividend-yielding stocks in the S&P 500. The index is designed to serve as a benchmark for income-seeking investors in the U.S. equity market. All benchmark returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Fees

Gross-of-fees returns, are gross of portfolio management and custody fees and net of all trading costs in the case of non-wrap accounts and those wrap accounts traded by EquityCompass. Trading costs are not deducted from gross-of-fee return calculation if the wrap account trades are executed by the Sponsor. Net returns are calculated by subtracting the highest applicable annual wrap fee (3.00%, by deducting 0.75% quarterly) from the gross composite return. The EquityCompass management fee schedule per annum is 0.35% on up to 1,000,000, 0.32% on 1,000,000–2,500,000 million, 0.28% on 2,500,000–5,000,000, 0.25% on 5,000,000–10,000,000, and negotiable over 10,000,000. Clients are typically charged a wrap fee which includes, in addition to the manager fee, trading expenses, as well as custody and administrative fees. The wrap fee schedule varies by Sponsor and is available upon request.

Reporting Currency

Valuations are computed and performance reported in U.S. dollars (USD).

Annualized Standard Deviation

The three-year annualized ex post standard deviation measures the variability of the monthly returns of the composite (gross-of-fee) and the benchmark over the preceding 36-month period; it is not presented for periods of less than three years.

Internal Dispersion

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of all accounts that were in the composite for the entire year; it is not presented for periods less than one year or when there were fewer than five accounts in the composite for the entire year.

Assets

Strategy Assets include all discretionary and non-discretionary accounts invested in the High-Dividend Portfolio strategy. Accounts that are excluded from the composite because of significant cash flows or for other reasons are also included in Strategy Assets. This is presented as supplemental information.

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It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. High-dividend paying stocks may carry elevated risks and companies may lower or discontinue dividends at any time. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Foreign securities potentially entail special risks such as less liquid markets; political and economic instability; lax regulation; and adverse fluctuations in currency exchange rates. Rebalancing may have tax consequences, which should be discussed with your tax advisor. Diversification (or asset allocation) does not ensure a profit or protect against loss.

Real estate investing is subject to special risks, including tenant default, declining occupancy rates, adverse changes in environmental and zoning regulations, and falling property values and rents due to deteriorating local or national economic conditions. REIT securities listed on a securities exchange may be subject to abrupt or erratic price movements because of interest rate changes and other factors. Non-listed REIT securities may lack sufficient liquidity to enable the Fund to sell them at an advantageous time or to minimize a loss. Distributions from REITs may include a return of capital. A REIT that does not qualify as a REIT under the Internal Revenue Code ("IRC") will pay taxes on its earnings, which will reduce the dividends paid by the REIT to the Fund. Some REITs are highly leveraged, which may increase the risk of loss.

The S&P 500® Low Volatility High Dividend Index measures the performance of the 50 least-volatile high dividend-yielding stocks in the S&P 500. The index is designed to serve as a benchmark for income-seeking investors in the U.S. equity market. All index returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. All index returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

*Total assets combines both Assets Under Management and Assets Under Advisement as of December 31, 2023. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Past performance does not guarantee future performance or investment results.

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