

Quality Dividend Portfolio

Portfolio Manager Commentary

As of 12/31/2023



Q4 2023 Review

What a difference one year makes. At this time in 2023, we were pleased to have dodged many of the issues encountered by the S&P 500, NASDAQ Composite, and the Dow Jones Industrial Average. All three of those widely-followed indices experienced significant 2022 declines of 18.11%, 32.54%, and 6.86% respectively, versus the Quality Dividend Portfolio's (QDIV) more modest decline of 1.86% (-2.57% net of maximum fees). However, what performed relatively well in 2022, did not carry over into 2023. In fact, many of the best performing individual stocks and sectors in 2022 were the worst performers in 2023, and vice versa.

In 2023, the cap-weighted S&P 500 Index outperformed the S&P 500 Equal Weight Index by a significant 12%, representing the second largest divergence historically between the two with data going back to 1971—only 1998 generated a wider gap at 16%. Conversely, in 2022, S&P 500 Equal Weight outperformed its cap-weighted counterpart by nearly 7%—the most since 2010.¹ Such large performance disparities typically occur within volatile markets.

Technology companies, particularly those propelled by positive leverage to the demand for Artificial Intelligence, were the disproportionate winners in 2023. The “Magnificent 7”—Amazon.com Inc. (AMZN), Alphabet Inc. (GOOGL/GOOG) (the parent company of Google), Apple Inc. (AAPL), Meta Platforms, Inc. (META), Microsoft Corp. (MSFT), NVIDIA Corp. (NVDA), and Tesla Inc. (TSLA)—represented close to 30% of the S&P 500 market cap and approximately 40% of the NASDAQ 100 Index. This outsized influence bolstered a significant divergence in equity market performance between the large cap tech stocks and most other equity asset classes. According to Bank of America, “last year was the narrowest breadth year in history, going back to 1987, meaning that if you look at the percentage of stocks in the S&P 500 that actually beat the S&P 500 index, only 27% of stocks outperformed.”² We believe it is unlikely that such narrow breadth is sustainable.

Most market prognosticators got 2023 wrong. The predictions of doom and gloom to start the year, and the consequences these insurmountable risks would have on the markets, never materialized. At the beginning of 2023, the probability of a pending recession seemed elevated in an environment

Objective

Focused portfolio of high-quality, high-yielding stocks that seeks to provide the highest possible dividend yield within the constraints of quality, capital preservation, and diversification

Portfolio Management Team



Thomas P. Mulroy
Senior Portfolio Manager



Michael S. Scherer
Senior Portfolio Manager

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.

1) Bilello, Charlie, “2023: The Year in Charts,” www.bilello.blog, January 7, 2024.

2) Kwon, Ohsung. “Active Managers Had Another Rough Year. Why 2024 Could Be Better.”
By Lauren Foster. *Barron's*, January 6, 2024.

	Total Returns			Annualized Returns					Calendar-Year Returns									
	3-Mos	6-Mos	YTD	1-yr	3-yr	5-yr	10-yr	Incp.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross %	7.73	4.09	0.39	0.39	6.55	7.82	7.67	6.73	14.09	0.47	13.35	16.68	-5.23	23.22	-2.24	22.70	-1.80	0.39
Benchmark %	9.76	5.40	1.70	1.70	8.74	7.00	8.73	9.92	20.25	5.56	22.70	12.33	-5.87	20.76	-9.67	25.26	0.93	1.70
Net %	6.89	2.53	-2.57	-2.57	3.44	4.68	4.51	3.60	10.72	-2.44	9.97	13.23	-8.03	19.64	-5.08	19.11	-4.64	-2.57

As of 12/31/2023; Inception—January 1, 2006; Benchmark = S&P 500 Low Volatility High Dividend Index; Please note the above returns reflect representative portfolio performance. See important disclosures at the end of this presentation.

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.

Quality Dividend Portfolio

Portfolio Manager Commentary

As of 12/31/2023



facing stubbornly high inflation, slowing consumer spending, increasing unemployment, ongoing Federal Reserve (Fed) interest rate hikes (the fastest in 40 years), and geopolitical tensions. We find it wise to maintain a healthy bit of skepticism when it comes to Wall Street strategists' macro predictions. Instead, we focus on building a portfolio that seeks to provide consistent income generation and the potential for capital appreciation to help investors mitigate significant market corrections.

Portfolio Overview

In the fourth quarter, the **Quality Dividend Portfolio** increased by 7.73% (6.89% net of maximum fees) versus a 9.76% increase for its benchmark, the S&P 500 Low Volatility High Dividend Index. Year to date, QDIV finished with an increase of 0.39% (-2.57% net) versus its benchmark return of 1.70%. In 2023, the biggest single macro factor weighing on the portfolio was the rise in interest rates. Many investors seized the opportunity to move money into higher yielding short duration government bonds or money market funds, which competed directly with high quality dividend-paying stocks.

As we enter 2024 and focus on the potential for a slowing economy and lower interest rates, we can make the argument that many of our portfolio companies have already experienced an earnings recession. Therefore, earnings should begin to improve in the coming quarters. We believe the combination of potential earnings improvement and lower interest rates at some point during the year could represent catalysts for dividend stocks to begin to move higher.

We feel QDIV's sector weightings are appropriate and provide an opportunity for modest earnings growth, sustainable dividend income, and growth in income. Health Care continues to be our largest sector weighting at 19.2%, followed by Financials (18.2%), Consumer Staples (14.7%), Information Technology (11.8%), Energy (10.4%), Industrials (9.8%), Consumer Discretionary (6.6%), Materials (5.6%), and Real Estate (3.7%).

QDIV ended the quarter with a weighted average yield of 4.1%, higher than the 10-year U.S. Treasury yield (3.9%), and the S&P 500 (1.5%). The portfolio has a price-to-earnings (P/E) multiple of 13.4x consensus 2024 earnings estimates, which compares favorably with the S&P 500 (21.3x), and the S&P 500 Equal Weight Index (16.0x).

Through year end, 21 of QDIV's 28 holdings raised their dividend an average of 3.3%. In our opinion, it is reasonable to expect dividend increases for the portfolio in the range of 3.5% to 4.5% during 2024. We believe our portfolio companies are committed to maintaining a consistent and growing dividend regardless of the current economic environment.

The following changes were made to the portfolio in the fourth quarter.

Removed:	Added to Existing Positions:
Organon & Co. (OGN)	Truist Financial Corp. (TFC)
	Pfizer Inc. (PFE)
	Best Buy Co. Inc. (BBY)
	Chevron Corp. (CVX)
	United Parcel Service Inc. (UPS)

2024 Outlook

The focus continues to remain on the Fed and its ability to slow the economy and tame inflation without pushing it into a recession. While the economy seems to be on better footing that many would have forecasted given the surge in interest rates, a soft landing for the economy is still not a certainty. In addition, the amount and timing of potential interest rate cuts by the Fed may be somewhat optimistic in light of stubbornly high inflation. These remain key risks. However, investors remain positive heading into the new year, as a Bank of America survey recently noted that two-thirds expect a soft landing for the economy.

Quality Dividend Portfolio

Portfolio Manager Commentary

As of 12/31/2023



From our perspective, it appears the Fed may be done raising interest rates after holding them steady for three consecutive meetings. However, the market has interpreted the Fed's pause to mean substantial interest rate cuts could occur in 2024, with six 25 basis point rate cuts built into the current fed funds futures. This seems aggressive, especially with inflation still running higher than the Fed's 2% target. We believe a more likely scenario is that the economy continues to show some resilience and inflation slowly makes its way to the Fed's target. If such an environment plays out, the Fed can take its time cutting rates. While the pace of interest rate cuts may be somewhat slower than the market currently expects, it is the direction of interest rates that may matter the most to the performance of income-generating stocks within the Quality Dividend portfolio.

The 2023 performance gains in the S&P 500 and the NASDAQ Composite will be difficult to replicate in 2024. That does not mean that there are not opportunities for investors to profit. The broadening out of the market rally we saw late in the fourth quarter bodes well for the laggards that did not participate in the technology-led rally that occurred for much of 2023. If this trend continues, then dividend stocks, which were on the sidelines for most of 2023, may represent a good balance of income and capital appreciation in 2024.

INVESTMENT PERFORMANCE DISCLOSURE

QUALITY DIVIDEND PORTFOLIO WRAP COMPOSITE (05/01/2016 – 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.)
2016 §	8.6%	6.7%	8.6%	N/A	N/A	7	N/A	100%	\$3	\$920	\$2,714
2017	16.7%	13.3%	12.3%	N/A	N/A	12	0.02%	100%	\$8	\$1,067	\$3,785
2018	-4.9%	-7.7%	-5.9%	N/A	N/A	11	0.06%	100%	\$6	\$995	\$3,831
2019	23.2%	19.6%	20.8%	10.8%	12.0%	7	0.24%	100%	\$9	\$1,204	\$4,294
2020	-1.7%	-4.6%	-9.7%	18.0%	19.9%	9	0.09%	100%	\$8	\$993	\$4,012
2021	23.0%	19.4%	25.3%	17.4%	19.3%	9	0.24%	100%	\$7	\$1,134	\$5,038
2022	-1.6%	-4.4%	0.9%	20.0%	21.1%	<6	N/A	100%	\$3	\$1,178	\$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 5/01/16 through 12/31/16.

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 portfolio 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 Quality 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. Quality Dividend Portfolio strategy is a large-cap value equity strategy that seeks to provide asset preservation, generate current income and develop growth in current income and intended to provide income-seeking investors with a superior alternative to investing in bonds. 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 2017 and the inception date is May 1, 2015.

Benchmark Description

The benchmark is S&P 500 Low Volatility High Dividend Index. As of 10/1/2022 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. The benchmark was retroactively changed for all presented periods from the Russell 1000 Value Index to the S&P 500 Low Volatility High Dividend Index.

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 wrap fee (3.00% on an annual basis, or 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 Quality 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.

Trademark Disclosures

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

GENERAL DISCLOSURES

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary or statement of all available data nor is it considered an offer to buy or sell any securities referred to herein. Affiliates of EquityCompass may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors.

This commentary often expresses opinions about the direction of market, investment sector, and other trends. The opinions should not be considered predictions of future results. The information contained in this report is based on sources believed to be reliable, but is not guaranteed and not necessarily complete. All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. Equity investments are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors to varying degrees. Fixed Income investments are subject to market, market liquidity, issuer, investment style, interest rate, credit quality, and call risks, among other factors to varying degrees.

It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. Changes in market conditions or a company's financial condition may impact a company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. Rebalancing may have tax consequences, which should be discussed with your tax advisor. Actual performance for a client may differ due to such factors as timing, economic and market conditions, cash flows, and client constraints. Diversification does not ensure a profit or protect against loss.

The **S&P 500**[®] is regarded as the best single gauge of large-cap U.S. equities. According to our Annual Survey of Assets, an estimated USD 15.6 trillion is indexed or benchmarked to the index, with indexed assets comprising approximately USD 7.1 trillion of this total (as of Dec. 31, 2021). The cap weighted index includes 500 leading companies and covers approximately 80% of available market capitalization. The **S&P 500 Equal Weight Index** is based on the S&P 500. All index constituents are members of the S&P 500 and follow the eligibility criteria for that index. The S&P EWI is maintained in accordance with the index methodology of the S&P 500, which measures 500 leading companies in leading U.S. industries. The S&P EWI measures the performance of the same 500 companies, in equal weights. As such, sector exposures in the S&P EWI will differ. 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. The **Dow Jones Industrial Average (DJIA)** is an unmanaged, price-weighted index that consists of 30 blue chip U.S. stocks selected for their history of successful growth and interest among investors. The price-weighted arithmetic average is calculated with the divisor adjusted to reflect stock splits and occasional stock switches in the index. The **NASDAQ Composite Index**, comprised mostly of technology and growth companies, is a market value-weighted index of all common stocks listed on NASDAQ. The **Nasdaq-100**[®] is one of the world's preeminent large-cap growth indexes. It includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization. All index returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. Indices are unmanaged, do not include fees and expenses, and it is not possible to invest directly in an index. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass.

Representative Portfolio Performance: Returns reflect the performance of two representative portfolios that have been strung together for the life of the strategy. One portfolio was selected because it is the oldest account in the strategy with a continuous track record that also did not have large cash flows or mandate changes. The other portfolio was selected to capture returns from the strategy's inception up to the open date of the oldest continuous account referenced above. EquityCompass believes the representative performance is useful in terms of presenting the objectives and character of the strategy, however, returns are calculated separately for each portfolio, and therefore, performance may differ from one portfolio to another. There is no assurance that EquityCompass will make any investments with the same characteristics as the representative account presented. Portfolio 1 reflects returns from 1/1/06 – 3/31/06 and Portfolio 2 reflects returns starting 4/1/06. Gross-of-fees returns are not reduced by any fees, expenses, or transaction costs. Net-of-fees returns are presented after the deduction of the manager fee of 0.50% until 6/30/18 and 0.35% starting 7/1/18. There will be additional wrap fees that include trading expenses, as well as custody and administrative fees. The wrap-fee schedule vary by wrap sponsor and are available upon request from the respective wrap sponsor.

* 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.

© 2024 EquityCompass Investment Management, LLC, One South Street, 16th Floor, Baltimore, Maryland 21202. All rights reserved.