

Quality Dividend Portfolio

Portfolio Manager Commentary

As of 3/31/2024



Q1 2024 Review

In the first quarter of 2024, the S&P 500 got off to its 14th best start in history, up 10.56%, while the S&P 500 Equal Weight Index finished up 7.91% and the NASDAQ Composite returned 9.31%. This environment—high returns and low volatility—seems to have investors in a fairly good mood as reflected in recent surveys by Investors Intelligence and the American Association of Individual Investors, which show the highest bullish rating in three years. History has shown strong first quarter performance could bode well in terms of positive returns for the balance of the year.

Table 1

S&P 500 Index: Best Performance Through First 61 Trading Days

(1928 – 2024)

Year	Rank	Price Return: Through First Qtr.	Price Return: Next Three Qtrs.	Price Return: Full Calendar Yr.
1975	1	21.6%	8.2%	31.5%
1987	2	20.5%	-15.3%	2.0%
1943	3	18.5%	0.8%	19.4%
1930	4	17.2%	-39.0%	-28.5%
1976	5	13.9%	4.6%	19.1%
1991	6	13.6%	11.2%	26.3%
1998	7	13.5%	11.6%	26.7%
1986	8	13.1%	1.4%	14.6%
2019	9	13.1%	14.0%	28.9%
1967	10	12.3%	7.0%	20.1%
2012	11	12.0%	1.3%	13.4%
1961	12	12.0%	10.0%	23.1%
1936	13	11.1%	15.1%	27.9%
2024	14	10.2%		
2013	15	10.0%	17.8%	29.6%
Average		14.2%	3.5%	18.2%

Source: Bloomberg Finance, LP

This investor enthusiasm is understandable. The economy has shown surprising resilience as recession worries have subsided, corporate profits are expected to increase, consumer spending has been strong, unemployment is below 4%, and inflation is trending lower. *What's not to like?*

Objective

Focused stock portfolio 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 of approximately \$5.0 billion as of March 31, 2024.*

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-yr	3-yr	5-yr	10-yr	Incp.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross %	6.93	15.19	6.93	9.38	5.44	6.85	8.04	7.03	14.09	0.47	13.35	16.68	-5.23	23.22	-2.24	22.70	-1.80	0.39
Benchmark %	5.79	16.12	5.79	10.52	5.69	5.71	8.82	10.12	20.25	5.56	22.70	12.33	-5.87	20.76	-9.67	25.26	0.93	1.70
Net %	6.12	13.43	6.12	6.12	2.36	3.72	4.87	3.89	10.72	-2.44	9.97	13.23	-8.03	19.64	-5.08	19.11	-4.64	-2.57

As of 3/31/2024; 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.

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All eyes are on the Federal Reserve (Fed) in expectation of future interest rate cuts. Heading into 2024, consensus expectations were for six rate cuts by year end. Surprisingly strong economic conditions and inflation falling somewhat slower than expected have caused the Fed to take a deliberate approach to lowering rates. The data will drive any future rate cut decisions, and the Fed has indicated no urgency to lower rates based on the current economic environment. Fed Chairman Powell made it clear that the direction of interest rates will be lower, but the timing and number of cuts is to be determined. Consensus among economists now is for three cuts by year end. The market preoccupation with interest rates is understandable. However, the most important focus is the trend—and the trend is expected to be lower.

If rates have peaked and are, according to Fed Chair Powell, gradually coming down, this could be a catalyst for broader market participation in 2024 with less dependency on a handful of technology/Artificial Intelligence (AI) stocks driving the overall market returns, as was the case in 2023. Lower interest rates could create opportunities for investors in dividend-paying stocks.

Portfolio Overview

In the first quarter, the **Quality Dividend Portfolio (QDIV)** increased by 6.93% (6.12% net of maximum potential fees) versus 5.79% for its benchmark, the S&P 500 Low Volatility High Dividend Index. The broadening market performance that began in the fourth quarter of 2023 continued into the first quarter as more companies began to participate in the rally. All but one of 11 sectors showed gains in the quarter and more than half of the stocks in the S&P 500 hit new 52-week highs. This broadening performance trend is illustrated in the comparison between the cap-weighted S&P 500 Index and the S&P 500 Equal Weight Index (**Chart 1**). However, the question for investors remains, is this sustainable?

QDIV ended the quarter with a weighted average yield of 3.9%, compared to the yield on the 10-year U.S. Treasury yield of 4.20%, and the S&P 500 yield of 1.37%. The portfolio has a price-to-earnings (P/E) multiple of 14.6x consensus 2024 earnings estimates, which compares favorably with the S&P 500 (21.5x) and the S&P 500 Equal Weight Index (17.3x).

Through the end of the first quarter, 10 of QDIV's 27 holdings raised their dividend an average of 3.5%. In our opinion, it is reasonable to anticipate further dividend increases will occur in the coming quarters and expect overall portfolio dividend growth in the range of 3.5% to 4.5% for 2024. We believe our portfolio companies are committed to maintaining a consistent and growing dividend.

Cap Weight / Equal Weight Ratio Index

Chart 1

3/29/2019–3/28/2024 Indexed to 100 on 3/29/2019 | Dividends included | Rising line indicates Cap Weight (S&P 500) Outperforming Equal Weight (S&P 500 Equal Weight)
Source: Bloomberg Finance, LP; EquityCompass



Cap Weight Versus Equal Weight

Period			Total Returns		
Start	End	Days	Cap Weight	Equal Weight	Spread
3/29/19	9/1/20	522	27.9%	10.4%	17.6%
9/1/20	6/3/21	275	20.3%	37.3%	-17.0%
6/3/21	12/1/21	181	8.4%	0.8%	7.5%
12/1/21	1/10/23	405	-11.6%	-1.2%	-10.3%
1/10/23	2/9/24	395	30.5%	10.8%	19.7%
2/9/24	3/28/24	48	4.8%	7.1%	-2.3%

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The following changes were made to the Quality Dividend Portfolio in the first quarter.

Removed:
3M Company (MMM)
International Flavors & Fragrances Inc. (IFF)

Added:
WEC Energy Group Inc. (WEC)

Added to Existing Positions:
Chevron Corp. (CVX)
Crown Castle Inc. (CCI)
Pfizer Inc. (PFE)
United Parcel Service Inc. (UPS)
Whirlpool Corp. (WHR)

Outlook

Since the Fed began raising interest rates in March 2022, dividend stocks have had to compete with these much higher rates. This has been a stiff headwind for the past two years as investors preferred the safety and higher yields of U.S. government bonds and money market funds versus dividend-paying stocks. However, as rates appear to be peaking, the anticipation of the Fed beginning to lower interest rates could be a catalyst for dividend stocks to come back into favor. We have seen early indications that investors are beginning to adjust their portfolios in anticipation of lower rates as evidenced by the recent performance of dividend-focused stocks. In our opinion, we are in the early innings of a change in investor sentiment toward more traditional value stocks which have significantly underperformed growth stocks. If this is the case, we believe the Quality Dividend Portfolio (QDIV) should be well positioned to take advantage of this change in sentiment.

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

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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 **NASDAQ Composite Index**, comprised mostly of technology and growth companies, is a market value-weighted index of all common stocks listed on NASDAQ. 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 March 31, 2024. 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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