Select Quality Growth & Income Portfolio

Portfolio Manager Commentary

As of 6/30/2024

EquityCompass

Q2 2024 Commentary

The market narrative continued and strengthened in the second quarter, as gains driven by mega cap stocks with exposure to Artificial Intelligence (AI) masked weakness in other areas of the market. On the surface, it was a good quarter for stocks, with the S&P 500 finishing June near an all-time high after hitting 31 record closes. However, the headline was driven by strong gains in mega-cap technology stocks, with price appreciation of the Magnificent Seven contributing 4.71% to performance for the S&P 500 in the quarter, higher than the overall gain for the index. While the market cap-weighted S&P 500 gained 4.28% in the quarter, the average stock, as measured by the S&P 500 Equal Weight Index, declined 2.63%.

This performance gap was also reflected in sector and style performance in the quarter as only three sectors—Information Technology, Communication Services, and Utilities—outperformed the S&P 500, with six of 11 sectors declining. Growth dramatically outperformed value, with the S&P 500 Growth Index up 9.6% versus a decline of 2.1% for the S&P 500 Value Index.

On a year to date (YTD) basis, the disparity is sharper. With the S&P 500 up 15.29%, the S&P 500 Equal Weight is up only 5.08%—the biggest gap halfway through the year going back to 1990. The S&P 500 Growth Index is up 23.56% versus a gain of only 5.79% for the S&P 500 Value Index. The Magnificent Seven continued to fuel market gains—accounting for 60% of the S&P 500's YTD return. Through the first six months of the year, only 25% of S&P 500 constituents have outperformed the index—the lowest percentage since 1973. The weight of the 10 largest stocks in the index surged to 35.6%, above levels seen during the technology bubble in 2000.

In the second quarter, the **Select Quality Growth & Income Portfolio (SQLT)** gained 1.58% (0.80% net of maximum possible fees), which lagged the S&P 500 but was ahead of the S&P 500 Equal Weight. Year to date, SQLT finished the quarter up 9.13% (7.47% net) versus 15.29% for the S&P 500 and 5.08% for the S&P 500 Equal Weight.

As we have discussed previously, this is not the type of market that favors SQLT relative to the market cap-weighted S&P 500. That said, we believe the performance is consistent with the stated portfolio objectives. Our goal is *"to generate capital appreciation and income growth over the long-term without taking undue risk through diversification, quality, and style balance."* We believe the current record level of concentration in top names within the S&P 500 represents a risk that we would rather not take. This concern has been

Objective

Seeks to provide capital appreciation and income through a diversified portfolio of quality stocks

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 $4.9 billion as of June 30, 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 %	1.58	9.13	9.13	15.44	6.63	9.05	8.96	9.97	14.59	-0.23	14.83	25.64	-9.71	30.46	-5.82	30.81	-9.92	12.61
Benchmark %	4.28	15.29	15.29	24.56	10.01	15.05	12.86	10.47	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29
S&P EWI %	-2.63	5.08	5.08	11.79	4.84	10.94	10.04	9.88	14.49	-2.20	14.80	18.90	-7.64	29.24	12.83	29.63	-11.45	13.87
Net %	0.80	7.47	7.47	12.01	3.50	5.86	5.77	6.75	11.17	-3.15	11.40	21.99	-12.41	26.74	-8.57	27.01	-12.56	9.33

As of 6/30/2024; Inception: January 1, 2006; Benchmark = S&P 500 Index; S&P EWI = S&P 500 Equal Weight 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.

echoed recently by Piper Sandler strategist, Michael Kantrowitz, who stopped publishing S&P 500 price targets because he does not believe it reflects the stock market's performance.

SQLT is constructed to represent the average stock and provide participation in broad market gains. While our stock selection focus will generally lead to a value bias, lessons learned from the dominance of growth stocks early in the pandemic have led us to opportunistically add secularly-advantaged growth companies in order to have some level of participation in strong growth markets without becoming overly concentrated. This positioning helped us both avoid the worst of the declines in 2022 when growth stocks plummeted during Federal Reserve (Fed) rate tightening and participate more than the S&P 500 Equal Weight in the market gains this year. Over time we believe that style imbalances will work themselves out, and our long-term performance suggests that. Since inception in 2006 through June 30, SQLT has returned 9.97% annually (6.75% net) versus 10.47% for the S&P 500 Index and 9.88% for the S&P 500 Equal Weight Index.

We believe the opportunity for strategies such as SQLT is compelling. While investments in stocks with exposure to AI have continued to be very profitable, the level of concentration among the largest companies in the S&P 500 has historically provided the opportunity for outperformance by equal-weighted indices in both the short and long term. SQLT is more closely aligned with equal-weighted indices in terms of performance year in and year out. While value stocks, particularly dividend-payers, have faced competition from high-yielding cash as the Fed has kept rates elevated longer than expected, recent economic and inflation data have been softening. Fed easing could provide a tailwind for value stocks and reduce the competition that cash yielding over 5% is currently presenting. Also, with economic conditions still generally favorable, the fact that nearly 60% of S&P 500 stocks were negative in the second quarter could provide a basis for broad gains when rates eventually come down.

We are also optimistic about how SQLT is positioned currently. As of quarter end, the portfolio's weighted average dividend yield was 2.1%, which is 70 basis points higher than that of the S&P 500. The portfolio holds 29 dividend-payers, with one of those companies initiating its first ever cash dividend this year. Of the 28 stocks that paid dividends entering the year, 19 have raised their dividend by an average of 7.5%. From a valuation standpoint, the portfolio remains at a discount to the cap-weighted S&P 500, trading at a 12-month forward price-to-earnings ratio of 17.1x versus 21.1x for the index. We feel the quality of holdings, dividend growth, and valuation well position the portfolio as we move into the second half of the year.

SELECT QUALITY GROWTH & INCOME PORTFOLIO WRAP COMPOSITE (01/01/2016 – 12/31/2023)

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	14.6%	11.2%	12.0%	N/A	N/A	9	N/A	100%	$13	$151	$2,714
2017	25.7%	22.0%	21.8%	N/A	N/A	9	0.0%	100%	$15	$261	$3,785
2018	-9.5%	-12.2%	-4.4%	11.3%	11.0%	11	0.1%	100%	$12	$238	$3,831
2019	30.9%	27.2%	31.5%	13.9%	12.1%	6	0.1%	90%	$11	$282	$4,294
2020	-6.2%	-8.9%	18.4%	24.1%	18.8%	8	0.3%	90%	$12	$192	$4,012
2021	31.2%	27.4%	28.7%	23.3%	17.4%	9	0.1%	89%	$15	$234	$5,038
2022	-9.9%	-12.5%	-18.1%	24.0%	21.2%	8	N/A	75%	$9	$205	$4,469
2023	12.6%	9.3%	26.3%	15.4%	17.5%	<6	N/A	75%	$10	$214	$4,707

** 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.*

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 06/01/2014-12/31/2023. 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 Select Quality Growth & Income 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. Select Quality Growth & Income Portfolio is a sector-balanced equity strategy that seeks to outperform its benchmark by investing in quality, underpriced stocks with favorable value and price momentum characteristics. 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 January 1, 2016.

Benchmark Description

The benchmark is S&P 500 Index. The **S&P 500 Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization 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 actual transaction costs in the case of non-wrap accounts and those wrap accounts traded by EquityCompass. If the wrap account trades are executed by the Sponsor, transaction costs are bundled with the wrap fee and therefore not deducted from gross-of-fee return calculation. 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 Select Quality Growth & Income 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. 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. 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 profit or protect against loss. Rebalancing may have tax consequences, which should be discussed with your tax advisor.

The S&P 500® Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. 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® Growth Index** measures constituents from the S&P 500 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum. The **S&P 500® Value Index** measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings and sales to price. 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.

Representative Portfolio Performance: Returns reflect the performance of three representative portfolios that have been strung together for the life of the strategy. To the extent possible, the oldest account in the strategy with a continuous track record that also did not have large cash flows or mandate changes are used as representatives portfolio. Portfolio 1 reflects monthly returns for the period 1/1/2006 – 3/31/2006, Portfolio 2 reflects monthly returns for the period 4/1/2006 - 12/31/2023 and Portfolio 3 reflects monthly returns starting 1/1/2024. 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.

*Total assets combines both Assets Under Management and Assets Under Advisement as of June 30, 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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