

# High-Dividend Portfolio

## Portfolio Manager Commentary

As of 9/30/2021



### Q3 2021 Commentary

During the third quarter of 2021, the **High-Dividend Portfolio (HDP)** decreased 1.24% (1.32% net) outperforming its primary benchmark, the S&P 500 Low Volatility High Dividend Total Return Index, which declined 3.05%.

We believe HDP's relative outperformance during the third quarter compared to its benchmark can be attributed to: (1) an overweight position among Financials, and (2) favorable stock selection within the Energy, Health Care, and Financial sectors.

On a year-to-date (YTD) basis, HDP has increased 18.59% (18.28% net), versus 16.02% for its benchmark. In our view, the strong absolute performance has been driven by sizable gains achieved during the first half of the year associated with the reopening of global economies and the subsequent positive impact on both corporate earnings among sectors hardest hit by the pandemic along with the sustainability of dividend payment streams.

While the emergence of the COVID-19 Delta variant stalled the pace of re-openings during the third quarter, we are hopeful that continued progress in vaccination rates can help drive case volumes lower over time allowing for additional re-opening progress in the coming months.

### Key Highlights

Despite strong YTD price performance through the end of the third quarter, the portfolio's average weighted dividend yield remains slightly above 5.3%, which compares very favorably to the yields generated from various segments of the fixed income market. In addition, 27 of HDP's 30 stocks, or 90%, currently maintain investment-grade debt ratings.

Through the first nine months of the year, 24 of the portfolio's 30 positions—or 83%—have captured dividend increases. The average increase has been approximately 5.4%, inclusive of a substantial special dividend announced by one of HDP's business development companies. Excluding the special dividend, the average increase would be 4.3%. We believe excluding the special dividend from the calculation could understate the potential cash income growth earned by investors. In our opinion, some additional increases may be likely during the fourth quarter among the remainder of the companies that have yet to make annual dividend announcements.

HDP's 5.3% yield is predominantly generated by companies with investment-grade debt ratings and dividend growth expectations in excess of long-term inflation. For these reasons, we believe HDP is well

### 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



**Christopher M. Mutascio**  
Senior Managing Director



**James J. DeMasi, CFA**  
Senior Portfolio Manager



**Larry Baker, CFA**  
Senior Portfolio Advisor

### 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 September 30, 2021.\*

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	2-yr	3-yr	Inception	2018	2019	2020
Gross %	-1.24	3.69	18.59	37.80	7.30	6.61	7.17	-7.95	21.78	-8.30
Net %	-1.32	3.52	18.28	37.32	6.93	6.24	6.80	-8.27	21.36	-8.62
Benchmark %	-3.05	0.69	16.02	33.95	4.67	5.68	6.09	-5.87	20.76	-9.67

As of 9/30/2021; Inception: September 1, 2017; Benchmark = S&P Low Volatility High Dividend Total Return Index

Net returns are presented after the deduction of the manager fee of 0.35%. There will be additional wrap fees that include trading expenses, as well as custody and

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positioned to provide investors with an alternative source of current income and growth of income that may not be available in other areas of either the equity or fixed income markets.

### Portfolio Actions

HDP experienced only modest management activity during the quarter. Due to strong price appreciation, a communication services company was removed as a result of the dividend yield falling lower than deemed appropriate for the income mandate of the portfolio. Those proceeds were invested into a health care real estate investment trust (REIT).

Given HDP's pursuit of higher yield, the portfolio is capable of generating excess cash throughout the year as dividends are paid. This excess cash was deployed during the quarter among various existing positions within the Communication Services, Consumer Staples, Utilities, and REIT sectors.

As a result of these changes, the sector concentrations as of September 30 are as follow.

Sector	Weighting
Financials	21.37%
Real Estate	16.80%
Energy	13.88%
Utilities	12.29%
Consumer Staples	9.88%
Communication Services	9.37%
Health Care	7.27%
Information Technology	6.14%
Materials	3.00%

## INVESTMENT PERFORMANCE DISCLOSURE

## HIGH-DIVIDEND PORTFOLIO (09/01/17 – 12/31/20)

Year-End	Gross-of-Fees Return	Net-of-Fees Return*	Benchmark Return	Composite		Benchmark		Portfolios			Composite Assets (USD millions)	Strategy Assets (USD millions)**	Total Firm Assets (USD millions)
				3 Yr. Ex Post Std. Dev.	3 Yr. Ex Post Std. Dev.	Number of Portfolios	Internal Dispersion (%)	With Bundled Fees (%)	% of Non-Fee Paying Assets				
2017 †	8.8%	7.8%	6.9%	N/A	N/A	<6	N/A	67%	33%	\$0.11	\$0.11	\$3,785	
2018	-8.0%	-10.7%	-5.9%	N/A	N/A	<6	N/A	67%	33%	\$0.15	\$0.15	\$3,831	
2019	21.8%	18.2%	20.8%	12.4%	12.6%	<6	N/A	67%	33%	\$0.25	\$13.54	\$4,294	
2020	-8.30%	-10.99%	-9.67%	20.48%	20.29%	<6	N/A	50%	50%	\$0.29	\$36	\$4,012	

\* 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 from 09/01/17 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 06/01/14-12/31/20. 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 High Dividend 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 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 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 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 vary by wrap sponsor and are available upon request from the respective wrap sponsor.

#### Reporting Currency

Valuations are computed and performance reported in U.S. dollars.

#### 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 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.

\*Total assets combines both Assets Under Management and Assets Under Advisement as of September 30, 2021. 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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