

# High-Dividend Portfolio

## Portfolio Manager Commentary

As of 3/31/2025



### Q1 2025 Review

The first quarter of 2025 was generally difficult for stocks as the broader market indices struggled under the weight of slowing economic growth, global trade wars, stagflation concerns, and geopolitical risks. Against this backdrop, growth stocks took the brunt of the hit as rotation out of the previous market leaders gained momentum throughout the quarter. This led to a spike in volatility and market corrections with both the S&P 500 and the NASDAQ Composite experiencing 10%+ decreases during the quarter from their recent highs.

While dividend stocks are not immune to the macro environment, investors migrated to them during the quarter as solid cash dividend income generation seemed to provide ballast and help mitigate the downside during a period of increased uncertainty. This rotation drove a 4.97% increase in the S&P 500 Low Volatility High Dividend Index (SPLVHDT) during the quarter, which was materially better than the 4.27% and 10.26% decreases for the broader S&P 500 and NASDAQ Composite indices, respectively.

Importantly, the EquityCompass **High-Dividend Portfolio (HIDIV)** generated a strong gross return of 5.42% (4.65% net of maximum potential fees) during the quarter—slightly better than its SPLVHDT benchmark return of 4.97%. HIDIV's first quarter outperformance relative to the benchmark was primarily attributable to favorable security selection in the Health Care sector, coupled with an underweight position in Materials. These more than offset negative contributions from the portfolio's underweight position in Communication Services and overweight position in Information Technology. Over the past 12 months, HIDIV provided a total return of 18.33% (14.88% net).

HIDIV's overall absolute and relative performance during the quarter seems to support our long-held view that a well-diversified portfolio with exposure to both growth and income-generating stocks seeks to provide the balance needed to help investors navigate through periods of market stress.

Perhaps another catalyst for the recent relative strength of dividend stocks is related to a renewed exploration by investors for yield alternatives to cash—as money market interest rates have decreased from as high as 5.4% in early 2024 to approximately 4.3%, currently. With the Federal Reserve (Fed) widely anticipated to continue to ease monetary policy this year, based on its recent guidance for 50 basis points (bps) in cuts, money market rates could fall further by year end.

While still enticing for investors seeking income and potential safety during a period of uncertainty, it is likely that rates could continue their downward trend over time—especially if the economy fails to meet the Fed's current expectations.

### 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



Bernard J. Kavanagh III, CMT®  
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 \$5.2 billion as of March 31, 2025.\*

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	7-year	Inception	2018	2019	2020	2021	2022	2023	2024
Gross %	5.42	5.00	5.42	18.33	8.37	18.23	9.31	9.30	-7.95	21.78	-8.30	29.86	4.22	4.99	17.14
Benchmark %	4.97	1.16	4.97	17.44	6.58	15.90	6.12	7.68	-5.87	20.76	-9.67	25.26	0.93	1.70	18.35
Net %	4.65	3.45	4.65	14.88	5.21	14.79	8.27	6.11	-10.68	18.25	-10.99	26.08	1.21	1.92	13.70

As of 3/31/2025; Inception – September 1, 2017; Benchmark = S&P 500 Low Volatility High Dividend Index

Net returns reflect the deduction of the potential 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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Based on the Fed's recent messaging, we believe it is reasonable to assume:

- A heightened level of economic uncertainty and the potential downside risks to the economy may have replaced inflation as the Fed's primary focus—representing a meaningful shift
- Pricing pressures from tariffs may be viewed as temporary as they do not reflect the more traditional form of inflation driven by supply/demand imbalances
- While the environment remains fluid, the Fed remains on track to lower interest rates by at least another 50 bps this year

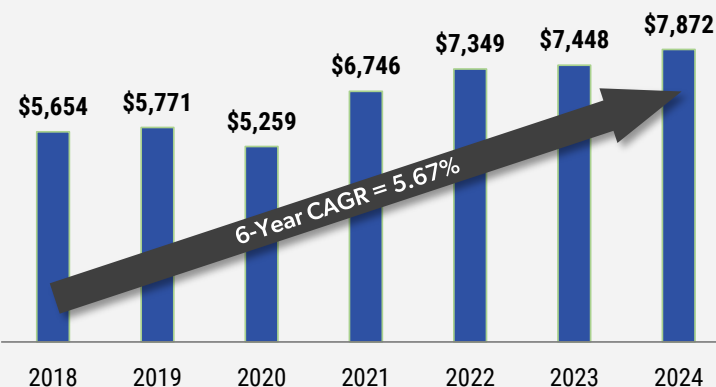
If this comes to fruition, income-focused investors may experience a sizable drop in income from the recent peak in short-term interest rates. With HIDIV's dividend yield now exceeding that of most money market funds, the portfolio could provide an alternative to cash, especially if the yield gap against short-term interest rates continues to widen with further Fed rate cuts. In addition, growth of income, through annual dividend increases, should help offset inflation and potential price appreciation could occur over time—neither of which cash can achieve.

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 objective to pursue consistent cash flow for investors, HIDIV maintains a weighted average dividend yield of 4.71% at quarter end—more than three times that of the broader market
- During the first quarter of 2025 investors captured 7 dividend increases among the 30 stock portfolio
- The average growth of those dividend increases has been 3.5%—**excluding** special and supplemental dividends paid
- Seeking to maintain quality constraints, 100% of the companies in the portfolio have investment-grade debt ratings
- Since inception, HIDIV has generated six-year compound annual dividend income growth (CAGR) of 5.67%—well in excess of the realized level of inflation over that period

### High-Dividend Portfolio Annual Dividend Income

2018–2024 | Using a starting value of \$100,000\* | Source: EquityCompass, Stifel



*The ability to maintain purchasing power is a key advantage of dividend stocks over cash and cash-like investments—especially if yields on cash fall as much as the Federal Reserve's own "dot-plot" forecast implies. HIDIV has generated six-year compound annual dividend income growth (CAGR) of 5.67% versus the 3.88% rate of inflation over the same time frame. HIDIV's annual dividend income is shown above.*

(\*) Based on a representative account. The representative account is the oldest account in the strategy with a continuous track record that also did not have large cash flows (redemptions or deposits) or mandate changes. Portfolio inception: 9/1/2017

**HIGH-DIVIDEND PORTFOLIO WRAP COMPOSITE (09/01/2017 – 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.)
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
2023	4.99%	1.92%	1.70%	14.76%	16.82%	<6	N/A	50%	\$0.46	\$206	\$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. § Returns are for the period 09/01/2017 through 12/31/2017.

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](mailto: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 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 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® Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. 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 **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. 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.

**Compound annual growth rate**, or CAGR, is the mean annual growth rate of an investment over a specified period of time longer than one year. It represents one of the most accurate ways to calculate and determine returns for individual assets, investment portfolios, and anything that can rise or fall in value over time.

\*Total assets combines both Assets Under Management and Assets Under Advisement as of March 31, 2025. 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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