High-Dividend Portfolio

Portfolio Manager Commentary

As of 3/31/2024

EquityCompass

Q1 2024 Review

Although first quarter results saw high-yielding dividend stocks continue their recent trend of underperforming the strong broad market equity gains driven by growth stocks, they still generated solid absolute returns. During the first quarter, the **High-Dividend Portfolio (HIDIV)** was up 4.36% (3.57% net of maximum potential fees) versus a 5.79% gain for its S&P 500 Low Volatility High Dividend benchmark.

HIDIV's underperformance relative to its bench during the quarter can be largely attributed to the negative impact resulting from the reset in investor expectations around the timing and magnitude of interest rate cuts on the portfolio's overweight position among interest rate-sensitive sectors. HIDIV's gross returns continue to outperform its benchmark nicely across the longer-term 2-year, 3-year, and 5-year timeframes.

The portfolio's weighting in Financials and Utilities—two of the more interest rate-sensitive sectors within the equity markets—totaled approximately 30% during the quarter versus a 21% weighting within the benchmark. These sectors tend to outperform during periods of falling interest rates. Conversely, they generally underperform when interest rates are rising and/or when investor expectations for interest rate cuts do not come to fruition.

At the beginning of the year, interest rate futures were anticipating 150 basis points (bps) of rate reductions over the next 12 months, with the first cut occurring in March. By the end of the first quarter, expectations had shifted toward a "higher for longer" scenario, with fewer and later rate cuts. As of March 31, fed funds futures were fully pricing in only 50 bps of rate cuts through November and reflecting approximately 50% odds for an additional 25 bps rate reduction in December.

While the market's expectations for the timing and amount of interest cuts have been somewhat extended, a reasonable outlook still includes a multi-year interest rate cutting campaign by the Federal Reserve (Fed). This is supported by the Fed's own forward guidance as presented in its March "dot plot," which implies 75 bps of cuts in the fed funds rates in each of the next three years for a total of 225 by the end of 2026. Although this is slightly less than the 250 bps implied in the Fed's December forecast, the potential for interest rate cuts remains substantial and could be a catalyst for interest-sensitive stocks over time.

With the likelihood of rather significant interest rate cuts occurring over the next few years, we are comfortable with the current moderate overweight positioning among interest rate-sensitive sectors. In fact, we believe we are well positioned, as history suggests total return optimization occurs by establishing

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

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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-year	3-year	5-year	Inception	2018	2019	2020	2021	2022	2023
Gross %	4.36	13.06	4.36	9.80	9.05	8.44	7.99	-7.95	21.78	-8.30	29.86	4.22	4.99
Benchmark %	5.79	16.12	5.79	10.52	5.69	5.71	6.27	-5.87	20.76	-9.67	25.26	0.93	1.70
Net %	3.57	11.35	3.57	6.55	5.87	5.27	4.83	-10.68	18.25	-10.99	26.08	1.21	1.92

As of 3/31/2024; Inception — September 1, 2017; Benchmark = S&P 500 Low Volatility High Dividend Index

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.

positions in interest rate-sensitive stocks prior to actual interest rate cuts. We are willing to be early if we maintain positions in quality companies that seek to generate solid and growing income streams.

The weighted average dividend yield of the portfolio's exposure to Financials and Utilities was 5.65% at March 31 (55 bps higher than the overall portfolio)—with all stock exposure having investment-grade debt ratings. In addition, consensus estimates project the majority of the HIDIV stocks within these sectors to raise their dividend by an average of over 3% in the current year. In our opinion, investors are being paid to wait for the potential stock appreciation upside that could occur when interest rates are eventually cut by earning a 5.65% dividend yield expected to grow at 3%.

Overall, HIDIV had a weighted average dividend yield of 5.10% at quarter end—very similar to the current yield on money market cash deposits. The high yield on cash has created competition for high-yielding dividend stocks as investors can capture a similar yield with low volatility. According to data from the Investment Company Institute, this has led to a 33% surge in money market mutual funds over the past two years to a record high of $6.1 trillion.

If the Fed's "dot plot" proves accurate, then 5% yields on cash may not last indefinitely. This could pose two important risks to investors that have stored excess liquidity in money market funds: (1) income risk and (2) opportunity cost.

Income risk becomes a concern when excess cash is maintained in money market instruments as income generation declines with each interest rate cut, compared to dividend-paying stocks that experience income growth through dividend increases.

Opportunity cost results as interest rates drop and money market instruments do not appreciate in value compared to the potential price appreciation of alternative asset classes.

Given the Fed's latest forward guidance for substantial rate cuts over the next year few years, we believe this is an opportune time to reduce excess cash balances and increase exposure to similar yielding alternatives – like high yielding dividend stocks that may provide for both price appreciation and income growth.

The early stages of alternative income-generating assets outperforming cash may already be occurring. In the past six months, the returns on cash, as measured by the Bloomberg U.S. Treasury Index, is up 2.73% versus a 13.06% gain (11.35% net of maximum possible fees) generated by HIDIV.

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 mantra of generating consistent cash flow for investors, HIDIV maintains a weighted average dividend yield of 5.10% at quarter end—more than three times that of the broader market
- Through the first quarter of 2024, investors have captured seven dividend increases among the 30 stock portfolio
- The average growth of those dividend increases was 3.8%—**excluding** special and supplemental dividends paid
- Seeking to maintain quality constraints, approximately 96% of the companies in the portfolio have investment-grade debt ratings

Since inception, HIDIV has generated a five-year compounded annual growth rate (CAGR) of cash dividend income of 5.66%—well in excess of the realized level of inflation over that period

INVESTMENT PERFORMANCE DISCLOSURE

HIGH-DIVIDEND PORTFOLIO WRAP COMPOSITE (09/01/2017 – 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.)
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

** 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 9/01/17 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 06/01/14-12/31/22. 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 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 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 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 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® 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. 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, 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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