

Quality Dividend Portfolio

Portfolio Manager Commentary

As of 9/30/2024



Q3 2024 Review

The Federal Reserve's (Fed) long anticipated interest rate cuts have finally begun. On September 18, the Federal Open Market Committee (FOMC) cut the federal funds discount rate by 50 basis points. The Fed's dual mandate to promote maximum employment and stable prices has been partially met. With the Consumer Price Index (CPI) now at 2.5%, it appears that inflation is closing in on the Fed's 2.0% target. This is down significantly from the CPI's June 2022 high of 9.1%, which was the highest rate of inflation since 1981. The Fed can now begin to focus on employment and the economy in its effort to orchestrate a soft landing. The unemployment rate at 4.1% has slowly begun to increase but still remains quite low by historic standards. If these conditions remain benign and future economic data cooperates, the probability of further FOMC rate cuts seems likely, albeit at likely a gradual pace.

The narrow market performance discussed in our second quarter commentary, with large cap technology stocks representing a disproportionate amount of equity gains resulting in a historically-wide performance gap between cap-weighted and equal-weighted indices, has begun to broaden out. In anticipation of Fed rate cuts, investors increased their appetite for companies with fundamentals that stand to benefit from lower interest rates and carry above-average dividend yields. As a result, previous stock laggards became market leaders during the third quarter. Healthier market breadth was evidenced by the 9.6% increase in the S&P 500 Equal Weight Index versus the cap-weighted S&P 500 increase of 5.9%. If the Fed can successfully navigate a soft landing with lower interest rates, positive economic growth, and continued progress on inflation, then further improvements in market breadth could occur.

Until recently, dividend stocks have been underperformers within the equity market. The Morningstar U.S. High Dividend Yield Index (representing the higher yielding half among dividend-paying stocks) has underperformed the Morningstar U.S. Market Index by approximately 30 percentage points over the past five years. As interest rates have begun to decline, the recent rotation into dividend-paying stocks experienced during the third quarter could continue. The Fed's shift in monetary policy is impacting investors and their search for yield alternatives to cash-like investments that are experiencing reduced income generation as rates fall. Dividend stocks could be direct beneficiaries of this shift.

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 \$5.3 billion as of September 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-year	3-year	5-year	10-year	Incp.	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross %	11.25	9.88	17.50	26.58	7.25	8.06	8.50	7.38	14.09	0.47	13.35	16.68	-5.23	23.22	-2.24	22.70	-1.80	0.39
Benchmark %	14.90	16.09	22.81	34.80	10.82	8.32	9.77	10.71	20.25	5.56	22.70	12.33	-5.87	20.76	-9.67	25.26	0.93	1.70
Net %	10.46	8.25	14.87	22.78	4.11	4.90	5.32	4.22	10.72	-2.44	9.97	13.23	-8.03	19.64	-5.08	19.11	-4.64	-2.57

As of 9/30/2024; 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 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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Portfolio Review

In the third quarter, the **Quality Dividend Portfolio (QDIV)** increased by 11.25% (10.46% net of maximum potential fees) versus an increase of 14.90% for its benchmark, the S&P 500 Low Volatility High Dividend Index. Year to date, QDIV is up 17.50% (14.87% net) versus its benchmark return of 22.81%.

QDIV ended the quarter with a weighted average dividend yield of 3.70%, compared to the 10-year U.S. Treasury of 3.78%, and the S&P 500 dividend yield of 1.28%.

The portfolio has a price-to-earnings (P/E) ratio of 16.5x consensus 2024 earnings estimates, compared to the S&P 500 (23.8x) and the S&P 500 Equal Weight Index

(18.9x). Health care continues to be QDIV's largest sector allocation at (19.0%), followed by Financials (16.5%), Consumer Staples (11.4%), Information Technology (10.8%), Energy (10.1%), Industrials (7.8%), Utilities (7.5%), Consumer Discretionary (6.7%), Real Estate (6.7%), and Materials (3.5%). All of the portfolio companies have investment grade debt ratings.

Through the end of the third quarter, 16 of QDIV's 28 holdings raised their dividend an average of 3.8%. In our opinion, it is reasonable to anticipate further dividend increases will occur through the end of the year. Over the past 10 years, QDIV's compound annual dividend income growth has been approximately 7.0%, which has consistently exceeded the rate of inflation over the same time frame. Our disciplined approach to managing the portfolio has remained consistent, providing investors with a reliable and growing income stream and the potential for capital appreciation.

The following changes were made to the portfolio in the third quarter:

Reduced Existing Position:

JPMorgan Chase & Co. (JPM)

Added to Existing Position:

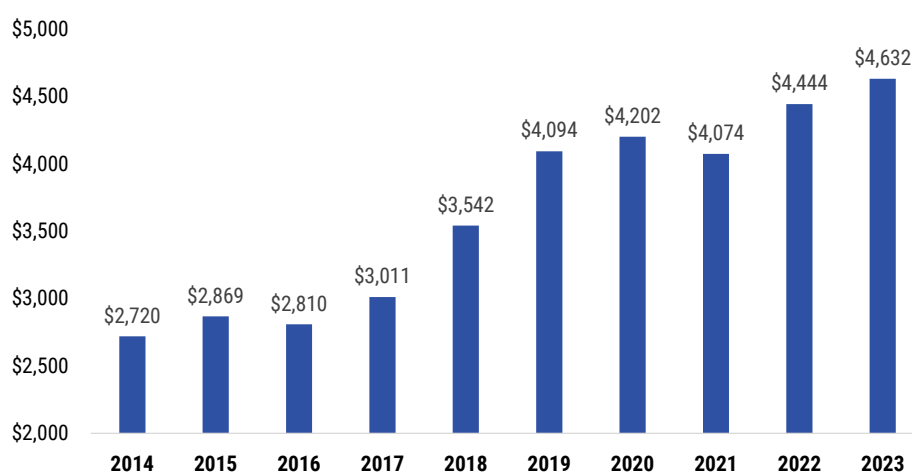
United Parcel Service Inc. (UPS)

Xcel Energy Inc. (XEL)

Quality Dividend Portfolio Annual Dividends By Calendar Year

Chart 1

2014–2023 | Source: EquityCompass



Outlook

As we have noted on numerous occasions, investors may be best served by maintaining discipline, avoiding the noise, and applying a long-term perspective when managing investments. As EquityCompass Chief Investment Officer, Robert Hagstrom, pointed out in his July 2021 commentary, *"Noise Cancellation: Finding the Market Signal Amongst the Static,"* there will always be noise within the market—ranging from faint to deafening—as a result of a variety of economic, environmental, and geopolitical events.

Based on these noise levels, investors tend to make judgements and investment decisions tied to emotions. Between now and the November 5 election day, no doubt the noise will be deafening. However, investors should avoid the urge to make investment decisions based on the outcome of an election. History has shown that doing so would be an effort in futility. There are many factors that can potentially impact the market and stock performance other than which political party controls the narrative. Despite political and market distractions, our focus and objective remain unchanged—ignore the noise and continue to make sound long-term investment decisions.

QUALITY DIVIDEND PORTFOLIO WRAP COMPOSITE (05/01/2016 – 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 §	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	0.0%	100%	\$8	\$1,067	\$3,785
2018	-4.9%	-7.7%	-5.9%	N/A	N/A	11	0.1%	100%	\$6	\$995	\$3,831
2019	23.2%	19.6%	20.8%	10.8%	12.0%	7	0.2%	100%	\$9	\$1,204	\$4,294
2020	-1.7%	-4.6%	-9.7%	18.0%	19.9%	9	0.1%	100%	\$8	\$993	\$4,012
2021	23.0%	19.4%	25.3%	17.4%	19.3%	9	0.2%	100%	\$7	\$1,134	\$5,038
2022	-1.6%	-4.4%	0.9%	20.0%	21.1%	8	N/A	100%	\$3	\$1,178	\$4,469
2023	1.3%	-1.7%	1.7%	16.2%	16.4%	<6	N/A	100%	\$2	\$1,154	\$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 05/01/2016 through 12/31/2016.

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 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 the S&P 500 Low Volatility High Dividend Index. As of 10/1/2022, the benchmark was retroactively changed for all presented periods to the S&P 500 Low Volatility High Dividend Index. Due to the current income focus of the strategy, it was determined that the S&P 500 Low Volatility High Dividend Index is a more meaningful benchmark because of comparable dividend yields (current and historical) of both the strategy and the new benchmark. 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 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® 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 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 **Morningstar U.S. Market Index** measures the performance of large-, mid- and small-cap stocks in the U.S., representing the top 97% of the investable universe by market capitalization. The **Morningstar U.S. High Dividend Yield Index** targets stocks representing the higher-yielding half of the U.S. dividend-paying universe by float market capitalization. Stocks that make the cut are weighted by float-adjusted market capitalization. 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. 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.

The **Consumer Price Index (CPI)** measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

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 September 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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