



## RISING DIVIDEND PORTFOLIO: 2Q2024

### Large Cap Relative Value

[www.washingtoncrossingadvisors.com](http://www.washingtoncrossingadvisors.com)

#### PORTFOLIO PROFILE SHEET

##### Kevin R. Caron, CFA

Senior Portfolio Manager

(973) 549-4051

[kevin@washingtoncrossingadvisors.com](mailto:kevin@washingtoncrossingadvisors.com)

##### Chad A. Morganlander

Senior Portfolio Manager

(973) 549-4052

[chad@washingtoncrossingadvisors.com](mailto:chad@washingtoncrossingadvisors.com)

##### Matthew J. Battipaglia

Portfolio Manager

(973) 549-4047

[matt@washingtoncrossingadvisors.com](mailto:matt@washingtoncrossingadvisors.com)

##### Steven J. Lerit, CFA

Head of Portfolio Risk Management

(973) 549-4028

##### Suzanne E. Ashley

Relationship Manager

(973) 549-4168

[suzanne@washingtoncrossingadvisors.com](mailto:suzanne@washingtoncrossingadvisors.com)

#### About Washington Crossing Advisors

Washington Crossing Advisors (WCA) is a wholly owned subsidiary and affiliated SEC Registered Investment Adviser of Stifel Financial Corp. WCA strategies are primarily offered through the Stifel Opportunity Program.

The senior management team has worked together for over 25 years as market strategists and portfolio managers.

*Registration with the SEC does not imply a certain level of skill or training.*

This portfolio seeks quality, large-cap companies with rising dividends at reasonable valuations. A quality company should have low debt, stable cash flow, and productive assets. We look for firms with five or more consecutive calendar years of dividend increases. Moreover, we attempt to buy these companies without paying premium prices.

#### QUALITY

The emphasis of the WCA Rising Dividend Portfolio strategy is quality. Starting with a universe of the 1,000 largest companies, we look for resilient, conservatively-financed businesses with a competitive advantage. Academic studies show that quality is one of the few market anomalies that tend to persist over time.

#### STEADILY RISING DIVIDENDS

Eligible companies must have demonstrated at least five consecutive years of dividend increases. Failure to raise the dividend is grounds for removal from the portfolio. Yet, we do not see a rising dividend as an end in itself, as much as a means to find quality. Thus, dividend growth rather than dividend yield is most important to us.

#### VALUE

Quality endures and we seek to buy it at a reasonable price. We use a proprietary valuation process using fundamentally-driven techniques.

#### STYLE CONSIDERATIONS

We seek solid risk-adjusted returns and income growth, but no strategy outperforms in all markets. Quality styles tend to perform better in flat to down markets, but lag in strong bull markets. Because the strategy avoids high debt and volatile earnings, performance can differ substantially from traditional value strategies.

#### FUNDAMENTAL CHARACTERISTICS

	Portfolio	S&P 500
Size (Market Capitalization \$B)	\$267	\$1,010
Profitability (Return on Assets)	11.9%	7.5%
Debt Burden (Debt to Market Cap)	14.0%	26.0%
Valuation (Enterprise Value to Sales)	4.8x	9.2x
Dividend Yield	2.2%	1.6%
Dividend Growth (5-Year)	9.6%	7.1%
Expected Turnover	20.0%	—

Source: Bloomberg. As of June 30, 2024.

### PERFORMANCE AND RISK

For 2Q2024, the market (S&P 500) returned 4.3%, while the style benchmark (Bloomberg 1000 Value Index) returned -2.3%. Thus, the market outperformed the style benchmark by 6.6%. During the quarter the Rising Dividend Portfolio returned -2.3% (gross) and -3.0% (net). The portfolio underperformed the market by 6.6% but was even with the style benchmark. Since inception, the portfolio's gross return is 12.2% and net return is 8.9% with less risk than the S&P 500 Index TR, the Bloomberg 1000 Value Index TR, and the Bloomberg 1000 Equal Weight Index TR (i.e., betas less than 1).

### SELECT OPERATING STATISTICS

The portfolio is well-positioned focusing on high-quality stocks, as identified by the WCA High Quality Index. The portfolio companies have high profits, low debt, and reasonable valuations in our view. All statistics are for the quarter ending June 30, 2024 unless otherwise noted.

Profitability, as measured by Return on Assets (ROA), for the portfolio was 11.9% compared to 7.5% for the S&P 500. A higher ROA means a company is more efficient and productive at managing its balance sheet to generate profits.

Indebtedness, as measured by the Debt to Market Cap ratio, for the portfolio was 14.0% compared to 26.0% for the S&P 500. A lower ratio result means that a company is less highly leveraged, which carries a lower risk of insolvency.

Valuation, as measured by Enterprise Value-to-Sales (EV/Sales), for the portfolio was 4.8x compared to 9.2x for the S&P 500. Generally, a lower EV/Sales multiple will indicate that a company may be more attractive or undervalued in the market.

For the year ending December 31, 2023, the average Payout Ratio for the portfolio was 40.7%. A low Payout Ratio can signal that a company is reinvesting the bulk of its earnings into expanding operations, and dividends are less susceptible to a cut.

For the year ending December 31, 2023, the 1-year Dividend Growth Rate was 7.7%. A history of strong dividend growth could mean future dividend growth is likely, which can signal a high-quality company.

### PORTFOLIO POSITIONING

Portfolio turnover for the 12 months ending 6/30/2024 was 7.4%.

The portfolio is overweight Consumer Discretionary, Consumer Staples, Industrials, and Materials. The portfolio is underweight Financials and Information Technology, and has a neutral weighting in Health Care.

### TOP 10 PORTFOLIO HOLDINGS

WALMART, INC.	WMT
LINDE PLC	LIN
COLGATE-PALMOLIVE COMPANY	CL
MICROSOFT CORPORATION	MSFT
WASTE MANAGEMENT, INC.	WM
CHURCH & DWIGHT CO., INC.	CHD
AMPHENOL CORPORATION	APH
TRACTOR SUPPLY COMPANY	TSCO
CUMMINS, INC.	CMI
EMERSON ELECTRIC CO.	EMR

*As of June 30, 2024.*

### SECTOR EXPOSURE

Consumer Discretionary	13%
Consumer Staples	23%
Financials	3%
Health Care	11%
Industrials	26%
Information Technology	16%
Materials	7%
Cash	1%

## ANNUALIZED RETURNS

PERIODS ENDING JUNE 30, 2024

	2Q24*	YTD*	1 Year	3 Year	5 Year	7 Year	10 Year	Since Inception
Rising Dividend (Gross of Max Fees)	-2.28%	5.74%	8.23%	7.16%	10.32%	11.61%	11.50%	12.18%
Rising Dividend (Net of Max Fees)	-3.01%	4.16%	5.03%	3.99%	7.06%	8.30%	8.20%	8.86%
Bloomberg 1000 Value Index TR	-2.28%	6.87%	14.72%	7.01%	10.15%	9.33%	8.89%	10.17%
Bloomberg 1000 Equal Weight TR	-3.36%	3.68%	12.32%	2.32%	9.84%	9.97%	9.18%	10.54%
S&P 500 Index TR	4.28%	15.29%	24.54%	9.99%	15.03%	14.26%	12.84%	13.27%

Inception: May 31, 2011.

## CALENDAR YEAR RETURNS

	2016	2017	2018	2019	2020	2021	2022	2023
Rising Dividend (Gross of Max Fees)	13.24%	21.19%	1.05%	28.82%	10.96%	23.61%	-3.80%	6.73%
Rising Dividend (Net of Max Fees)	9.89%	17.60%	-1.94%	25.01%	7.68%	19.95%	-6.65%	3.57%
Bloomberg 1000 Value Index TR	17.68%	16.28%	-9.49%	27.28%	-0.16%	28.55%	-2.51%	9.38%
Bloomberg 1000 Equal Weight TR	14.40%	19.97%	-8.68%	29.64%	18.92%	22.10%	-17.70%	19.92%
S&P 500 Index TR	11.95%	21.82%	-4.39%	31.48%	18.39%	28.68%	-18.13%	26.26%

## SINCE INCEPTION RISK STATISTICS

PERIODS ENDING JUNE 30, 2024

	Tracking Error	Up Capture	Down Capture	Alpha	Beta	R-Squared
Portfolio vs. Bloomberg 1000 Value Index TR	7.24%	83.04%	69.75%	4.73%	0.70	78.39%
Portfolio vs. Bloomberg 1000 Equal Weight TR	8.99%	73.17%	60.61%	5.33%	0.62	73.78%
Portfolio vs. S&P 500 Index TR	6.17%	77.63%	75.30%	2.03%	0.76	82.67%

Inception: May 31, 2011. Risk statistics calculated using gross of fees performance.

Net of fee performance is calculated using the maximum applicable annual wrap fee that a client could potentially pay of 3.00%, applied monthly. This total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary. \*Periodic Return.

Past performance should not and cannot be viewed as an indicator of future performance. Indices are unmanaged, and it is not possible to invest directly in an index. All benchmark returns presented are provided to represent the investment environment existing during the time periods shown. Actual investment performance will vary due to fees and expenses. For comparison purposes, the benchmarks include the reinvestment of income. The benchmarks are unmanaged and unavailable for direct investment.

Please review the end of this document for important disclosures.

## DESCRIPTION OF TERMS

**Alpha:** The difference between the benchmark return and the portfolio return, which may be either positive or negative, adjusted for risk.

**Beta:** A measure of the sensitivity of a given investment or portfolio to movements in the overall market. Beta measures the risk level of the manager. Beta measures the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market. A beta of greater than 1 offers the possibility of a higher rate of return, but also poses more risk.

**Bloomberg 1000 Value:** The Bloomberg 1000 Value Index measures the performance of those Bloomberg 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

**Down Market Capture Ratio:** Down-Market Capture Ratio is a measure of managers' performance in down markets relative to the market itself. A down market is one in which the market's quarterly return is less than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. A value of 90 suggests that a manager's losses were only 90% of the market loss when the market was down. A negative down-market capture ratio indicates that a manager's returns rose while the market declined. For example, if the market fell 8% while the manager's returns rose 2%, the down-market capture ratio would be -25%.

**R-Squared:** R-Squared is a statistic that measures the reliability of alpha and beta in explaining the manager's return as a linear function of the market. If you are searching for a manager with a particular style, for example a growth manager, you would expect that manager to have an R-Squared that is high relative to a growth index if the manager has a diversified portfolio. If the manager's return is explained perfectly, the R-Squared would equal 100, while an R-Squared of 0 would indicate that no relationship exists between the manager and the linear function. Higher R-Squared values indicate more reliable alpha and beta statistics and are useful in assessing a manager's investment style.

**S&P 500 Index:** The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

**S&P 500 Value Index:** The S&P 500 Value Index measures value stocks using three factors: the ratios of book value, earnings, and sales to price. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500®.

**Sharpe Ratio:** Sharpe Ratio is one of two alternative, yet similar, methods of measuring excess return per unit of risk (The other method is the Treynor Ratio). In the case of the Sharpe Ratio, risk is measured using the standard deviation of the returns in the portfolio. The Sharpe Ratio relates the difference between the portfolio return and the risk-free rate to the standard deviation of that difference for a given time period.

**Standard Deviation:** Standard Deviation is a gauge of risk which measures the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard deviation. It is important to note that higher than average returns affect the standard deviation just as lower than average returns. Thus, it is not a measure of downside risk. Since it measures total variation of return, standard deviation is a measure of total risk, unlike beta, which measures market risk.

**Tracking Error:** The annualized standard deviation of the difference between the returns of an investment and its benchmark.

**Up Market Capture Ratio:** Up-Market Capture Ratio is a measure of managers' performance in up markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 110 suggests that the manager captured 110% of the up market (performed ten percent better than the market) when the market was up. A negative up-market capture ratio indicates that a manager's returns fell while the market rose. For example, if the market gained 8% while a manager's returns fell 2%, the up-market capture ratio would be -25%.

## DISCLOSURES

Past performance does not guarantee future performance or investment results. Actual performance for a client may differ due to such factors as timing, economic and market conditions, cash flows, and client constraints. The performance statistics shown in this profile are calculated based on composite performance beginning May 31, 2011, and ending with the date shown on this profile. Performance is based upon the asset-weighted performance of all client accounts invested in this strategy (accounts having investment restrictions may be removed from the composite for performance calculation purposes) and is shown on a gross and net of fee basis. Gross of fees means that the figures do not reflect any deductions for investment management fees, trading costs, taxes, or any other costs associated with a managed account. Net of fees means that the figures reflect deductions for investment management fees and trading costs, but do not reflect taxes. Indices are unmanaged, and it is not possible to invest directly in an index. Significant disruptions in market or economic conditions may impact the results portrayed. Please refer to WCA's ADV Part 2 for additional disclosures regarding the firm and its practices. 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. 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.

The Washington Crossing Advisors' High Quality Index and Low Quality Index are objective, quantitative measures designed to identify quality in the top 1,000 U.S. companies. Ranked by fundamental factors, WCA grades companies from "A" (top quintile) to "F" (bottom quintile). Factors include debt relative to equity, asset profitability, and consistency in performance. Companies with lower debt, higher profitability, and greater consistency earn higher grades. These indices are reconstituted annually and rebalanced daily. For informational purposes only, and WCA Quality Grade indices do not reflect the performance of any WCA investment strategy.

The Top 10 holdings are determined by percentage of portfolio allocation and are subject to change at any time, without notice. The holdings presented do not represent all of the securities held by the strategy as of the date presented. A complete list of holdings as of the date noted above will be provided upon request. The above is presented to illustrate the application of the strategy only and not intended as personalized recommendations of any particular security. The securities identified and described above do not represent all of the securities purchased, sold, or recommended for client accounts. You should not assume that an investment in any of the securities identified was or will be profitable. Performance is based upon the asset-weighted performance of all client accounts invested in this strategy (accounts having investment restrictions may be removed from the composite for performance calculation purposes) and is shown on a gross and net of fee basis, both including the reinvestment of income. Gross of fees returns are shown as supplemental and do not reflect the deduction of transaction costs. Net of fees means that the figures includes all charges for trading costs, portfolio management, custody and other administrative fees, but do not reflect taxes. Actual fees may vary.