

WASHINGTON CROSSING ADVISORS

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# RISING DIVIDEND PORTFOLIO

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**4Q2025**

**SEPARATELY MANAGED ACCOUNTS PROGRAM**

Data as of December 31, 2025

ALL INFORMATION HEREIN AS OF DECEMBER 31, 2025 UNLESS OTHERWISE NOTED.

# MISSION STATEMENT

**Washington Crossing Advisors' mission is to serve with competency and integrity the interests of clients and their trusted advisors.** In our view, there can be no better way to safeguard the viability and future success of our business than to deliver on that promise. To this end, we are determined to be a leader in innovation, education, and ethics, and we extend this commitment to both those we serve and those who work with and for us.

**Who We Are** | Washington Crossing Advisors, LLC (WCA) is a Registered Investment Adviser and subsidiary of Stifel Financial Corp. headquartered in Morristown, NJ, with employees based in Chicago and San Francisco. WCA was founded in 2000 and launched its first strategy in 2004. As of December 31, 2025, WCA manages total assets of over \$10 billion.

**What We Provide** | We deliver investment strategies as models or Separately Managed Accounts. Disciplines include quality and dividend-focused equity strategies, fixed income portfolios, and tactically-managed ETF portfolios.

**Our Investment Philosophy** | We believe that market exploitable anomalies exist as a byproduct of groupthink and human nature. Process-driven investment strategies can help avoid common pitfalls, potentially leading to better long-run results.

# QUALITY INVESTING IN A RISKY WORLD

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**The world is a riskier place than many understand or realize. Shocks to the financial system can roil markets and turn a portfolio on its head.**

<b>1987:</b> Black Monday	<b>2007:</b> U.S. Housing Bubble Bursts
<b>1990:</b> Iraq Invades Kuwait	<b>2008:</b> Financial Crisis
<b>1991:</b> Japan Asset Bubble Bursts	<b>2010:</b> European Sovereign Debt Crisis
<b>1992:</b> Pound Sterling Crashes	<b>2010:</b> “Flash” Crash
<b>1994:</b> Treasury Bond Losses	<b>2011:</b> U.S. Sovereign Debt Downgrade
<b>1997:</b> Asian Financial Crisis	<b>2015:</b> China Market Crash
<b>1998:</b> Russia Debt Default	<b>2018:</b> Global Growth Worries
<b>2000:</b> Dot-Com Bubble Bursts	<b>2020:</b> Coronavirus Pandemic
<b>2001:</b> 9/11 Terrorist Attacks	<b>2022:</b> Russia Invades Ukraine
<b>2002:</b> Accounting Scandals	<b>2023:</b> Middle East Conflict



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# RISING DIVIDEND PORTFOLIO

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**4Q2025**

**SEPARATELY MANAGED ACCOUNTS PROGRAM**

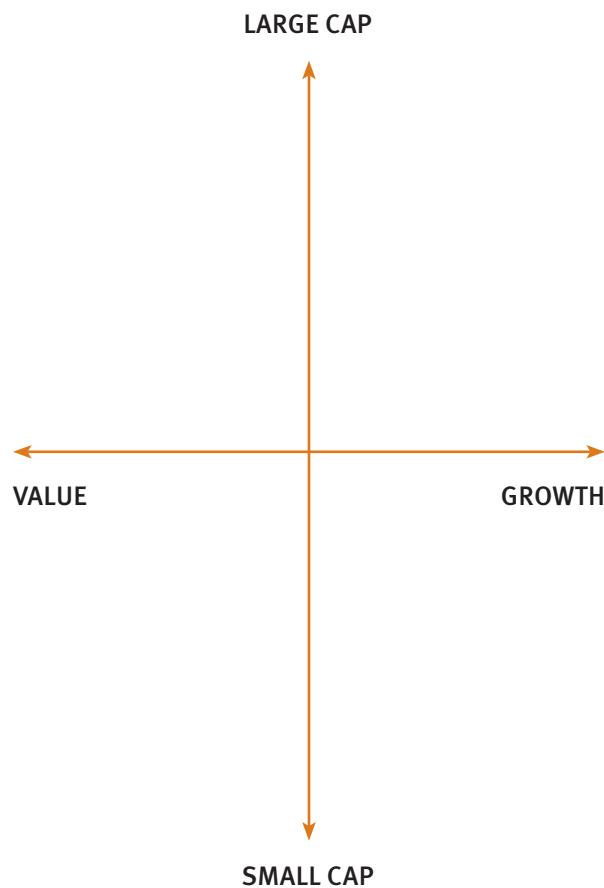
Data as of December 31, 2025

## POLICIES AND GUIDELINES

POLICY	GUIDELINE
Return Objective	Long-term capital appreciation with rising dividend stream
Risk	Seeks below-market volatility, greater return consistency
Factor Exposure	High quality, low volatility
Constraints	Quality companies; minimum 5 years dividend increases
Holding Period	Intermediate (3-5 years)
Liquidity	High
Taxes	Tax efficient and low turnover (10-20%)
Number of Positions	30-40
Position Size	2.5-4% of portfolio value
Total Strategy Assets	\$5.5 Billion
Sector Exposure Limit	Individual sector exposure limited to 30%
Holding Size Limit	Max size 2x target weight

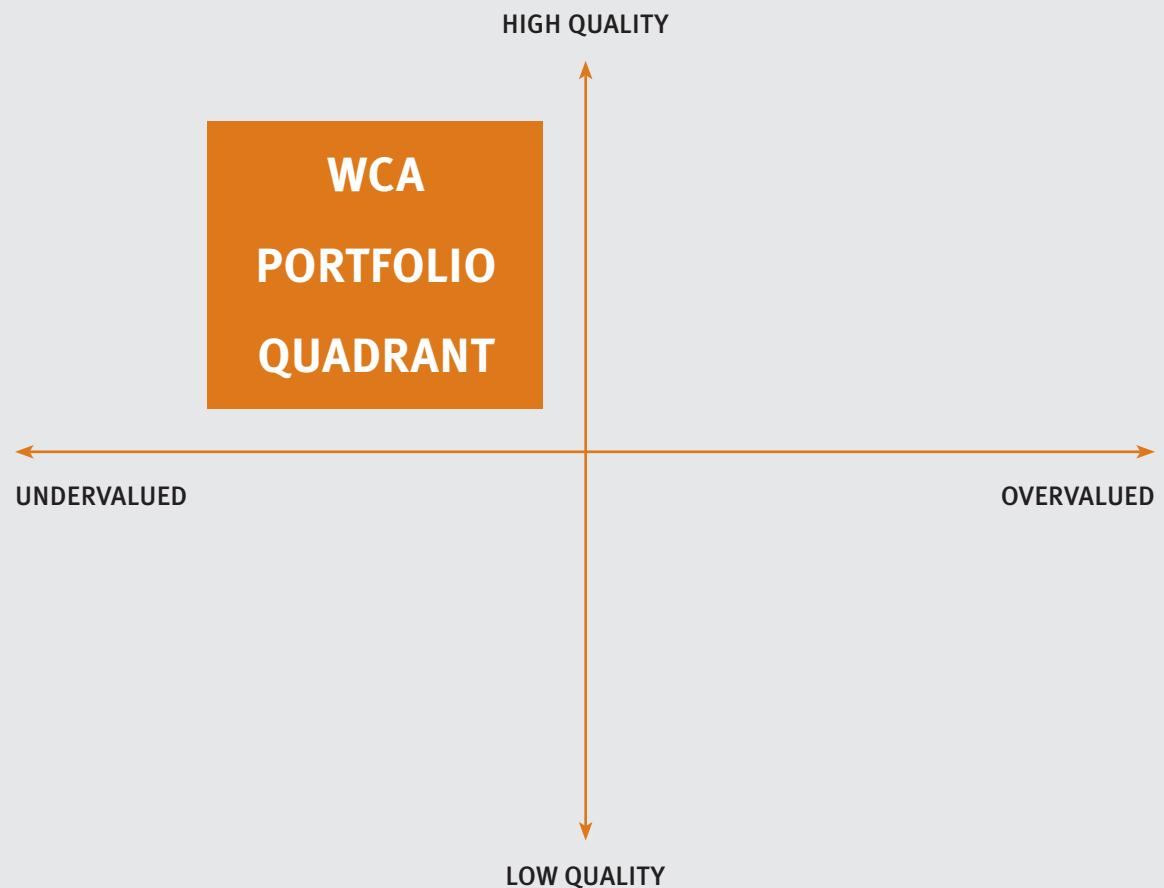
## QUALITY, NOT “STYLE”

### TRADITIONAL APPROACH



### OUR APPROACH

We are focused on quality, volatility, and price (not “style” and size)



# WCA “QUALITY”

A DIFFERENT

TAKE ON AN

OVERUSED WORD

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## QUALITY COMPANIES TEND TO BE:

- Predictable: Steady business
- Flexible: Profitable assets
- Durable: Low debt

## LOW QUALITY COMPANIES TEND TO BE:

- High yielding
- Over indebted (i.e., Financials)
- Financially engineered
- Overly complex
- Capital intensive (i.e., Airlines)
- Commodity businesses (i.e., Energy)

## CAUTIONARY TALE OF LEVERAGE AND DEBT

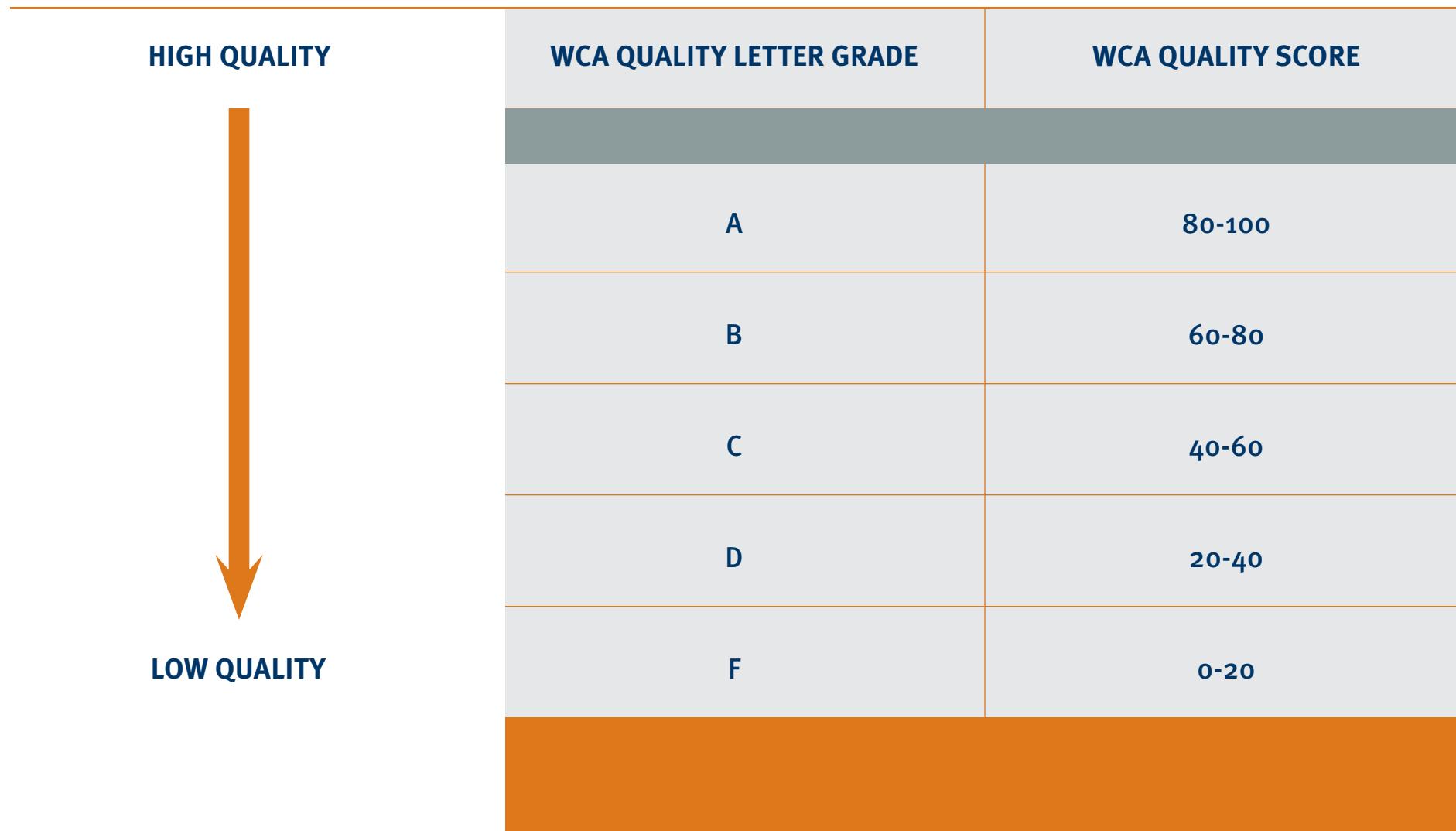
Many “quality” portfolio managers use agency credit ratings to identify “quality” despite past failures of such ratings. WCA developed proprietary quality grades, differentiating our assessment from others.

FIRM	2006 S&P RATING	2006 LEVERAGE <sup>1</sup>	2006 YR END STOCKS \$	2008 YR END STOCKS \$	ACQUIRER
Bear Stearns	A	29-1	\$160	\$9	JPM Chase
Washington Mutual	A-	13-1	\$45	\$0	JPM Chase
AIG	AA	10-1	\$60	\$1	U.S. Government <sup>2</sup>
Fannie Mae	AAA	20-1	\$59	\$1	U.S. Government
Countrywide Financial	A	14-1	\$42	\$4	Bank of America
Wachovia	A+	13-1	\$57	\$5	Wells Fargo
Lehman	A+	13-1	\$78	\$0	Barclays/Nomura

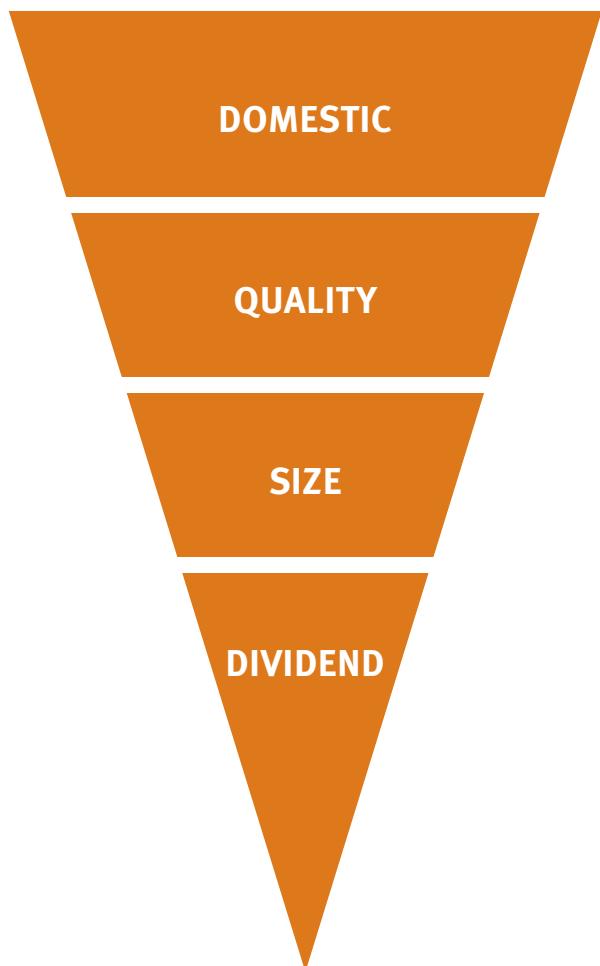
1. Assets/Equity 2. Majority owner. Source: Standard & Poor's; Bloomberg.

## WCA QUALITY GRADE: PROPRIETY QUALITY ASSESSMENT

WCA employs a unique process that ranks companies in our investment universe by quality factors including LEVERAGE, PROFITABILITY, and CONSISTENCY. We then assign letter grades “A” through “F” and organize businesses by quintile rank.



# THE WCA INVESTMENT FUNNEL: A REPEATABLE APPROACH



## STEP ONE

- Universe: Largest U.S. Companies (1,000 Stocks)

## STEP TWO

- Quality: Only “A” and “B” WCA Quality Grade Stocks (400 Stocks)

## STEP THREE

- Market Capitalization: \$20B+ (225 Stocks)

## STEP FOUR

- Dividends: Minimum Five Consecutive Years of Dividend Increases (150 stocks)

## NEXT STEP

- Investment Process

# THE WCA INVESTMENT PROCESS: AN ONGOING PROCESS

## VALUATION

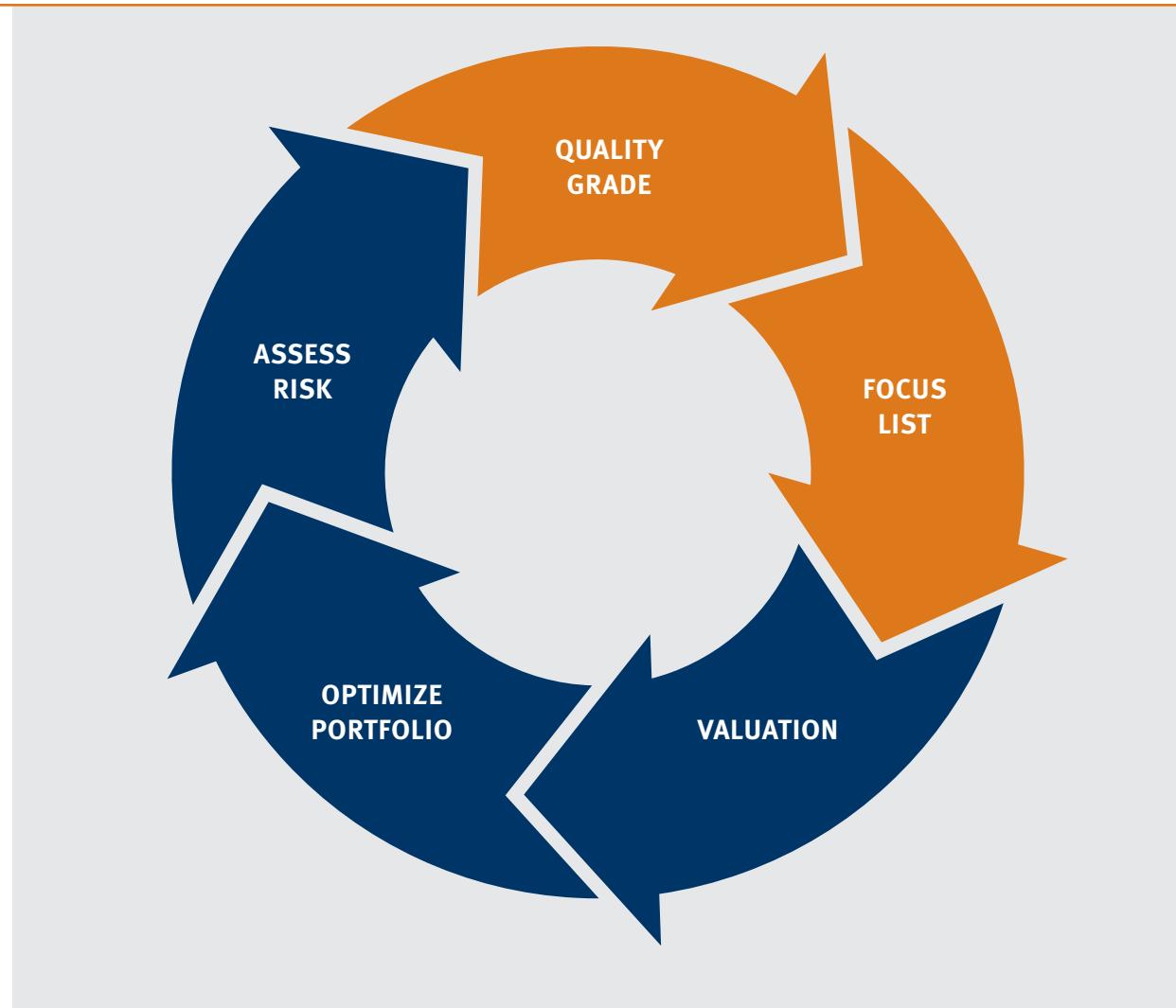
- Total firm value perspective
- 5-year forecast horizon

## PORTFOLIO OPTIMIZATION

- Seeks to maximize expected return relative to expected risk

## RISK ASSESSMENT

- Review Quality scores and other assumptions
- Monitor factors influencing performance
- Adjust course as necessary



## BUY AND SELL DISCIPLINE

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### BUY DISCIPLINE

- Buy companies that increase the expected risk-adjusted return of the portfolio.
- Return is estimated based on current price, expected dividend, and our 5-year estimated valuation.
- Risk is measured based on volatility and expected deviation from the WCA Rising Dividend custom benchmark of quality, dividend-increasing companies.

### SELL DISCIPLINE

- Overvalued relative to our 5-year estimated value, reducing risk adjusted return.
- Dividend cut or not raised.
- Deterioration of quality or fundamental outlook.
- Change in business model or competitive position.
- Accounting/regulatory issues.

## TOP 10 EQUITY HOLDINGS AS OF DECEMBER 31, 2025

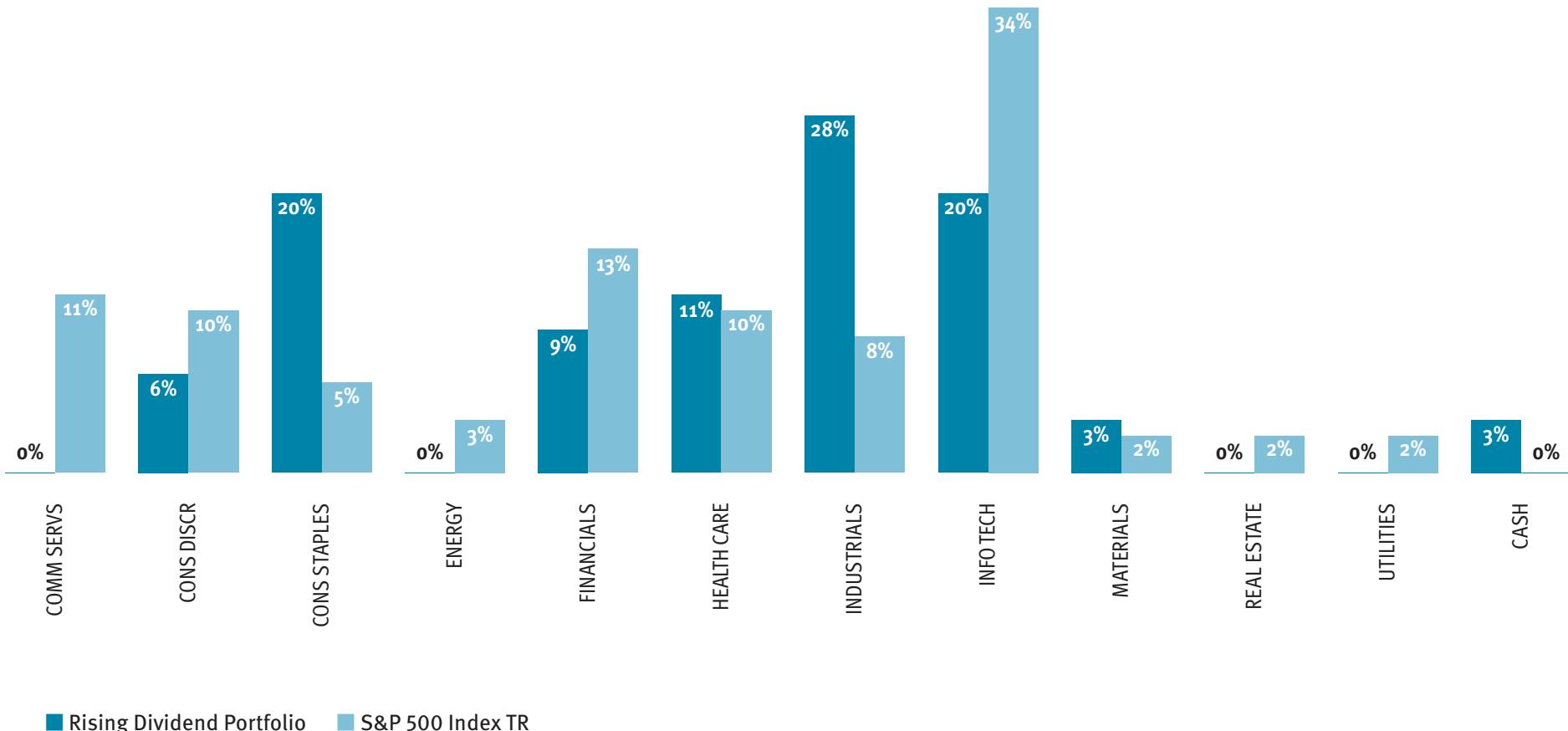
DESCRIPTION SYMBOL DIV YIELD %

Walmart, Inc.	WMT	0.82%
Microsoft Corporation	MSFT	0.76%
Merck & Co., Inc.	MRK	3.12%
Waste Management, Inc.	WM	1.51%
Visa, Inc. Class A	V	0.75%
Cisco Systems, Inc.	CSCO	2.18%
Cummins, Inc.	CMI	1.46%
Johnson & Johnson	JNJ	2.54%
Accenture Plc Class A	ACN	2.36%
PepsiCo, Inc.	PEP	4.09%

Holdings are subject to change and are as of the date indicated. These holdings should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the securities noted will remain in the portfolio at the time you receive this presentation. Actual holdings and percentage allocation in individual client portfolios may vary and are subject to change. It should not be assumed that any of the holdings discussed were, or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable. Excludes cash/cash equivalents. The portfolio can hold up to 5% in cash/cash equivalents.

## GICS SECTOR ALLOCATION AS OF DECEMBER 31, 2025

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# RISK MANAGEMENT PRACTICES

## IDENTIFY, MEASURE, MANAGE

**Steve Lerit, CFA**

Head of Portfolio Risk

Washington Crossing Advisors

Prior experiences includes:

Co-Chair of CFA NY Society Risk

Group, founding member of

Global Association of Risk

Professional Curriculum Exam

Development Committee,

instructor for CIPM/CFA exam

review, published in professional

journals, conference speaker,

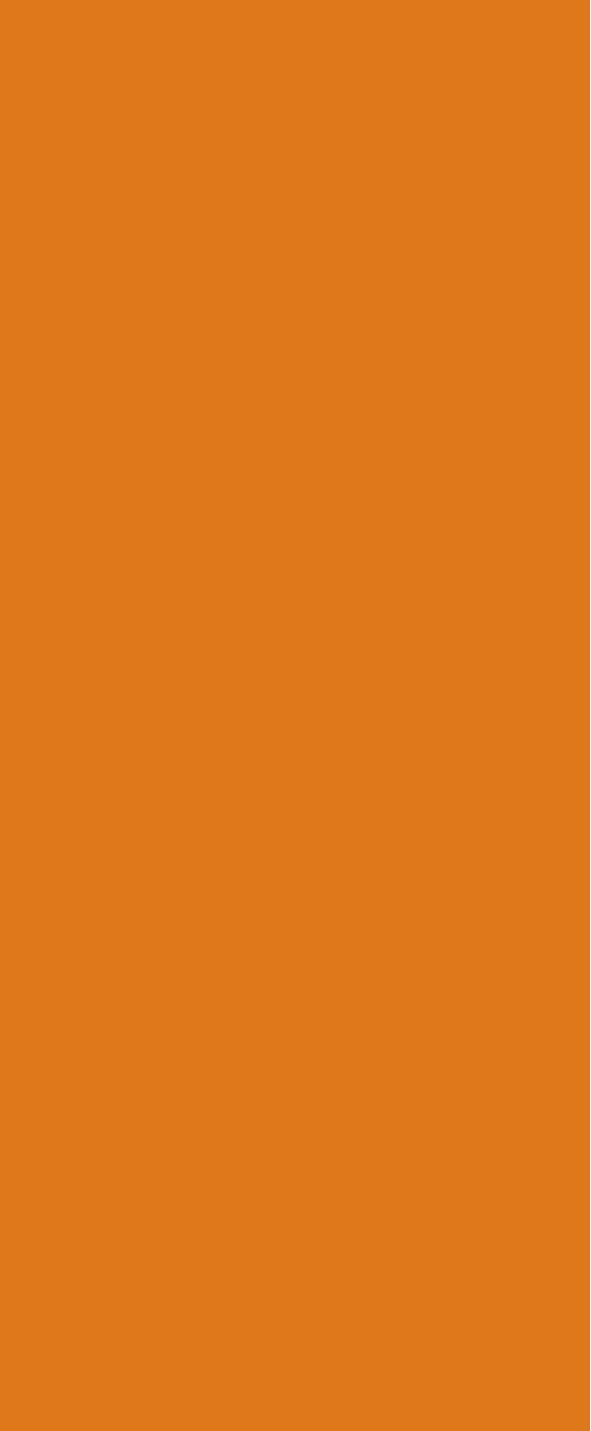
editor for quant textbooks

### BEST PRACTICES/LEADING EDGE

Risk control measures are primarily implemented through our proprietary stock selection and portfolio construction process to confirm and empirically validate investment process drivers:

- Sector constraints
- Individual security constraints
- Quality attribute monitoring
- Tracking error time series
- Proprietary WCA Beta
- Conditional VAR
- Scenario
- Proprietary Macro Factor Model
- Stress Tests
- Fair Value
- Portfolio characteristics
- Portfolio attribution by various groupings

There is no guarantee these objectives will be met. Investing involves risk, including the possible loss of principal.



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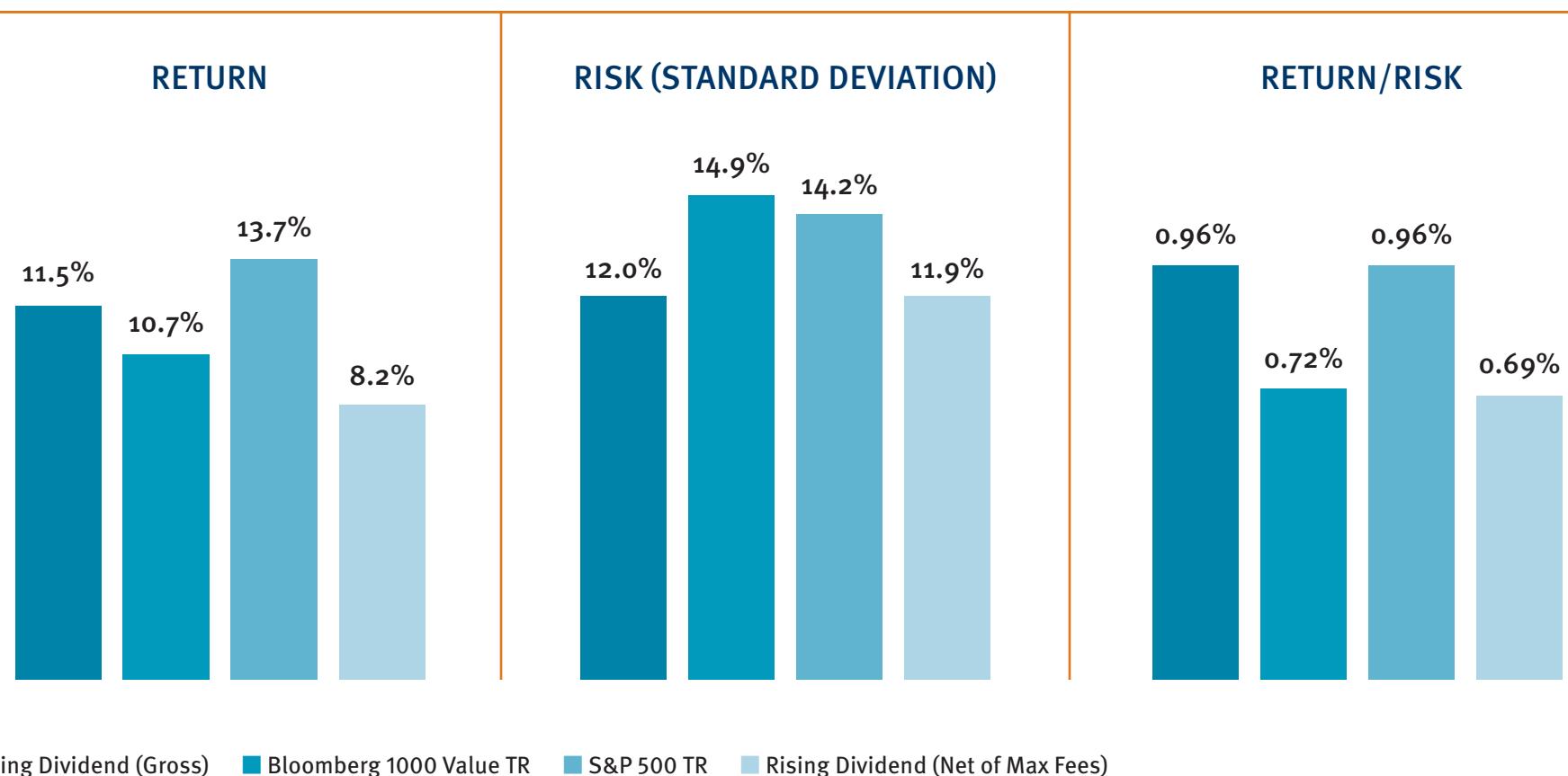
# RISING DIVIDEND PORTFOLIO RESULTS

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Data as of December 31, 2025

## STATISTICS VS. BENCHMARKS (MAY 2011 – DECEMBER 2025)

On a risk-adjusted basis, the Rising Dividend strategy outperformed the benchmark.



Source: Zephyr. Past performance should not and cannot be viewed as an indicator of future performance.

## STATISTICS VS. BENCHMARKS (MAY 2011 – DECEMBER 2025)

The Rising Dividend strategy displayed less frequent and less extreme outlier returns than the benchmark.

	Alpha	Beta	Asymmetry <sup>1</sup>	Fat Tails <sup>2</sup>	Tracking Error
Rising Dividend (Gross)	1.19	0.75	-0.10	0.39	6.45
Rising Dividend (Net of Max Fees)	-1.81	0.75	-0.10	0.39	6.45
S&P 500 TR	0.00	1.00	-0.38	0.70	0.00

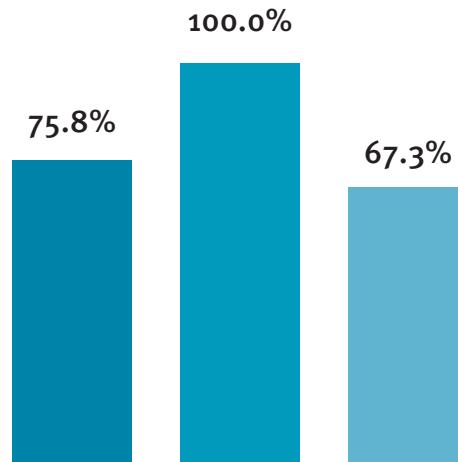
	Alpha	Beta	Asymmetry <sup>1</sup>	Fat Tails <sup>2</sup>	Tracking Error
Rising Dividend (Gross)	3.70	0.71	-0.10	0.39	7.09
Rising Dividend (Net of Max Fees)	0.63	0.71	-0.10	0.39	7.09
Bloomberg 1000 Value TR	0.00	1.00	-0.47	2.31	0.00

Source: Zephyr. 1. Negative asymmetry: frequent small gains and a few extreme losses (however, result not significantly different from zero). 2. A greater percentage of both large and small return surprises compared to normal “bell-shaped” distribution. Past performance should not and cannot be viewed as an indicator of future performance. Please see Important Definitions at the end of this presentation.

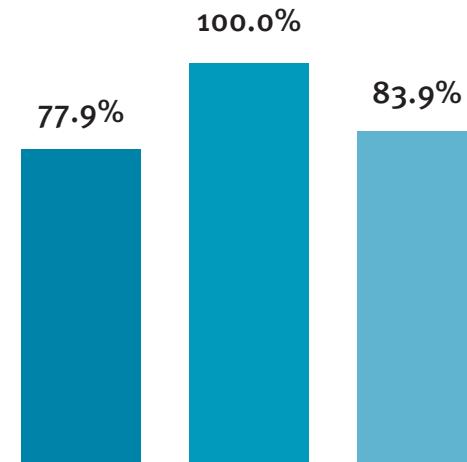
## STATISTICS VS. BENCHMARKS (MAY 2011 – DECEMBER 2025)

The Rising Dividend strategy Beta was 0.78 during market rallies and 0.64 during market declines.

### ADVANCING MARKETS Upside Capture • Beta: 0.78



### DECLINING MARKETS Downside Capture • Beta: 0.64



■ Rising Dividend (Gross) ■ S&P 500 TR ■ Rising Dividend (Net of Max Fees)

Portfolio evaluation period (May 2011-December 2025) vs S&P 500 Index. Rising and Declining Markets based off of 121 Positive Months vs 55 Negative Months. Past performance should not and cannot be viewed as an indicator of future performance. A client's return will be reduced by the advisory fees and any other expenses. Investment advisory fees are described in Part 2 of Washington Crossing Advisors Form ADV. Sources: Bloomberg, Zephyr, WCA. Please see Important Definitions at the end of this presentation.

## ANNUALIZED RETURNS % (MAY 2011 – DECEMBER 2025)

	4Q25	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	Incept
Rising Dividend (Gross)	<b>-0.41</b>	<b>3.83</b>	3.83	7.09	7.87	11.09	11.21	11.51
Rising Dividend (Net of Max Fees)	<b>-1.16</b>	<b>0.76</b>	0.76	3.92	4.68	7.80	7.92	8.21
Bloomberg 1000 Value Index TR	<b>4.14</b>	<b>16.53</b>	16.53	13.14	12.66	12.68	11.07	10.69
Bloomberg 1000 Equal Weight TR	<b>1.53</b>	<b>10.93</b>	10.93	14.60	8.62	12.85	11.32	10.85
S&P 500 Index TR	<b>2.65</b>	<b>17.88</b>	17.88	22.99	14.41	17.27	14.81	13.72

Inception Date: May 31, 2011. 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. Net returns are reduced by an assumed annual wrap fee of 3.0%, applied monthly. Source: Zephyr.

## CALENDAR YEAR RETURNS % (JANUARY 2012 – DECEMBER 2025)

	2012	2013	2014	2015	2016	2017	2018
<b>Rising Dividend (Gross)</b>	9.06	29.86	17.13	2.47	13.24	21.19	1.05
<b>Rising Dividend (Net of Max Fees)</b>	5.83	26.02	13.66	-0.56	9.89	17.60	-1.94
<b>Bloomberg 1000 Value Index TR</b>	16.66	32.60	12.31	-2.73	17.68	16.28	-9.49
<b>Bloomberg 1000 Equal Weight TR</b>	18.27	36.70	11.40	-3.08	14.40	19.97	-8.68
<b>S&amp;P 500 Index TR</b>	15.99	32.37	13.68	1.37	11.95	21.82	-4.39

Inception Date: May 31, 2011. 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. Net returns are reduced by an assumed annual wrap fee of 3.0%, applied monthly. Source: Zephyr.

## CALENDAR YEAR RETURNS % (JANUARY 2012 – DECEMBER 2025)

	2019	2020	2021	2022	2023	2024	2025
<b>Rising Dividend (Gross)</b>	28.82	10.96	23.61	-3.80	6.73	10.82	3.83
<b>Rising Dividend (Net of Max Fees)</b>	25.01	7.68	19.95	-6.65	3.57	7.54	0.76
<b>Bloomberg 1000 Value Index TR</b>	27.28	-0.16	28.55	-2.51	9.38	13.63	16.53
<b>Bloomberg 1000 Equal Weight TR</b>	29.64	18.92	22.10	-17.70	19.92	13.13	10.93
<b>S&amp;P 500 Index TR</b>	31.48	18.39	28.68	-18.13	26.26	25.00	17.88

Inception Date: May 31, 2011. 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. Net returns are reduced by an assumed annual wrap fee of 3.0%, applied monthly. Source: Zephyr.

## VALUE PROPOSITION SUMMARY

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**Quality Investments** | Portfolio construction informed by the notion that (1) quality persists, tends to be underappreciated, and undervalued (2) the marketplace tends to misunderstand value investing. Quality is one of the few anomalies that produces consistent risk-adjusted alpha over time.

**Dividend Growth Focus** | Dividend growth is a marker of quality and thus a means to an end rather than an end in itself.

**Factor Exposure** | Quality, Low Volatility.

**Portfolio Alpha** | Generated by (1) identifying quality at reasonable prices (2) understanding and adapting to risk (3) employing a repeatable process.

**Expertise** | Proven track record in various market environments from highly experienced management team.

**Selection Ability** | Quantitative process links valuation to key fundamental risks.

**Valuation** | Proprietary valuation process focuses on whole capital structure.

**Capital Preservation** | Flexibility in market exposure with a long only bias.

**Discipline** | Mitigate risk by focusing on what can go wrong and striving to avoid bubbles—strict buy and sell discipline.

**Common Sense Approach** | Owning great businesses with reasonable valuation.

**Patience** | Value is usually found during periods of negative psychology or misperception.

**Avoid Yield “Trap”** | Limits exposure to risk, low return, and high degree of interest rate sensitivity.

# WASHINGTON CROSSING ADVISORS

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## **Kevin R. Caron, CFA, Senior Portfolio Manager**

Mr. Caron is a Senior Portfolio Manager and co-founder of Washington Crossing Advisors (WCA). Kevin's experience as an analyst, strategist, and portfolio manager spans over 30 years. Kevin is a popular speaker on markets and economy-related issues and comments regularly for various local and nationally syndicated media outlets. Such outlets include CNBC, PBS, Fox Business, Bloomberg, *The Wall Street Journal*, Reuters, Forbes, CBS Radio, and Dow Jones.

Kevin began his investing career at Gruntal & Company in 1992 as a sell-side research associate covering electric utilities. In 1994, he joined Sterling Advisors, an investment advisory unit of Gruntal & Co., as an analyst. In 1997, Kevin left Sterling to help form Gruntal's strategy team as a market strategist. In this role, he was instrumental in developing and communicating the firm's views on the economy and financial markets. Today, Mr. Caron is responsible for developing investment strategies, identifying opportunities, and communicating WCA's market and investment views with advisors, clients, and the public.

Kevin earned his Bachelor's of Science degree in Economics from Seton Hall University in 1991. He is a CFA charterholder and New York Society of Securities Analysts member. Kevin lives in Chatham, NJ, with his wife, Tara, and their two children.



## **Chad A. Morganlander, Senior Portfolio Manager**

Mr. Morganlander serves as a Senior Portfolio Manager and co-founder of Washington Crossing Advisors. He shares responsibility as co-portfolio manager across each of the group's investment advisory programs. Mr. Morganlander has held several investment advisory and analyst positions for Stifel and predecessor firms, including Ryan, Beck & Company and Gruntal & Company. He began his career in 1992 at Lehman Brothers.

Mr. Morganlander brings nearly 30 years of financial market, investment advisory, and portfolio management experience to the WCA platform. The WCA multi-disciplinary investment platform has assets over \$8 billion under management and advisement. Chad regularly comments on the global economy and financial markets on various media outlets, including CNBC, Dow Jones, BNN, Bloomberg, CBS radio, Fox News, *The Wall Street Journal*, and Reuters.

Mr. Morganlander graduated from Ramapo College, where he received his Bachelor of Arts Degree in International Business.

# WASHINGTON CROSSING ADVISORS

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## **Matthew J. Battipaglia, Portfolio Manager**

Mr. Battipaglia serves as a Portfolio Manager for Washington Crossing Advisors. In addition to co-managing portfolios across each of the group's investment advisory programs, Mr. Battipaglia also supports the group's trading and marketing efforts.

Mr. Battipaglia began his career in 2005 as an Operations Analyst at SEI Investments Company. In 2007, Mr. Battipaglia was hired by Janney Montgomery Scott to help start the Cost Basis/Tax Reporting department. He was hired by Washington Crossing Advisors in 2011.

In 2005, Mr. Battipaglia earned his Bachelor of Arts Degree in Economics from Dartmouth College and, in 2011, earned his Master of Business Administration from Drexel University. He holds the series 65 license.

Matthew lives in Doylestown, PA, with his wife, Kelly, and their two daughters.



## **Steven J. Lerit, CFA, Head of Portfolio Risk**

Mr. Lerit is the Head of Portfolio Risk for Washington Crossing Advisors. He collaborates with advisors to help design and explain portfolio solutions that meet specific needs of private client, high net worth, and institutional investors for equity, fixed income, and multi-asset portfolios.

Steve was formerly Head of Quantitative Risk for UBS Wealth Management, Asset Manager for U.S. Trust/Bank of America, Investment Analyst for New York Life Investment Management LLC and Market Risk Analyst for JP Morgan Chase. He has extensive experience applying advanced statistical methods, data science and operations research to portfolio construction, risk management and investment manager selection and performance evaluation.

Steve is the Co-Chair of the Performance and Risk Group and a former Director at CFA NY, where he has taught courses for CFA and CIPM exam preparation. He was a founding and longstanding member of the Education Committee of GARP, which awards the Financial Risk Manager (FRM) designation. Steve is an advisory board member, contributor and top reviewer for *The Journal of Performance Measurement*. He has served as a subject matter expert on stress testing for regulatory purposes and a manuscript reviewer for textbooks on data science and applied financial statistics. Steve has a BA from Rutgers and an MBA from NYU Stern School of Business. He holds series 7 and series 63 licenses.

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## **Mike Spero, Chief Compliance Officer**

Mr. Spero joined the firm's parent company, Stifel Financial, in April 2021 where he serves as a Director of Advisory Compliance. Prior to joining Stifel Financial, Mike was a Compliance & Risk Control Manager with Freddie Mac. Mike has more than 20 years of experience in financial services compliance, including compliance positions with UBS, KBC Financial Products, JPMorgan, New Mountain Capital, Tiger Legatus Capital Management as Chief Compliance Officer, and Frontline Compliance. Mike received his BA in History from Boston University and is an Investment Adviser Certified Compliance Professional (IACCP®).



## **Baiba McGibben, Operations Director**

Ms. McGibben oversees operations and daily trading for Washington Crossing Advisors. She joined the firm's parent company, Stifel Financial, in 2007 where she worked in operations, trade support and reporting for multiple asset management affiliates including Montibus Asset Management and Thomas Weisel Fixed Income Group. Prior to joining Stifel, Baiba worked for Thomas Weisel Partners, where she held multiple positions in corporate finance and institutional trading groups. Earlier in her career, Ms. McGibben worked as unit cost and risk analyst at Bank of New York.

Baiba received a Bachelor's of Science degree in Economics and Finance from Seton Hall University in South Orange, NJ. She lives in the San Francisco Bay Area with her family.



## **Suzanne Ashley, Relationship Manager**

Suzanne Ashley serves as the Relationship Manager for Washington Crossing Advisors, an in-house advisory program offered through Stifel's private client group, running the sales and marketing effort for the financial advisors at Stifel. Suzanne began her career in 1988 at Manufacturers' Hanover Trust Co. in New York City as a corporate trust officer which then led to an Institutional Fixed Income sales position at Chase Securities Inc.

Suzanne graduated from Boston College in 1988 with a Bachelor of Arts Degree in Economics and Philosophy. Suzanne lives in Verona, NJ with her husband Mark.

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## **Eric Needham, Director, Sales and Marketing**

Eric Needham joined WCA in 2020 as Director of Sales and Marketing. Prior to joining WCA, he was Director of Sales and Marketing for the Central United States at Ziegler Capital Management, LLC (“ZCM”) from 2015 to 2020. Prior to joining ZCM in 2015, Eric held similar roles at Keeley Asset Management and DWS Investments. Eric is currently responsible for business development and client service within the Broker/Dealer, RIA, and Family Office communities. He has over 13 years of experience in the investment management industry.

Eric graduated from University of Northern Colorado with a degree in Business Finance and a minor in Computer Information Systems. Eric lives in Chicago with his wife, Luanne, and their daughter.



## **Jeffrey Battipaglia, Client Portfolio Manager**

Jeff Battipaglia joined Washington Crossing Advisors in 2021 after working with the Corporate Strategy team at Bank of New York Mellon. At WCA, his primary areas of focus include portfolio research and analysis, business development and client service efforts. Prior to beginning his career in financial services, Jeff spent seven years in the Marine Corps serving in Okinawa, Japan and San Diego, California.

Jeff graduated from the U.S. Naval Academy and earned his MBA from NYU’s Stern School of Business. He lives in Westfield, NJ with his wife, Emily, and their sons.

# IMPORTANT DEFINITIONS

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

**Asymmetry/Skewness** | When a distribution of returns has unequal sides around its median.

The shape of a return distribution describes the extent to which realized performance varies from what might be expected in a “normal world”. In a normal world return surprises are represented by extreme events whose magnitude and frequency can be predicted with a high degree of precision using advanced statistical techniques. When an investment strategy exhibits “non-normal” returns, the magnitude and frequency of return surprises exceeds what is suggested by these techniques. Non-normal return distributions share the same return and risk statistics with normal return distributions. Hence, standard performance statistics like Sharpe and information ratios will be the same for both normal and non-normal return distributions. However, non-normal return distributions display a different shape, i.e., with an extended tail to the left reflecting higher downside risk in market drawdowns.

**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 Equal Weight Total Return Index** | The Bloomberg 1000 Equal Weighted Total Return Index is a float equal-weighted benchmark of the 1000 most highly capitalized U.S. companies.

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

**Conditional Value at Risk (CVaR)** | Average potential loss in the left tail of the distribution with only a 5% chance that the loss will exceed that of the CVaR amount.

**Downside Capture** | Downside Capture 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 is -25%.

# IMPORTANT DEFINITIONS

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**Drawdown** | A drawdown refers to how much an investment or trading account is down from the peak before it recovers back to the peak.

**Fat Tails/Kurtosis** | A collection of observations whose magnitude and frequency exceed that of what would be expected if the observations were deemed to normal or bell-shaped.

**GICS** | The Global Industry Classification Standard (GICS®) was developed in 1999 by S&P Dow Jones Indices and MSCI. The GICS methodology aims to enhance the investment research and asset management process for financial professionals worldwide. It is the result of numerous discussions with asset owners, portfolio managers, and investment analysts around the world. It was designed in response to the global financial community's need for accurate, complete, and standard industry definitions. The GICS methodology has been widely accepted as an industry analysis framework for investment research, portfolio management and asset allocation. Its universal approach to industries worldwide has contributed to transparency and efficiency in the investment process, and the GICS methodology supports the trend towards sector-based investing.

**Normal Probability Plot** | A graphic depiction of the extent to which an actual distribution resembles a hypothetical normal distribution.

**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** | Tracking error is the difference in actual performance between a position (usually an entire portfolio) and its corresponding benchmark.

**Upside Capture** | Upside Capture 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%.

## IMPORTANT DEFINITIONS

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**Washington Crossing Advisors High Quality Index and Low Quality Index** | 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.

**Z Score** | Standardized measure of how far away an individual observation is from the universe median.

## IMPORTANT DISCLOSURES

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Past performance should not and cannot be viewed as an indicator of future performance. For use in this one on one presentation only. Not for public distribution. Gross returns presented do not reflect the deduction of investment advisory fees. Actual client returns will be reduced by advisory fees and any other expenses it may incur in the management of the investment advisory account. WCA's advisory fees are described in the Firm's ADV Part 2A. Data provided by Bloomberg, Zephyr, and Morningstar, Inc. All performance figures are presented through end of period unless otherwise indicated.

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