

# Focused U.S. Dividend Index



## May 2024 Update

### Performance Recap

The Focused U.S. Dividend Index was down -3.9% in April, leading the Large Cap Value Index by +38bps. The dividend yield is currently 3.0% vs the Broad High Dividend Index's yield of 2.9% and the Large Cap Value Index's yield of 1.9%.

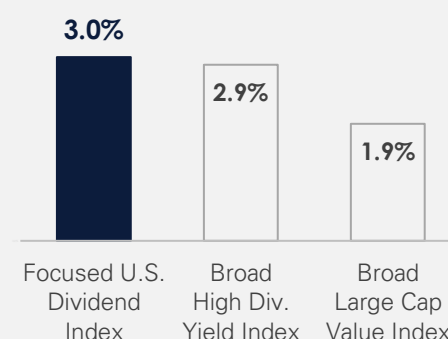
### Monthly Commentary

- The Focused U.S. Dividend Index outperformed 13 out of 22 trading days in April.
- 36 of the 64 holdings outperformed the benchmark in April.
- Kimberly Clark, Conagra Brands, and Flowers Foods were the best performers during the month rising 5.6%, 5.0%, and 5.0%, respectively.
- Whirlpool, LKQ Corp., and Bristol Myers Squibb were the worst performers in April returning -20.7%, -19.2%, and -17.9%, respectively.
- Technology was the best performing sector in April with 5 of the 6 holdings leading the sector. Stock selection in Consumer Discretionary weighed down this month's relative performance.
- The quantitative dividend model selected 3 new holdings at the start of May.

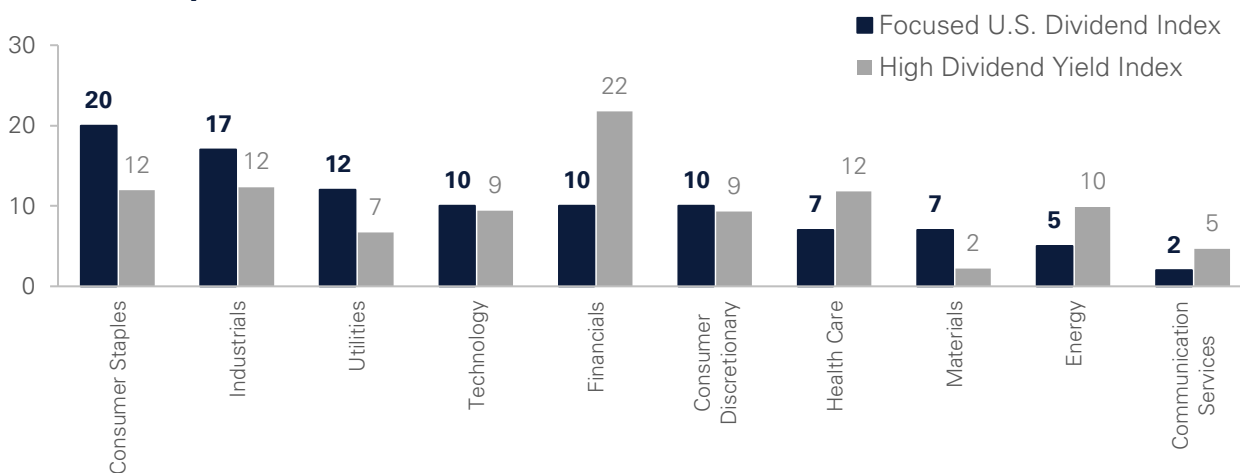
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### Indicated Annual Dividend Yields



### Sector Composition vs Dividend Universe (%)



**Important Disclosures:** Dividend Yields are based on indicated annual dividend which is the estimated amount of total dividends on a share of stock for the next 12-months. The stated yield assumes you hold the current portfolio for 12-months. Past performance does not guarantee future results. You cannot invest directly in an index. The information herein was obtained from sources which we believe to be reliable, but we do not guarantee its accuracy. Neither the information, nor any opinions expressed, constitute a solicitation of the purchase or sale of any securities or related instruments, nor does it constitute a recommendation to buy, sell, or hold that or any other security, nor does it constitute an opinion on the suitability of any security or index. The comments may not be relied upon as recommendations, investment advice or an indication of trading intent. We are not responsible for any losses incurred from any use of this information.

# Holdings

Company & Ticker	Sector	Dividend Yield	Index Weight	Company & Ticker	Sector	Dividend Yield	Index Weight
Hershey Foods (HSY)	Cons Stpls	2.8%	2.0%	LKQ Corp. (LKQ)	Cons Disc	2.8%	1.0%
Genpact Limited (G)	Tech	2.0%	2.0%	TEGNA (TGNA)	Cons Disc	3.3%	1.0%
Robert Half (RHI)	Industrials	3.1%	2.0%	eBay (EBAY)	Cons Stpls	2.1%	1.0%
Voya Financial (VOYA)	Financials	2.3%	2.0%	Chord Energy (CHRD)	Energy	2.8%	1.0%
Johnson & Johnson (JNJ)	Health Care	3.4%	2.0%	Chesapeake Energy (CHK)	Energy	2.5%	1.0%
United Parcel Service (UPS)	Industrials	4.4%	2.0%	Essent Group Ltd. (ESNT)	Financials	2.1%	1.0%
Mosaic (MOS)	Materials	2.7%	2.0%	Civitas Resources (CIVI)	Energy	2.8%	1.0%
CH Robinson (CHRW)	Industrials	3.4%	2.0%	Stifel Financial (SF)	Financials	2.1%	1.0%
Microchip Technology (MCHP)	Tech	2.0%	2.0%	Whirlpool (WHR)	Cons Disc	7.4%	1.0%
Best Buy (BBY)	Cons Disc	5.1%	2.0%	Xcel Energy (XEL)	Utilities	4.1%	1.0%
Automatic Data (ADP)	Industrials	2.3%	2.0%	Cisco Systems (CSCO)	Tech	3.4%	1.0%
Home Depot (HD)	Cons Disc	2.7%	2.0%	Polaris (PII)	Cons Disc	3.1%	1.0%
Abbott Laboratories (ABT)	Health Care	2.1%	2.0%	Clorox (CLX)	Cons Stpls	3.2%	1.0%
Skyworks Solutions (SWKS)	Tech	2.6%	2.0%	Honeywell (HON)	Industrials	2.2%	1.0%
T Rowe Price (TROW)	Financials	4.5%	2.0%	Archer Daniels Midland (ADM)	Cons Stpls	3.4%	1.0%
Comcast (CMCSA)	Comm Svcs	3.3%	2.0%	TE Connectivity Ltd. (TEL)	Tech	1.8%	1.0%
Air Products/Chemicals (APD)	Materials	3.0%	2.0%	Target (TGT)	Cons Stpls	2.7%	1.0%
Insperty (NSP)	Industrials	2.2%	2.0%	ONE Gas (OGS)	Utilities	4.1%	1.0%
Nexstar Media Group (NXST)	Cons Disc	4.2%	2.0%	Coca-Cola (KO)	Cons Stpls	3.1%	1.0%
Mondelez Intl. (MDLZ)	Cons Stpls	2.4%	2.0%	Bristol Myers Squibb (BMY)	Health Care	5.5%	1.0%
Texas Instrument (TXN)	Tech	2.9%	2.0%	★🛡️ Sonoco Products (SON)	Materials	3.7%	1.0%
American Financial (AFG)	Financials	2.2%	2.0%	★🛡️ Procter & Gamble (PG)	Cons Stpls	2.5%	1.0%
Paychex (PAYX)	Industrials	3.0%	2.0%				
McCormick & Co. (MKC)	Cons Stpls	2.2%	2.0%				
Nextera Energy (NEE)	Utilities	3.1%	2.0%				
FMC (FMC)	Materials	3.9%	2.0%				
Hormel Foods (HRL)	Cons Stpls	3.2%	2.0%				
Wec Energy Group (WEC)	Utilities	4.0%	2.0%				
Kimberly Clark (KMB)	Cons Stpls	3.6%	2.0%				
Ameren (AEE)	Utilities	3.6%	2.0%				
Quest Diagnostics (DGX)	Health Care	2.2%	2.0%				
Pepsico (PEP)	Cons Stpls	2.9%	2.0%				
American Water Works (AWK)	Utilities	2.3%	2.0%				
Lockheed Martin (LMT)	Industrials	2.7%	2.0%				
Atmos Energy (ATO)	Utilities	2.7%	2.0%				
★🛡️ Brown-Forman Corporation (BF)	Cons Stpls	1.8%	2.0%				
Snap On (SNA)	Industrials	2.8%	2.0%				
Cincinnati Financial (CINF)	Financials	2.8%	2.0%				
Northern Oil and Gas (NOG)	Energy	3.9%	1.0%				
California Resources (CRC)	Energy	2.3%	1.0%				

## Removed Holdings

■ CAG, RDN, ETR, FLO, BKH

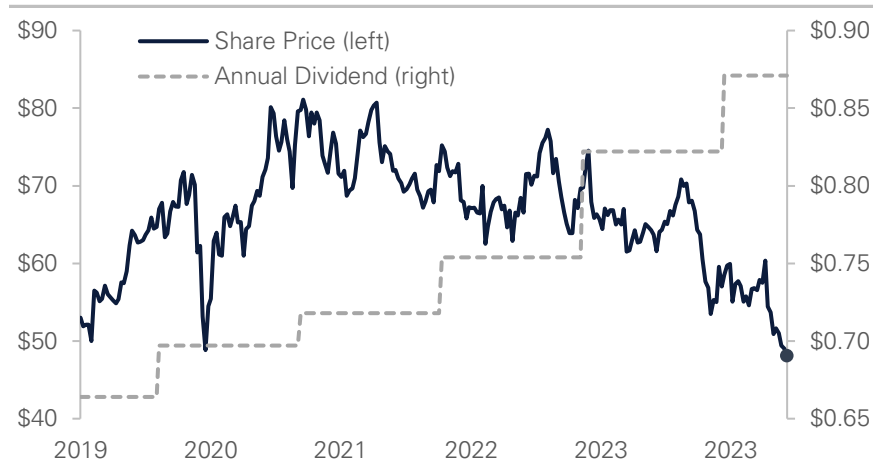
### Index Actions

- 🛡️ Added
- Removed
- ★ Featured

### Additional Notes

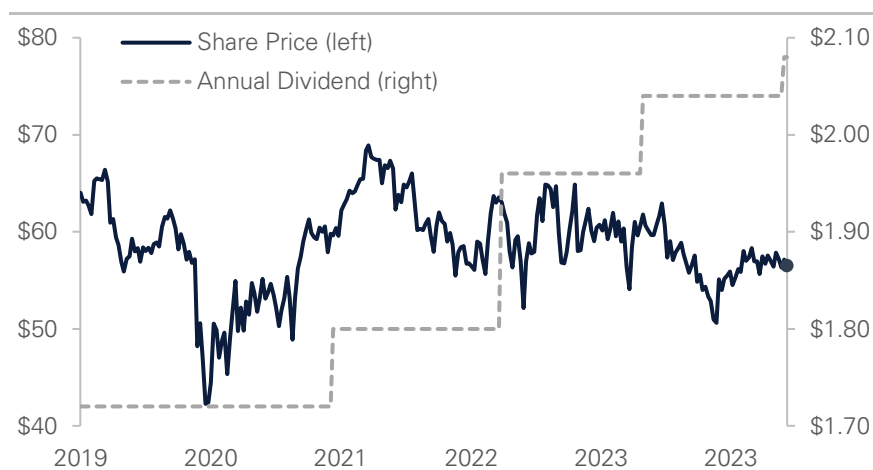
Data as of the most recent month end. **Dividend Yield:** Latest available indicated annual dividend rate. **Position Weights:** The methodology selects the top 50 companies for each category and equal weights the stocks at 1.0%, with a maximum 35% sector exposure. Companies ranked in the top 50 for both High Yield Dividend Growth and High Yield Dividend Stability receive a position weight of 2.0%. **Removed Holdings:** Companies removed this month from the portfolio. **Rebalanced:** Holdings are reconstituted and rebalanced the first business day of every month.

## Featured New Holdings



<b>Brown-Forman Corpora</b>	Yield	Mkt Cap	NTM P/E
Ticker: BF.B	1.82%	\$14.5 B	24.6x

Brown-Forman engages in the production and distribution of alcoholic beverages. The firm offers whiskey, scotch, tequila, vodka, liquor, and wine. Its brands include Jack Daniel, Woodford Reserve, Old Forester, Early Times, Canadian Mist, Coopers' Craft, Slane Irish, Finlandia, Korbel, El Jimador, Sonoma Cutrer and Chambord.



<b>Sonoco Products</b>	Yield	Mkt Cap	NTM P/E
Ticker: SON	3.71%	\$5.5 B	11.0x

Sonoco Products engages in the manufacture of industrial and consumer packaging products and services. It operates through the following segments: Consumer Packaging, Industrial Paper Packaging, and All Other. The Consumer Packaging segment offers round and shaped rigid containers, fiber and plastic caulk and adhesive tubes, and aluminum, steel, and peelable membrane easy-open closures for paper and metal cans. The Industrial Paper Packaging segment produces recycled paperboard, chipboard, tubeboard, lightweight corestock, and boxboard.



<b>Procter &amp; Gamble</b>	Yield	Mkt Cap	NTM P/E
Ticker: PG	2.47%	\$385.2 B	23.5x

Procter & Gamble provides branded consumer packaged goods. The Beauty segment offers hair, skin, and personal care. The Grooming segment consists of shave care like female and male blades and razors, pre and post shave products, and appliances. The Health Care segment includes oral care products like toothbrushes, toothpaste, and personal health care such as gastrointestinal, rapid diagnostics, respiratory, and vitamins, minerals, and supplements. The Fabric and Home care segment consists of fabric enhancers, laundry additives and detergents, and air, dish, and surface care. The Baby, Feminine and Family Care segment sells baby wipes, diapers, and pants, adult incontinence, feminine care, paper towels, tissues, and toilet paper.

**Methodology** – The selection of featured new holdings on this page is based on the four highest new weights on the prior page. If chart data is unavailable for a holding, the next new holding will be used.

# Quantitative Methodology

- (1) Starting Universe: U.S. Companies greater than \$1 billion in market cap
- (2) Companies with the characteristics listed below are removed from the universe:
  - a. REITs            Structured as a Real Estate Investment Trust
  - b. Yield            Indicated Annual Dividend Yield Less Than 1.75%
  - c. Liquidity        Average Daily Traded Volume Less Than \$25 Million
  - d. Free Float        Less Than 40% of Market Capitalization
- (3) Remaining universe is grouped into the two categories listed below:
  - a. High Yield Dividend Growth (Top 50)
  - b. High Yield Dividend Stability (Top 50)
- (4) The methodology selects the top 50 companies for each category and equal weights each at 1.0%, with a maximum 35% sector exposure. Companies ranked in the top 50 for both High Yield Dividend Growth and High Yield Dividend Stability receive a position weight of 2.0%. Note: The number of holdings historically ranges between 60 and 80.
- (5) Holdings are reconstituted and rebalanced the first business day of every month

## Strategy Overview

A quantitative dividend strategy focused on systematically generating above average income without sacrificing the potential for upside capital appreciation. The index is rooted in statistics and uses fundamental data and consensus estimates to maximize

## Investment Approach

- Owning Quality U.S. Businesses with High Dividend Yields
- Rebalanced Monthly to Harvest

## Index Characteristics

- Average # of Holdings: 60 to 80
- Passive, Quantitative Strategy
- Monthly Index Reconstitution
- 35% Maximum Sector Exposure
- Excludes REITs

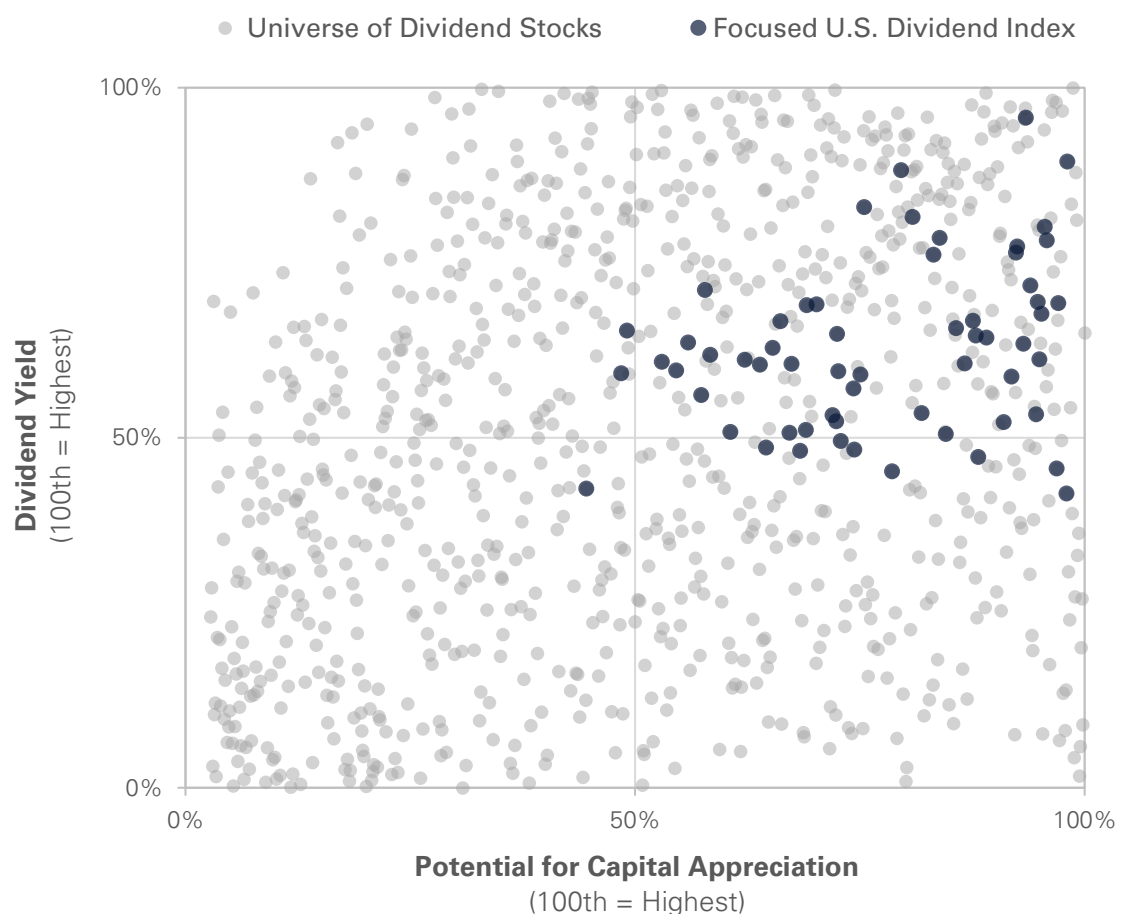
# Calculating a Dividend Stock's Potential for Capital Appreciation

## How do you quantify the potential for capital appreciation of a stock?

The strategy uses a bottom-up approach in security selection. Initial screens filter companies based on the following criteria: dividend yield, payout ratio, dividend growth, earnings growth, capital structure, and return on equity. The algorithm intakes a tremendous amount of data to project what the dividend yield should be for each stock given the current environment. The universe is then ranked by the confidence level and margin of safety between the current and projected yield.

## Where does this strategy fit in a client's portfolio?

We believe index works best as a core portfolio building block. The strategy's combined focus on high income and above-average capital appreciation positions it well across different market environments in our opinion.



For illustrative purposes only.