

# Focused U.S. Dividend Index



## February 2024 Update

### Performance Recap

The Focused U.S. Dividend Index was down -1.2% in January, trailing the Large Cap Value Index by -123bps. The dividend yield is currently 3.2% vs the Broad High Dividend Index's yield of 3.1% and the Large Cap Value Index's yield of 2.0%.

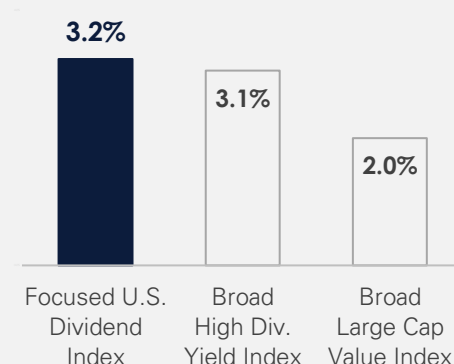
### Monthly Commentary

- The Focused U.S. Dividend Index outperformed 11 out of 23 trading days in January.
- 25 of the 63 holdings outperformed the benchmark in January.
- Verizon, Nexstar Media Group, and Sysco were the best performers during the month rising 14.1%, 13.4%, and 11.3%, respectively.
- California Resources, Leggett & Platt, and FMC were the worst performers in January returning -12.8%, -11.3%, and -10.9%, respectively.
- Communication Services was the best performing sector in January. Stock selection in Technology weighed down this month's relative performance.
- The quantitative dividend model selected 5 new holdings at the start of February.

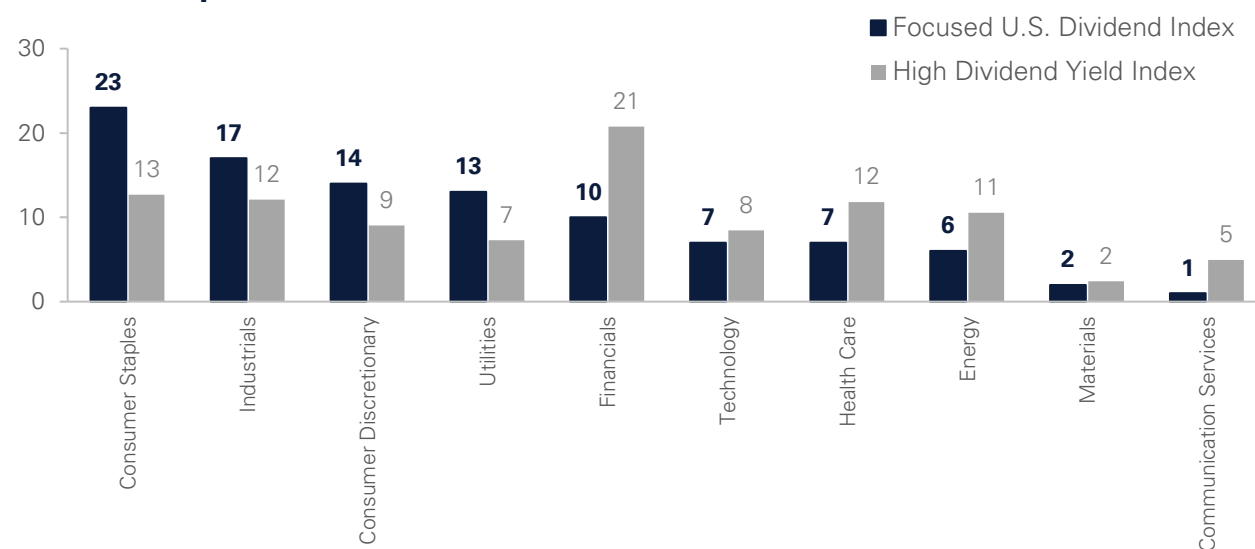
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### Indicated Annual Dividend Yields



### Sector Composition vs Dividend Universe (%)



**Important Disclosures:** 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
Bristol Myers Squibb (BMY)	Health Care	4.9%	2.0%	Chord Energy (CHRD)	Energy	3.3%	1.0%
Microchip Technology (MCHP)	Tech	2.1%	2.0%	LKQ Corp. (LKQ)	Cons Disc	2.6%	1.0%
Automatic Data (ADP)	Industrials	2.3%	2.0%	Civitas Resources (CIVI)	Energy	3.1%	1.0%
Hershey Foods (HSY)	Cons Stpls	2.5%	2.0%	Western Union (WU)	Financials	7.5%	1.0%
Best Buy (BBY)	Cons Disc	5.1%	2.0%	Conagra Brands (CAG)	Cons Stpls	4.8%	1.0%
Texas Instrument (TXN)	Tech	3.2%	2.0%	★🛡️ Ovintiv Inc (OVV)	Energy	2.8%	1.0%
Kimberly Clark (KMB)	Cons Stpls	4.0%	2.0%	MGIC (MTG)	Financials	2.3%	1.0%
Tractor Supply (TSCO)	Cons Disc	1.8%	2.0%	Fedex (FDX)	Industrials	2.1%	1.0%
United Parcel Service (UPS)	Industrials	4.6%	2.0%	★🛡️ Winnebago (WGO)	Cons Disc	1.9%	1.0%
T Rowe Price (TROW)	Financials	4.5%	2.0%	★🛡️ Air Products/Chemicals (APD)	Materials	2.8%	1.0%
Skyworks Solutions (SWKS)	Tech	2.6%	2.0%	Public Service Enterprise (PEG)	Utilities	3.9%	1.0%
Lockheed Martin (LMT)	Industrials	2.9%	2.0%	Pfizer (PFE)	Health Care	6.2%	1.0%
Dollar General (DG)	Cons Stpls	1.8%	2.0%	Flowers Foods (FLO)	Cons Stpls	4.0%	1.0%
McCormick & Co. (MKC)	Cons Stpls	2.5%	2.0%	Kellanova (K)	Cons Stpls	4.1%	1.0%
Nexstar Media Group (NXST)	Cons Disc	3.8%	2.0%	Polaris (PII)	Cons Disc	2.9%	1.0%
Abbott Laboratories (ABT)	Health Care	1.9%	2.0%	Cisco Systems (CSCO)	Tech	3.1%	1.0%
American Financial (AFG)	Financials	2.4%	2.0%	🛡️ American Water Works (AWK)	Utilities	2.3%	1.0%
Hormel Foods (HRL)	Cons Stpls	3.7%	2.0%	Sysco (SYY)	Cons Disc	2.5%	1.0%
Target (TGT)	Cons Stpls	3.2%	2.0%	FMC (FMC)	Materials	4.1%	1.0%
Johnson & Johnson (JNJ)	Health Care	3.0%	2.0%	Snap On (SNA)	Industrials	2.6%	1.0%
Nextera Energy (NEE)	Utilities	3.2%	2.0%	Cincinnati Financial (CINF)	Financials	2.9%	1.0%
CH Robinson (CHRW)	Industrials	2.9%	2.0%	Energy (ETR)	Utilities	4.5%	1.0%
Robert Half (RHI)	Industrials	2.4%	2.0%	Cummins (CMI)	Industrials	2.8%	1.0%
Paychex (PAYX)	Industrials	2.9%	2.0%	Comcast (CMCSA)	Comm Svcs	2.7%	1.0%
ONE Gas (OGS)	Utilities	4.3%	2.0%	Mondelez Intl. (MDLZ)	Cons Stpls	2.3%	1.0%
Dicks Sporting (DKS)	Cons Disc	2.7%	2.0%				
Atmos Energy (ATO)	Utilities	2.8%	2.0%				
Pepsico (PEP)	Cons Stpls	3.0%	2.0%				
Clorox (CLX)	Cons Stpls	3.3%	2.0%				
Leggett & Platt (LEG)	Cons Stpls	7.9%	2.0%				
Ameren (AEE)	Utilities	3.6%	2.0%				
Wec Energy Group (WEC)	Utilities	4.1%	2.0%				
Stifel Financial (SF)	Financials	2.0%	2.0%				
Home Depot (HD)	Cons Disc	2.4%	2.0%				
★🛡️ Forward Air (FWRD)	Industrials	2.2%	2.0%				
Northern Oil and Gas (NOG)	Energy	4.8%	1.0%				
Voya Financial (VOYA)	Financials	2.2%	1.0%				
California Resources (CRC)	Energy	2.6%	1.0%				
Chesapeake Energy (CHK)	Energy	2.9%	1.0%				
eBay (EBAY)	Cons Stpls	2.4%	1.0%				

## Removed Holdings

■ SEE, VZ, DFS

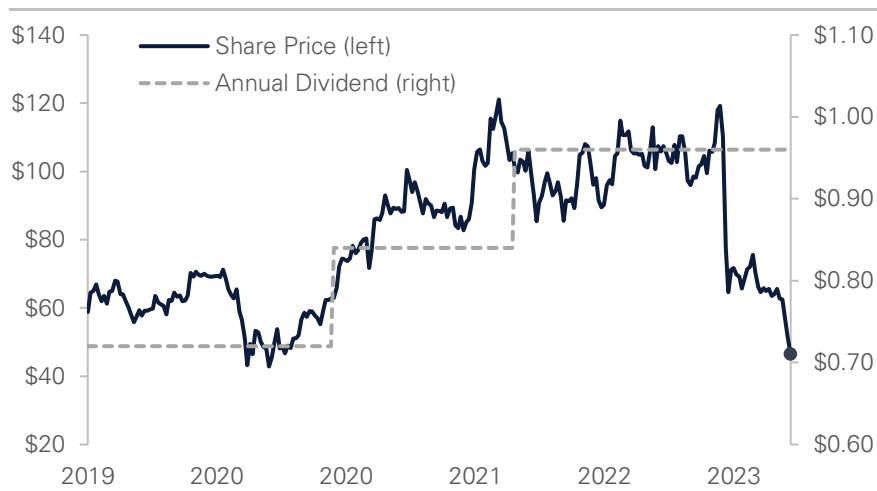
### Index Actions

- 🛡️ Added
- Removed
- ★ Featured

### Additional Notes

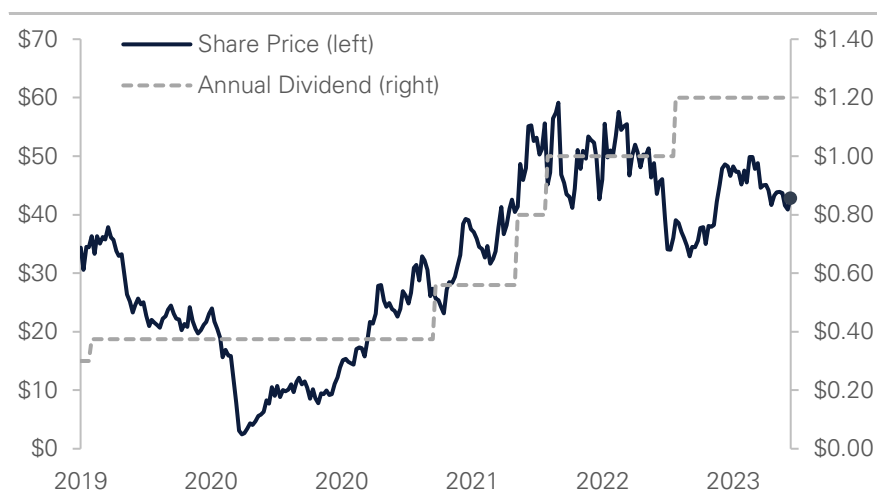
Data as of the most recent month end. **Dividend Yield:** Latest available indicated **annual dividend rate**. **Position Weights:** The methodology selects the top 50 companies for each category and equal weights the stocks at 1.0%, with a maximum 35% sector exposure. Companies ranked in the top 50 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>Forward Air</b>	Yield	Mkt Cap	NTM P/E
Ticker: FWRD	2.17%	\$1.2 B	11.3x

Forward Air provides less-than-truckload (LTL), truckload, intermodal and pool distribution services. The Expedited LTL segment provides expedited regional, inter-regional and national LTL, final mile and truckload services. The Intermodal segment provides first and last-mile high value intermodal container drayage services to and from seaports and railheads.



<b>Ovintiv Inc</b>	Yield	Mkt Cap	NTM P/E
Ticker: OVV	2.83%	\$11.8 B	6.4x

Ovintiv engages in the production and development of oil, natural gas liquids and natural gas producing plays. The Canadian Operations segment includes the exploration for, development of, and production of oil, NGLs, natural gas and other related activities within Canada. The USA Operations segment includes the exploration for, development of, and production of oil, NGLs, natural gas and other related activities within the United States. The Market Optimization segment's activities are managed by the Midstream, Marketing & Fundamentals team, which is responsible for the sale of the company's proprietary production to third party customers.



<b>Winnebago</b>	Yield	Mkt Cap	NTM P/E
Ticker: WGO	1.89%	\$1.9 B	9.9x

Winnebago Industries manufactures recreational vehicles and marine products. The Towable RV segment includes non-motorized vehicles that are designed to be towed by automobiles, pickup trucks, SUVs, and vans and are used as temporary living quarters for recreational travel. The Motorhome RV segment focuses on a self-propelled mobile dwelling used primarily as temporary living quarters during vacation and camping trips, or to support active and mobile lifestyles. The Marine segment is involved in the manufacturing and selling of recreational boats under the Chris-Craft and Barletta.



<b>Air Products/Chemicals</b>	Yield	Mkt Cap	NTM P/E
Ticker: APD	2.77%	\$57.7 B	19.4x

Air Products & Chemicals engages in the manufacture and distribution of atmospheric gases. The Americas, Asia, Europe, and Middle East and India segments focuses on producing and selling gases to customers, including those in refining, chemicals, metals, electronics, manufacturing, medical, and food industries. The Corporate and Other segment is involved in sales of cryogenic and gas processing equipment for air separation that is sold worldwide to customers in a variety of industries, including chemical and petrochemical manufacturing, oil and gas recovery and processing, and steel and primary metals processing.

**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 objectivity in security selection.

## Investment Approach

- Owning Quality U.S. Businesses with High Dividend Yields
- Rebalanced Monthly to Harvest Market Inefficiencies & Opportunities

## Index Characteristics

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

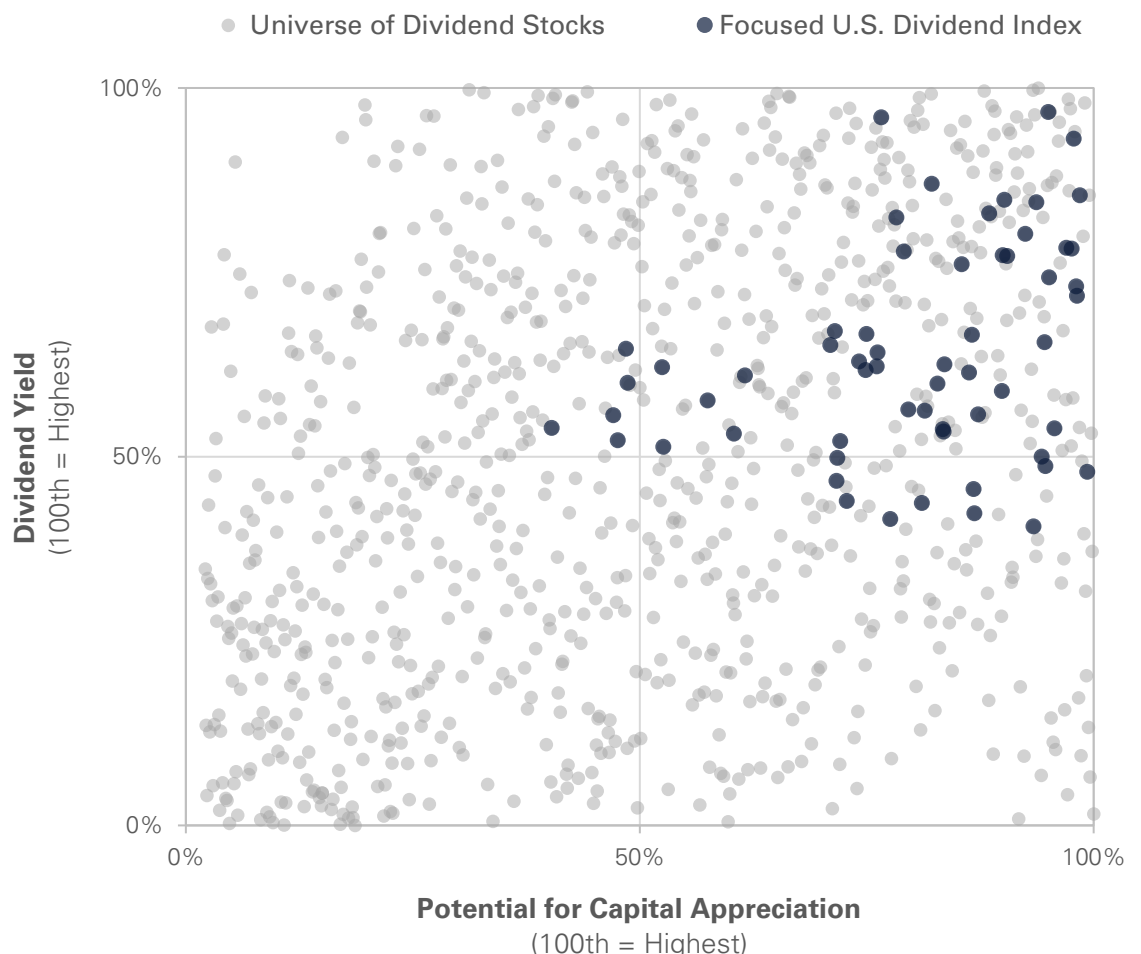
# Calculating a Dividend Stock's Potential for Capital Appreciation

## 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.