

# U.S. Small Cap Dividend SMA

## Investment Strategy

Seeks to invest in small-cap, income-producing companies temporarily selling at a discount.

## Key Differentiators

- Focus on higher-quality yield
- Dividend growth potential
- Pure small-cap exposure

## Portfolio Management Team

Name	Start Date	
	Industry	Company
Jeff John, CFA	1991	2008
Ryan Cope, CFA	2009	2009

On 9/30/2022, the name was changed from U.S. Small Cap Income SMA to U.S. Small Cap Dividend SMA.

## Performance (%)

	Qtr	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception	Inception Date
U.S. Small Cap Dividend Equity SMA (Gross)	-3.58	10.13	2.30	8.67	-	8.01	10/1/17
U.S. Small Cap Dividend Equity SMA (Net)	-4.29	6.92	-0.68	5.49	-	4.84	-
Russell 2000 Value Index	-3.64	10.90	-0.53	7.07	-	5.33	-

## Calendar Year Returns (%)

	2018	2019	2020	2021	2022	2023	YTD
U.S. Small Cap Dividend Equity SMA (Gross)	-10.69	36.26	1.10	31.30	-9.84	12.20	0.95
U.S. Small Cap Dividend Equity SMA (Net)	-13.36	32.29	-1.90	27.48	-12.46	8.93	-0.53

**Data presented reflects past performance. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and share value will fluctuate, and redemption value may be more or less than original cost. Data assumes reinvestment of dividends and capital gains. Returns for periods less than one year are not annualized.**

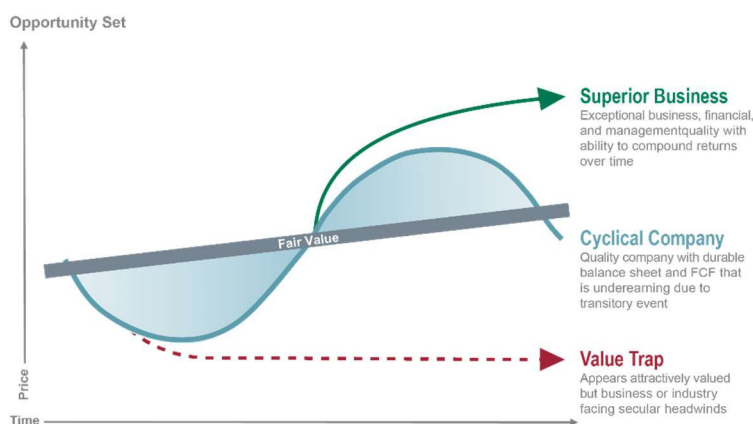
*DUE TO MARKET VOLATILITY, CURRENT PERFORMANCE MAY BE DIFFERENT THAN THE FIGURES SHOWN.*

U.S. Small Cap Dividend SMA net of fee shown is equal to the highest anticipated wrap fee charged by a program sponsor (3.00% annually which is inclusive of up to a maximum investment advisory fee of 0.95%). This total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.

Prior to 10/1/2019, the composite's gross performance is that of the Firm's U.S. Small Cap Income Equity composite. Net performance prior to 10/1/2019 was derived by taking the gross return for each account within the U.S. Small Cap Income Equity composite and applying the 3% wrap fee.

## Investment Philosophy

- We believe investing in high-quality businesses selling at a discount to fair value will generate superior risk-adjusted returns over time.
- We seek to invest in sustainable, income-producing securities with an emphasis on those businesses that have the ability to increase dividends over time.



Note: The above is a sample illustration showing companies' potential price relative to fair value over time.

## Investment Process

### STEP 1

#### Investment Universe

Market Cap: \$500 million to \$10 billion, Liquidity: ADV > \$1 million  
Security Type: Common or Non-Common, Income Component

#### Idea Generation

- Watch list of stocks established
- Due diligence performed on potential investments
- Companies screened using quantitative quality and valuation tools

### STEP 2

#### Fundamental Research

- Full analysis performed on fundamentals, management, business quality and competitive position
- Dividend stress tested
- Total quality score assigned based on proprietary checklist
- Buy or pass decision reviewed by team

### STEP 3

#### Portfolio Construction

- Bottom-up research drives security selection
- Position sizing determined based on dynamic criteria
- Team follows a disciplined sell process

## Portfolio Characteristics

	Portfolio	Index
Wtd Avg Market Cap	\$4.2B	\$2.9B
Price/Earnings Ratio	11.62x	12.64x
Price/Book Ratio	1.66x	1.29x
Price to Cash Flow	6.56x	6.58x
Number of Holdings	77	1,402
Dividend Yield	3.07%	2.19%

## Top 10 Holdings (%)

Hess Midstream LP	3.05
Axis Capital Holdings Ltd	2.85
Chord Energy Corp	2.78
Graphic Packaging Holding Co	2.49
ChampionX Corp	2.48
Popular Inc	2.40
FNB Corp/PA	2.22
Brink's Co/The	2.17
Home BancShares Inc/AR	2.08
EVERTEC Inc	2.08
<b>Total Percent in Top 10 Holdings</b>	<b>24.60</b>

The holdings listed should not be considered recommendations to purchase or sell a particular security. Equity holdings are grouped to include common shares, depository receipts, rights and warrants issued by the same company. Portfolio holdings subject to change.

## Sector Weights (%)

Portfolio Weight vs. Index	Sector	Portfolio	Index
7.43	Financials	33.66	26.23
3.74	Industrials	18.14	14.40
1.59	Energy	11.98	10.39
1.05	Consumer Staples	3.29	2.24
0.74	Communication Services	3.12	2.38
0.16	Materials	5.19	5.03
-1.18	Information Technology	5.22	6.40
-1.25	Utilities	2.62	3.87
-3.07	Consumer Discretionary	7.46	10.53
-3.52	Real Estate	6.34	9.86
-5.68	Health Care	2.98	8.66

## A Note About Risk

The value and/or returns of a portfolio will fluctuate with market and economic conditions. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. A portfolio may outperform or underperform other portfolios that employ a different investment style, and the stocks selected by the portfolio manager may not increase in value as predicted. Because this portfolio may, at times, concentrate its investments in a specific area, during such times it may be subject to greater risks and market fluctuations than when the portfolio represents a broader range of securities. Historically, small- and/or mid-cap stocks have been more volatile than the stocks of larger, more established companies. Smaller companies may have limited resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than those of larger companies. There is no guarantee that the investment objectives will be met. Dividends and yields represent past performance and there is no guarantee that they will continue to be paid. The information is not intended as a personalized recommendation or fiduciary advice and should not be relied upon for investment, accounting, legal or tax advice.

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This strategy may not be suitable for all investors.

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Portfolio holdings and allocations are as of the date indicated, and subject to change without notice. Data provided by American Century Investments and FactSet, unless otherwise noted. Material presented has been derived from industry sources considered to be reliable, but their accuracy and completeness cannot be guaranteed.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Value Index measures the performance of those Russell 2000® companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values. Created by Frank Russell Company, it is not an investment product available for purchase.

**Key Terms: Weighted Average Market Capitalization:** The average of the weighted capitalizations of a portfolio's holdings. **Price/Earnings Ratio (P/E):** The price of stock divided by its annual earnings per share. **Price/Book Ratio (P/B):** The ratio of a stock's price to its book value per share. **Price/Cash Flow Ratio:** The ratio of a stock's price to its cash flow per share. **Dividend Yield:** The return earned by a stock investor, calculated by dividing the amount of annual dividends per share by the current share price of the stock.