

# Focused U.S. Dividend Index



## June 2024 Update

### Performance Recap

The Focused U.S. Dividend Index was up +2.0% in May, trailing the Large Cap Value Index by -130bps. The dividend yield is currently 2.9% vs the Broad High Dividend Index's yield of 2.9% and the Large Cap Value Index's yield of 1.9%.

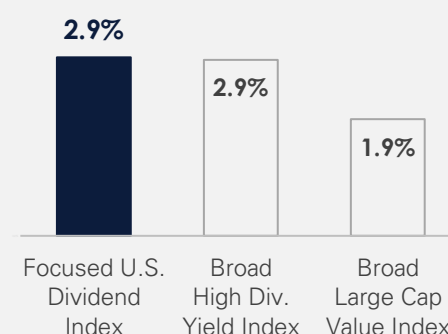
### Monthly Commentary

- The Focused U.S. Dividend Index outperformed 10 out of 23 trading days in May.
- 20 of the 62 holdings outperformed the benchmark in May.
- CH Robinson, Nextera Energy, and Best Buy were the best performers during the month rising 21.6%, 19.5%, and 15.2%, respectively. Hormel Foods, Skyworks Solutions, and Clorox were the worst performers in May returning -12.9%, -12.4%, and -11.0%, respectively.
- Industrials was the best performing sector in May with 3 of the 5 holdings leading the sector. Stock selection in Utilities weighed down this month's relative performance.
- The quantitative dividend model selected 9 new holdings at the start of June.

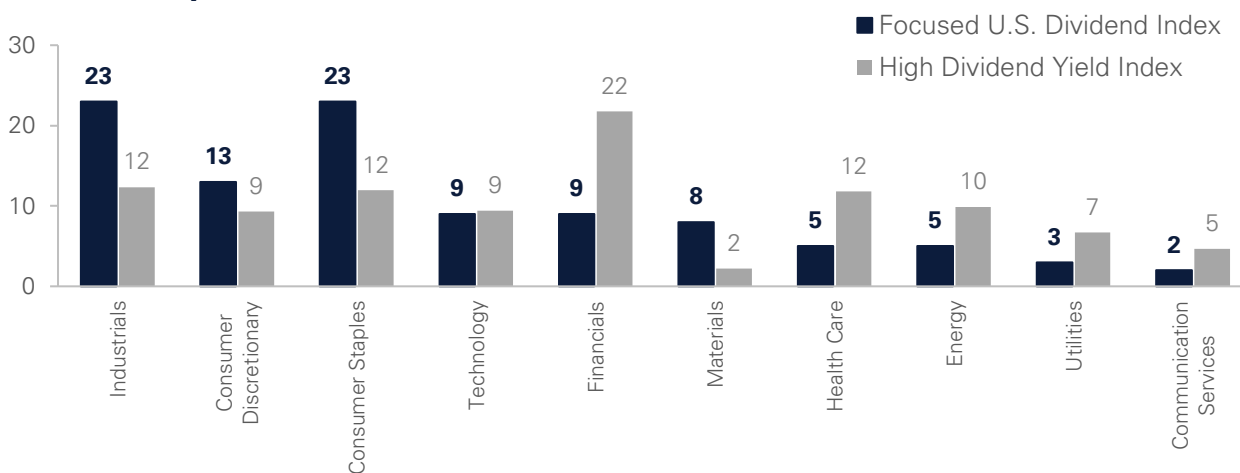
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### Indicated Annual Dividend Yields



### 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
Robert Half (RHI)	Industrials	3.3%	2.0%
Hershey Foods (HSY)	Cons Stpls	2.8%	2.0%
United Parcel Service (UPS)	Industrials	4.7%	2.0%
Johnson & Johnson (JNJ)	Health Care	3.4%	2.0%
Genpact Limited (G)	Tech	1.8%	2.0%
Voya Financial (VOYA)	Financials	2.1%	2.0%
Insperty (NSP)	Industrials	2.5%	2.0%
Skyworks Solutions (SWKS)	Tech	2.9%	2.0%
Best Buy (BBY)	Cons Disc	4.4%	2.0%
Home Depot (HD)	Cons Disc	2.7%	2.0%
Abbott Laboratories (ABT)	Health Care	2.2%	2.0%
Paychex (PAYX)	Industrials	3.3%	2.0%
Automatic Data (ADP)	Industrials	2.3%	2.0%
Mosaic (MOS)	Materials	2.7%	2.0%
Microchip Technology (MCHP)	Tech	1.9%	2.0%
Mondelez Intl. (MDLZ)	Cons Stpls	2.5%	2.0%
Brown-Forman (BF.B)	Cons Stpls	1.9%	2.0%
Target (TGT)	Cons Stpls	2.8%	2.0%
T Rowe Price (TROW)	Financials	4.2%	2.0%
Comcast (CMCSA)	Comm Svcs	3.1%	2.0%
Nexstar Media Group (NXST)	Cons Disc	4.1%	2.0%
McCormick & Co. (MKC)	Cons Stpls	2.3%	2.0%
Snap On (SNA)	Industrials	2.7%	2.0%
American Financial (AFG)	Financials	2.2%	2.0%
Kimberly Clark (KMB)	Cons Stpls	3.7%	2.0%
★🛡️ Brunswick (BC)	Cons Disc	2.0%	2.0%
Air Products/Chemicals (APD)	Materials	2.7%	2.0%
Cincinnati Financial (CINF)	Financials	2.8%	2.0%
Hormel Foods (HRL)	Cons Stpls	3.6%	2.0%
Wec Energy Group (WEC)	Utilities	4.1%	2.0%
Archer Daniels Midland (ADM)	Cons Stpls	3.2%	2.0%
Cisco Systems (CSCO)	Tech	3.4%	2.0%
FMC (FMC)	Materials	3.8%	2.0%
Pepsico (PEP)	Cons Stpls	3.1%	2.0%
★🛡️ Toro (TTC)	Industrials	1.8%	2.0%
Clorox (CLX)	Cons Stpls	3.6%	2.0%
★🛡️ Fastenal (FAST)	Industrials	2.4%	2.0%
Lockheed Martin (LMT)	Industrials	2.7%	2.0%
Northern Oil and Gas (NOG)	Energy	3.9%	1.0%
California Resources (CRC)	Energy	2.6%	1.0%

Company & Ticker	Sector	Dividend Yield	Index Weight
TEGNA (TGNA)	Cons Disc	3.4%	1.0%
LKQ Corp. (LKQ)	Cons Disc	2.8%	1.0%
Chord Energy (CHRD)	Energy	2.7%	1.0%
eBay (EBAY)	Cons Stpls	2.0%	1.0%
Civitas Resources (CIVI)	Energy	2.7%	1.0%
Essent Group Ltd. (ESNT)	Financials	2.0%	1.0%
Whirlpool (WHR)	Cons Disc	7.5%	1.0%
Chesapeake Energy (CHK)	Energy	2.5%	1.0%
★🛡️ Korn Ferry (KFY)	Industrials	2.0%	1.0%
🛡️ Fedex (FDX)	Industrials	2.0%	1.0%
Polaris (PII)	Cons Disc	3.2%	1.0%
Procter & Gamble (PG)	Cons Stpls	2.4%	1.0%
🛡️ Ppg Industries (PPG)	Materials	2.0%	1.0%
Xcel Energy (XEL)	Utilities	3.9%	1.0%
CH Robinson (CHRW)	Industrials	2.8%	1.0%
Honeywell (HON)	Industrials	2.1%	1.0%
Sonoco Products (SON)	Materials	3.4%	1.0%
Texas Instrument (TXN)	Tech	2.7%	1.0%
Quest Diagnostics (DGX)	Health Care	2.1%	1.0%
🛡️ Illinois Tool (ITW)	Industrials	2.3%	1.0%
🛡️ Flowers Foods (FLO)	Cons Stpls	4.1%	1.0%
🛡️ Sysco (SYU)	Cons Disc	2.8%	1.0%

## Removed Holdings

■ NEE, AEE, AWK, ATO, SF, TEL, OGS, KO, BMY

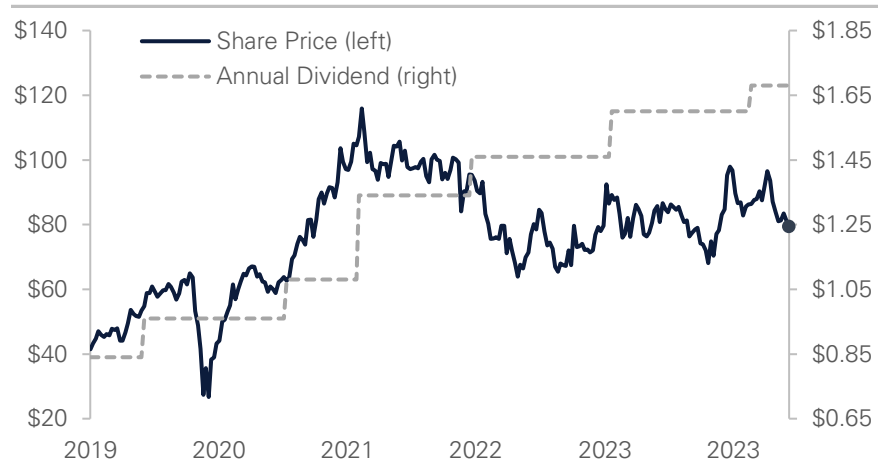
### Index Actions

- 🛡️ Added
- Removed
- ★ Featured

### Additional Notes

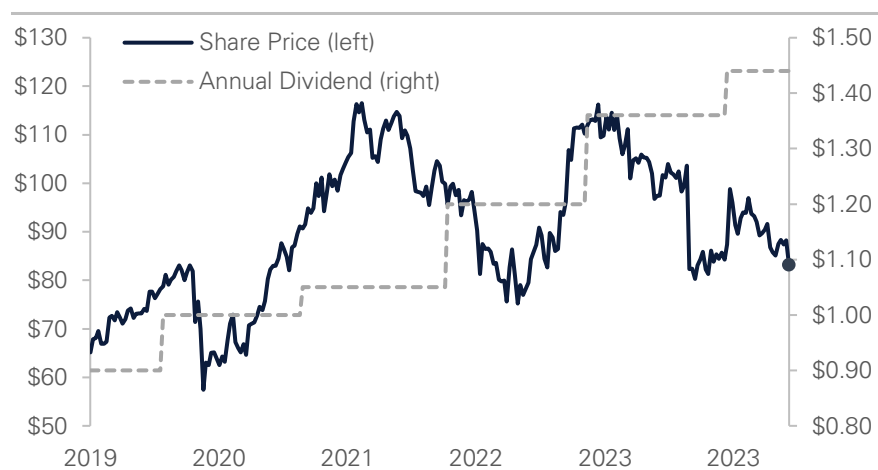
Data as of the most recent month end. **Dividend Yield:** Latest available indicated annual dividend rate. **Position Weights:** The methodology selects the top 50 companies for each category and equal weights the stocks at 1.0%, with a maximum 35% sector exposure. Companies ranked in the top 50 for 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



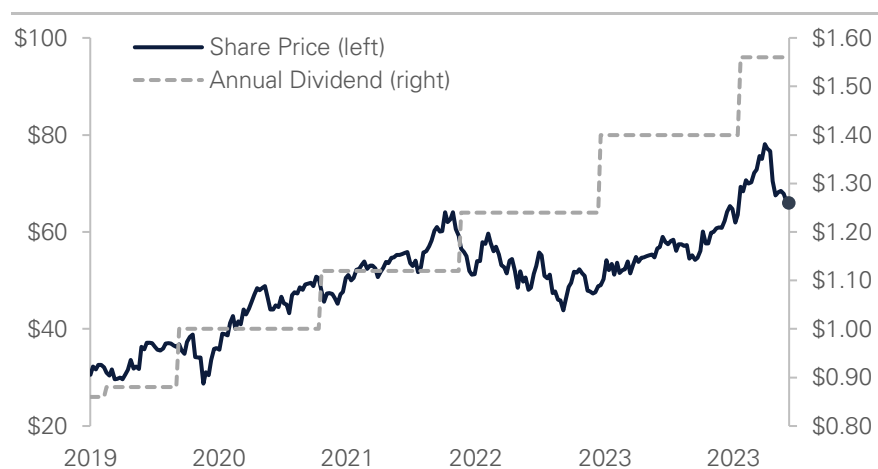
<b>Brunswick</b>	Yield	Mkt Cap	NTM P/E
Ticker: BC	2.04%	\$5.6 B	10.3x

Brunswick Corp. engages in the design, manufacture, and marketing of recreational marine products, including marine engines, boats, and parts and accessories for those products. It operates through the following segments: Propulsion, Engine P&A, Boat, and Novico Group. The Propulsion segment manufactures a full range of outboard, sterndrive, and inboard engines, as well as propulsion-related controls, propellers, and rigging parts and accessories.



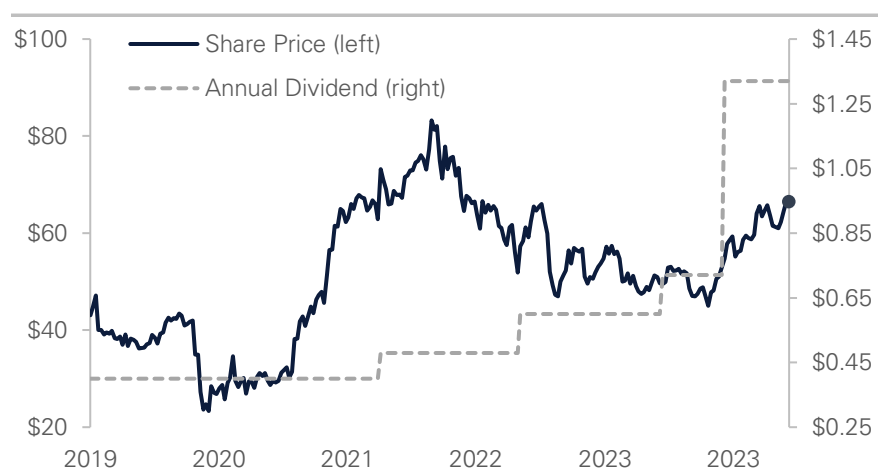
<b>Toro</b>	Yield	Mkt Cap	NTM P/E
Ticker: TTC	1.80%	\$8.4 B	17.4x

Toro provides innovative solutions for the outdoor environment including turf and landscape maintenance, snow and ice management, underground utility construction, rental and specialty construction, and irrigation and outdoor lighting solutions. The Professional segment includes designing professional turf maintenance, landscape and lighting, rental, specialty, and underground construction. The Residential segment is involved in marketing and selling products to homeowners through a variety of distribution channels including outdoor power equipment distributors and dealers, mass retailers, hardware retailers, home centers, and online.



<b>Fastenal</b>	Yield	Mkt Cap	NTM P/E
Ticker: FAST	2.36%	\$37.8 B	29.8x

Fastenal engages in the wholesale distribution of industrial and construction supplies in the United States, Canada, Mexico, North America, and internationally. It offers fasteners, and related industrial and construction supplies under the Fastenal name. The company's fastener products include threaded fasteners, bolts, nuts, screws, studs, and related washers that are used in manufactured products and construction projects, as well as in the maintenance and repair of machines. It also offers miscellaneous supplies and hardware, including pins, machinery keys, concrete anchors, metal framing systems, wire ropes, strut products, rivets, and related accessories.



<b>Korn Ferry</b>	Yield	Mkt Cap	NTM P/E
Ticker: KFY	2.00%	\$3.4 B	13.9x

Korn Ferry is a global organizational consulting firm, which engages in synchronizing its clients' strategy, operations, and talent to drive superior business performance. It operates through the following segments: Consulting, Digital, Executive Search North America, Executive Search EMEA, Executive Search Asia Pacific, Executive Search Latin America, and RPO and Professional Search.

**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

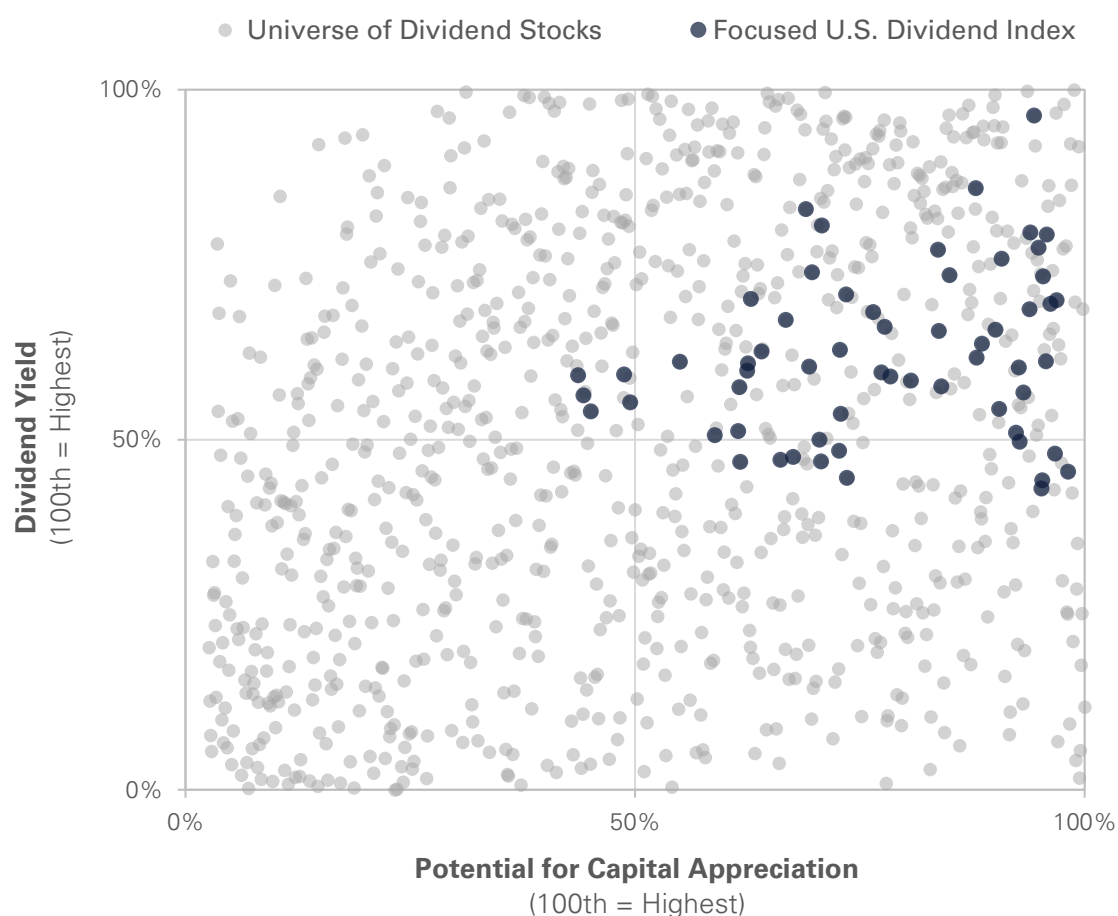
# Calculating a Dividend Stock's Potential for Capital Appreciation

## 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.