

# Meritage

## Yield-Focus Equity

### A Dividend Value Strategy

The Meritage Yield-Focus Equity strategy was established in 2003, driven by the belief that dividend income will continue to comprise a significant component of the market’s total return over time.

This yield-oriented strategy has a clear objective to get at least 50% of the market’s long-term return opportunity from the distribution of cash returned to the shareholder, primarily in the form of dividends. Security selection focuses on stocks that have both above average dividend yields and attractive valuation based on a multi-factor, cash-flow driven valuation model.

This approach stands in direct contrast to conventional dividend growth strategies that pay little regard to a stock’s valuation. As a result, the high tracking error attribute of the Yield-Focus strategy provides excellent diversification properties when combined with traditional Value and Growth strategies.

#### Core Beliefs

- Stock prices are more volatile than changes in a business’s true valuation, primarily due to the irrational behavior of investors.
- Principals of valuation are essential, regardless of investment style and especially in times when momentum and growth factors have outperformed.
- A systematic methodology of investing works best in today’s broad and complex market.
- You can’t do the same thing everyone else does and expect a better outcome.

#### Key Facts

Inception	September 2003
Benchmark	Zacks Multi-Asset Income Index
Firm AUM	\$2.4 billion as of 6/30/2024
Total Strategy Assets	\$230.7 million
Firm Associates	18

# Meritage Yield-Focus Equity Investment Process

**All-cap, global universe pre-screened for financial quality and liquidity.**

**A sell discipline** is primarily driven by the deterioration in a stock's multi-factor rank.

**5-Yr. historical turnover** approximately 70%



**Dividend yield >3% and best values based on multi-factor ranking process that combines two independent perspectives:**

1) Factor correlation that spreads across valuation, earnings quality, capital efficiency, and market reaction and 2) Intrinsic value.

**Top ranked candidates** form primary buy list

**Qualitative assessment follows,** focused on risk control with regard to portfolio diversification and sustainability of dividends.

**Portfolio construction**  
40 – 75 securities

## Asset Class Ranges (%)

	Portfolio Investment Range (% of Total Assets)		Portfolio Investment Range (% of Total Assets)
Common Stock	50 - 100	Non-Convertible Preferred Stock	0 - 15
Master Limited Partnerships (MLPs)	0 - 25	Business Development Companies (BDCs)	0 - 10
Real Estate Investment Trusts (REITs)	0 - 25	Limited Partnerships (other than MLPs)	0 - 10
Convertible Preferred Stock	0 - 15		

# Quantitative Analysis

- Multifactor Screen and Rank
- Objective Discipline Generates Buy Ideas (Deciles 1-2)
- Binds Investment Team to a Common Mindset

Our quantitative evaluation process integrates data from several outsourced research firms, enabling us to focus our time more productively on the model's output.

This combination of resources enhances our ability to interpret underlying trends and make dynamic adjustments as the investment cycle evolves. This work compliments our 30 years' experience of implementing a process-driven approach in identifying attractive investments.

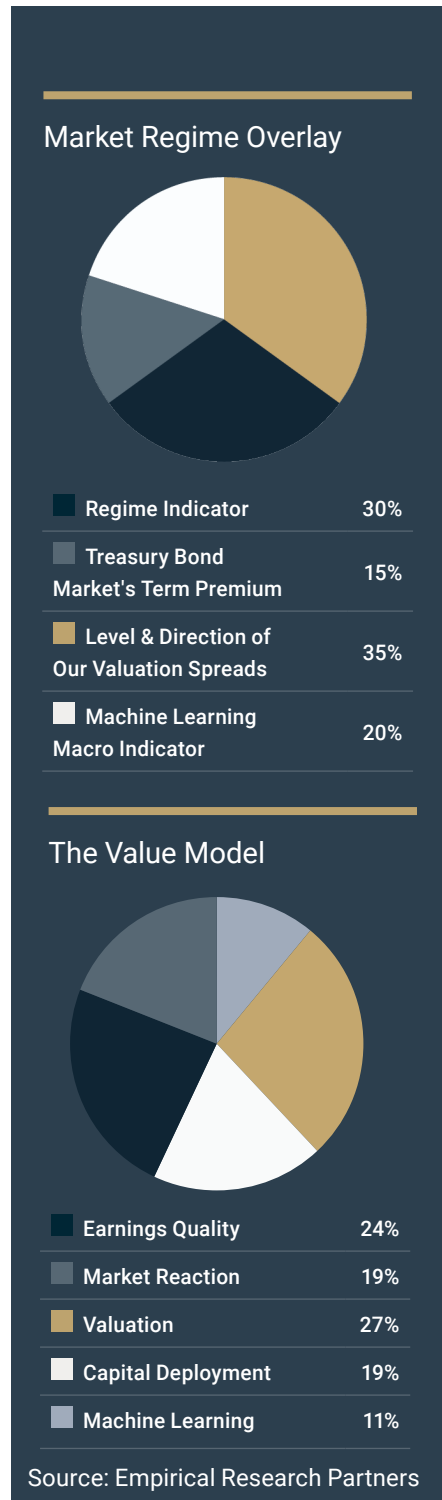
## **Our Value model evaluates companies from several key perspectives:**

An overlay of macro-economic and investment style analysis enables factor weighting to be dynamic. This draws on signals from the fixed income, commodity, currency, and equity markets.

The model emphasizes cash flow-based valuation and profitability, intangible asset evaluation, R&D investment, earnings quality and capital spending analysis, market price trends, and investor sentiment.

Newer research using Artificial Intelligence and Big Data impacts model factor weights and introduces new factors like media sentiment and news intensity.

Forward looking judgments come into play when the research team identifies key changes in factor effectiveness.



# Meritage Yield-Focus Equity Performance

## Annualized Returns (%)

Periods Ending 6/30/2024

	QTR <sup>+</sup>	1 Year	3 Years	5 Years	10 Years
<b>Meritage Yield-Focus Equity Gross</b>	-1.0	9.0	7.0	8.2	6.0
<b>Meritage Yield-Focus Equity Net of Institutional Fee<sup>1</sup></b>	-1.2	8.3	6.3	7.6	5.4
<b>Meritage Yield-Focus Equity Net<sup>2</sup></b>	-1.2	8.0	6.1	7.3	5.1
Zacks Multi-Asset Income Index	-1.2	23.1	5.8	7.2	4.6

<sup>+</sup>Unannualized results.

## Calendar Year Returns (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Meritage Yield-Focus Equity Gross</b>	10.3	-0.7	28.4	-6.5	21.0	-5.3	13.7	14.5	-8.7	8.9
<b>Meritage Yield-Focus Equity Net of Institutional Fee<sup>1</sup></b>	9.7	-1.4	27.8	-7.2	20.4	-5.9	13.0	13.8	-9.3	8.2
<b>Meritage Yield-Focus Equity Net<sup>2</sup></b>	9.4	-1.6	27.4	-7.3	20.0	-6.1	12.8	13.6	-9.5	8.0
Zacks Multi-Asset Income Index	17.9	-8.4	24.6	-10.0	26.8	-9.9	16.4	17.1	-14.0	-3.5

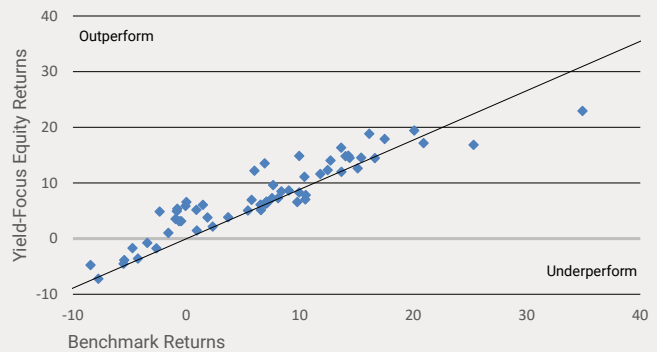
<sup>1</sup>The standard Meritage institutional fee of 0.65%/year is modeled into results. Fee breaks at higher asset levels are not reflected.

<sup>2</sup>The standard Meritage private client fee of 0.875%/year is modeled into results. Fee breaks at higher asset levels are not reflected.

### Consistency of Returns

**Rolling 3-Year (Net of Fees) Periods vs. Zacks Multi-Asset Income Index exceeds benchmark 60% of periods**  
For Periods 9/30/2003 to 6/30/2024

Performance figures are net of fee.



◆ Meritage — Zacks Multi-Asset Income Index

Please see GIPS Report for the Meritage Yield-Focus Equity Strategy on pages 7-8.

# Meritage Yield-Focus Equity Portfolio

Period Ending 6/30/2024

## Yield-Focus Security Types (%)

Security Type	Weight	Dividend Yield
Business Dev Co's	0.0	0.0
MLPs/Royalty Trusts	2.2	6.7
Convertible Preferred Stocks	0.0	0.0
Non-Energy Limited Partnerships	0.0	0.0
Market ETFs	0.0	0.0
REITs	6.1	6.0
Common Stock	89.1	4.3
Cash	2.6	5.2
Total/Weighted Avg	100.0	4.3

## Sector Diversification (%)

	Strategy	Index*
Energy	10.7	25.4
Materials	4.5	5.4
Industrials	7.5	3.0
Consumer Discret	4.3	4.6
Consumer Staples	6.6	3.6
Health Care	5.5	3.5
Financials	25.7	31.3
Info Technology	11.6	1.1
Communication Svcs	3.6	0.8
Utilities	13.7	1.0
Real Estate	6.3	9.4
Market ETFs	0.0	0.0
Closed-End Funds	0.0	10.9

## Top Ten Holdings (%)\*

AXIS Capital Holdings Ltd	2.5
Eni S p A ADR	2.3
Citigroup Inc	2.3
Artisan Partners Asset Mgmt Inc	2.3
Plains GP Holdings LP	2.2
W P Carey & Co LLC	2.2
ADT Corp	2.1
American Electric Power	2.1
BAE Systems Plc	2.1
Woori Financial Group	2.0

## Portfolio Characteristics

	Strategy	Index*
Risk (5-Yr Beta)	0.73	1.00
Price/Oper Earnings	13.1	9.1
Price/Cash Flow	9.2	8.9
CFROI	13.1	9.5
Non-U.S. Holdings (%)	29.8	15.0
Dividend Yield (%)	4.3	5.4
Meritage YF Decile Rank	3	4
*Zacks Multi-Asset Income Index		

## Market Cap Distribution (%)

	Strategy	Index*
> \$50 Billion	29	22
\$10 Billion to \$50 Billion	32	27
\$2 Billion to \$10 Billion	34	35
< \$2 Billion	5	16

\*Not including periodic use of sector/market ETFs.

Portfolio Characteristics information is for a representative account.

# Meritage Yield-Focus Equity Strategy Manager



**Clinton W. Anderson, CFA**  
Senior Portfolio Manager

Clint is the lead manager of the Meritage Yield-Focus Equity and Taxable Fixed Income strategies. Clint has over 25 years of investment experience.

He received his B.B.A. in Finance from the University of Iowa.



Meritage Portfolio Management is an institutionally based investment management firm, providing asset management and wealth management services for individuals, families, foundations, corporations and qualified retirement plans. The firm manages \$2.4 billion in assets for local, regional, and national clients from its base in Overland Park, Kansas.

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# Meritage Yield-Focus Equity



## GIPS Report

Meritage Yield-Focus Equity Returns				Annualized Ex-Post		Composite Assets			
Year Ending	Total Gross Asset-Wtd.	Total Net Asset-Wtd.	Zacks* Benchmark	Gross Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Number of Portfolios	Asset-Wtd. Internal Dispersion	End of Period (Mln)	Firm Assets (Mln)
12/31/14	8.9%	8.0%	-3.5%	8.76%	9.75%	177	0.23%	167.3	1,593.3
12/31/15	-8.7%	-9.5%	-14.0%	10.42%	11.41%	176	0.54%	130.5	1,528.3
12/31/16	14.5%	13.6%	17.1%	10.09%	11.39%	173	0.34%	158.8	1,513.8
12/31/17	13.7%	12.8%	16.4%	8.96%	10.48%	187	0.35%	171.1	1,646.6
12/31/18	-5.3%	-6.1%	-9.9%	9.54%	10.21%	182	0.38%	145.9	1,530.2
12/31/19	21.0%	20.0%	26.8%	11.47%	12.72%	199	0.45%	175.3	1,810.4
12/31/20	-6.5%	-7.3%	-10.0%	19.55%	25.92%	186	0.51%	160.0	1,942.4
12/31/21	28.4%	27.4%	24.6%	19.20%	25.62%	196	0.24%	172.8	2,315.7
12/31/22	-0.7%	-1.6%	-8.4%	21.14%	27.43%	226	0.17%	180.9	1,939.7
12/31/23	10.3%	9.4%	17.9%	15.87%	18.51%	249	0.31%	198.8	2,367.5

### Composite Description:

The Meritage Yield-Focus Equity composite is an actively managed, yield-oriented value equity strategy that uses Meritage's quantitative process to evaluate a global universe of securities in all capitalization sizes. The objective is to generate at least 50% of the expected long-run equity return from cash dividends. Key research criteria include above-average dividend yield, positive cash flow characteristics, attractive valuation, and growth of the dividend. The primary benchmark is the Zacks Multi-Asset Income Index.

The manager combines experienced-based qualitative fundamental analysis with the firm's proprietary multi-factor models. The majority of the portfolio will be allocated to U.S. common stocks, with opportunistic allocations to non-U.S. common stocks, and non-standard equity securities including REITs, MLPs, Convertible Preferred Stocks, Straight Preferred Stocks, Business Development Companies and income-oriented ETFs.

Active strategies used by the manager to add value include security selection, active allocation of security type, sector allocation and country allocation.

### Benchmark Description:

The primary benchmark is the Zacks Multi-Asset Income Index. This

index uses multi-factor selection rules to identify securities with high income and superior risk-return profiles while maintaining industry diversification. It includes dividend paying U.S. stocks and ADRs, REITs, MLPs, closed-end funds, royalty trusts and preferred stocks.

### Definition of the Firm:

Meritage Portfolio Management is an independent investment management firm that is not affiliated with any parent organization.

### Basis for Composites:

Meritage Portfolio Management's Yield-Focus Equity Composite, created on October 1, 2006, is composed of managed, fully discretionary, fee paying accounts managed in the Meritage Yield-Focus Equity strategy. The composite inception date is 09/01/2003.

### Definition of Significant Cash Flows:

Effective June 30, 2002, Meritage temporarily excludes portfolios from the composite for periods experiencing a significant cash flow defined as an aggregate of flows exceeding 10% of the portfolios beginning market value for the month of the flow.

### Fees:

Returns are presented gross and net of management fees. Gross-of-Fees performance returns are presented before management fees.

# Meritage Yield-Focus Equity

## GIPS Report

Net-of-Fees performance returns are calculated by deducting Meritage Portfolio Management's standard fee rates from the gross composite return on a monthly frequency. This produces a compounding effect on the total rate of net return. Other fees reflected in both gross and net returns include withholding taxes. Withholding taxes on foreign-based investments have been deducted from both gross and net performance, contingent on how the withholding information is received from the firm's independent third party pricing source. Once withholding tax information is received from the custodian, performance is trued up to be consistent with what the custodian withheld.

As of October 7, 2019 the composite consists of a subset of accounts subject to commission free trading brokerage arrangements.

### Meritage Portfolio Management's standard fee schedules are as follows:

For Equity Strategy Composites the standard fees are: 1.00% on the first \$2,500,000; 0.85% on the next \$2,500,000; 0.80% on the next \$5,000,000; 0.70% on the next \$15,000,000; 0.60% on the next \$25,000,000; 0.50% on the next \$50,000,000; and 0.40% on assets over \$100,000,000.

Actual investment management fees incurred by clients may vary.

### Calculation Methodology:

Returns from cash and cash equivalents held in portfolios are included in total return calculations. Total return includes realized and unrealized gains and losses, plus reinvestment of income. Gross-of-Fees returns are calculated before the deduction of investment management fees and after the deduction of direct trading expenses. Net-of-Fees returns are calculated after the deduction of Meritage Portfolio Management's standard investment management fee rates and direct trading expenses. Both gross-of-fees and net-of-fees returns are calculated after or before the deduction of withholding taxes on foreign dividends, contingent on how the withholding tax information is received from our independent third party pricing source. Accounts may be subject to customized commission schedules.

Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. Past performance is no guarantee of future results.

### Minimum Account Size:

The established minimum portfolio market value is \$200,000, effective as of 02/28/2009. A portfolio is included in the composite the month after it reaches the minimum size inclusion level. A portfolio is excluded from composite if the portfolio market value drops below \$200,000. Prior to 06/30/2021, a portfolio was excluded from the composite if the portfolio market value dropped below \$150,000 for 2 consecutive months. Prior to 02/28/2009, the established minimum inclusion level was \$300,000, with a minimum exclusion level of \$250,000.

### Currency:

Returns are calculated and presented in U.S. dollars.

eVestment universe returns, benchmark indices and related statistics are presented gross-of-fee.

A list of composite descriptions and a list of limited distribution pooled fund descriptions are available upon request.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.

Meritage Portfolio Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Meritage Portfolio Management has been independently verified for the periods December 31, 2000 through December 31, 2023.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Meritage Yield-Focus Equity composite has had a performance examination for the periods September 1, 2003 through December 31, 2023. The verification and performance examination reports are available upon request.

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\*Zacks Multi-Asset Income Index

Annualized Returns	Periods Ending 12/31/2023			
	1 Yr	3 Yrs	5 Yrs	10 Yrs
<b>Meritage Yield-Focus Equity Gross</b>	10.3	12.1	9.7	6.9
<b>Meritage Yield-Focus Equity Net</b>	9.4	11.1	8.8	6.0
<b>Zacks Multi-Asset Income Index</b>	17.9	10.4	9.0	4.6