APTUS CAPITAL ADVISORS

Aptus Compounders Stock Sleeve

Strategy Objective

The Aptus Compounders Portfolio is a concentrated, low-turnover strategy that owns ~15 high-conviction stocks across the domestic market. The strategy strives to have S&P 500-like returns, but with lower volatility. The strategy seeks to own companies that exhibit what we believe to be high-quality characteristics that tend to outperform over a full business cycle.

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Sector	Aptus Compounders	S&P 500
Communication Services	5.99%	8.93%
Consumer Discretionary	0.00%	10.33%
Consumer Staples	6.31%	5.95%
Energy	7.00%	3.94%
Financials	22.17%	13.12%
Health Care	12.241%	12.38%
Industrials	13.25%	8.77%
Information Technology	26.34%	29.49%
Materials	0.00%	2.36%
Real Estate	6.69%	2.27%
Utilities	0.00%	2.19%

Characteristics	Aptus Compounders	S&P 500
P/E (NTM)	24.5x	23.30x
EPS GROWTH (5-Yr)	14.40%	7.15%
YIELD	1.35%	1.36%
ROE	28.79%	19.95%
ROIC	17.75%	14.83%
DEBT-TO-CAPITAL	36.99%	45.84%
MARKET CAPITALIZATION ($M)	$554,899	$805,251

The composition of the sector weightings and fund holdings are subject to change and are not recommendations to buy or sell any securities.

Source: Bloomberg, Data as of 03/31/2024

Investment Approach

We embrace a “compounder mentality” seeking to invest in business that, in our view, compound shareholder capital at above-average rates of return. We have the three following pillars:

Valuation: Price is what you pay, value is what you get. We believe that investors should never overpay for an asset.

Higher Quality: We buy what we believe to high-quality companies with higher returns on capital, a competitive moat, and strong management teams.

High Growth: We seek favor to companies that are well-positioned to grow sales, earnings, cash flow, EBITDA, and dividends.

Performance vs. Benchmarks (%)

Time Period	Compounders	S&P 500
Q1 2024	9.25%	10.55%
1 Year	34.71%	29.86%
2 Year	14.37%	9.48%
3 Year	16.59%	11.50%
Since Inception	20.99%	17.08%

Since Inception: 12/31/2018, Data as of 03/31/2024, Source: Bloomberg

The performance data represents past performance & does not guarantee future results. Investment return & principal value of an investment will fluctuate, so an investor's shares may be worth more or less than original cost when sold. Current performance may be higher or lower than quoted performance. Returns are expressed in US dollars, & periods >1 year are annualized. Returns are calculated net of all fund fees and expenses. Net returns shown include the deduction of the highest sub-advisory fee charged to our clients in sub-advisory arrangements, 0.15%. This is the maximum subadvisory fee paid during the time periods presented, and individual accounts may pay a lower effective fee. For our fee schedule please refer to Form ADV 2A, which is available upon request . Actual client results may be lower based on imposition of additional advisory fees, platform fees, & custodial fees charged by firms.

Investment Commentary

Compounders slightly trailed the S&P 500 during the quarter (-1.3%) but continues to outperform over the past year (+4.9%). In a quarter where the market's gains were driven by only a handful of stocks, our portfolio's lack of exposure to NVIDIA Corporation (NVDA), which catapulted 82.46% higher in the quarter, detracted 2.26% from relative performance. Driven by this exposure, stock selection underperformance (-3.05%) relative to the S&P 500. However, our sector allocation offset a material portion of this underperformance (+1.79%) driven by an overweight to Financials and an underweight to Consumer Discretionary sectors, while an overweight to Real Estate and Industrials was a drag. We continue to emphasize high-quality characteristics like pricing power, profitability, pricing inelasticity, and a competitive moat, which we believe leaves the portfolio well-positioned for the future. Our conviction in our investment strategy remains firm.

Stock selection was highlighted by the strong performance of Progressive Corp. (+30.5%). Progressive continues to benefit from materially better-than-expected underwriting margins. Moreover, there was an increase in policy growth, particularly from bundles with high long-term value, which make up an increasing proportion of new business. Diamondback Energy, Inc. (+30.0%) was also a big winner following its homerun of a deal acquisition of Endeavor Energy as it asserts itself as the premier pure-play E&P in the country. We believe this should allow the stock to yield a higher valuation relative to its history. The portfolio was hampered by ownership of Adobe Inc. (-15.4%) and American Tower Corp. (-8.47%). Adobe was priced for perfection heading into earnings, while American Tower was derailed by higher rates during the quarter.

During the quarter, we did not make any trades. We continue to like the balance of the overall portfolio, with value in its diverse exposures. Turnover was slightly above average last year, but we like the current positioning that has held up well this year despite not owning some of the largest contributors to the index. We've learned with time that sometimes the best trade is no trade, recognizing that patience can be more challenging yet more rewarding than reacting poorly to short-term underperformance. All in all, we remain confident in how we are positioned in the Aptus Compounders portfolio.

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Investment Considerations

Disclosures

This factsheet and commentary offers generalized research, not personalized investment advice. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Nothing in this factsheet and commentary should be interpreted to state or imply that past results are an indication of future investment returns. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy. Investing involves risk. Principal loss is possible.

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The S&P 500® Index is the Standard & Poor's Composite Index and is widely regarded as a single gauge of large cap U.S. equities. It is market cap weighted and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

Advisory services offered through Aptus Capital Advisors, LLC, a Registered Investment Adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level or skill or training. More information about the advisor, its investment strategies and objectives, is included in the firm’s Form ADV Part 2, which can be obtained, at no charge, by calling (251) 517-7198. Aptus Capital Advisors, LLC is headquartered in Fairhope, Alabama. ACA-2404-15.