

# Aptus Growth Stock Sleeve

## Strategy Objective

The Aptus Growth Portfolio is a relatively diversified, low-turnover strategy that owns ~ 25 high-quality, growth-tilted stocks across the domestic market. The strategy strives to have S&P 500 growth-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 Growth	S&P 500 Growth
Communication Services	7.64%	12.58%
Consumer Discretionary	16.36%	14.29%
Consumer Staples	3.89%	2.68%
Energy	4.08%	1.69%
Financials	7.51%	5.14%
Health Care	7.51%	7.33%
Industrials	4.30%	6.63%
Information Technology	44.70%	47.32%
Materials	4.01%	1.42%
Real Estate	0.00%	0.74%
Utilities	0.00%	0.11%

Characteristics	Aptus Growth	S&P 500 Growth
P/E (NTM)	29.5x	30.2x
EPS GROWTH (5-Yr)	16.16%	7.51%
YIELD	0.62%	0.64%
ROE	49.80%	28.16%
ROIC	28.80%	23.41%
DEBT-TO-CAPITAL	28.88%	41.32%
MARKET CAPITALIZATION (\$M)	\$188,437	\$1,319,442

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 Versus Benchmark(%)

Time Period	Aptus Growth	S&P 500 Growth
Q1 2024	13.19%	12.60%
1 Year	42.42%	33.55%
2 Year	9.14%	6.28%
Since Inception	10.56%	10.12%

Since Inception: 03/31/2021, 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

### Growth stocks continued their momentum in Q1 following a strong 2023.

The narrative around artificial intelligence (“AI”) continued to dominate the headlines, influencing market dynamics significantly in the first quarter with growth tilts with the Growth Indices outperforming Value benchmarks by 4.59%. The Aptus Growth strategy returned 13.19%, outperforming the index by 0.59% as the portfolio benefited from strong stock selection (+1.53%), offset by sector selection (-0.94%). Over the past year, the strategy’s approach of holding on to winning investments and shedding underperformers has proven effective with the Aptus Growth portfolio outpacing the Growth benchmark by almost 10%. Since inception, the strategy has outperformed.

**Stock selection drove returns in Q1.** Stock selection positively impacted relative performance in 10 of the 12 GICS sectors, with the only laggards being within Communication Services and Consumer Staples sectors. Technology was the largest beneficiary of stock and sector selection, boosted by our overweight to NVIDIA Corp. (+82.48% return in Q1). Consumer Discretionary also demonstrated strong selection, as Lowe’s Company (+15.05% return in the quarter) drove returns as the company continued to execute on its PRO-strategy reorganization. Since swapping out of Home Depot (HD) for Lowe’s Company (LOW) last year within the portfolio, this trade has added to relative outperformance. Performance was offset in part by stock selection within Communication Services, driven by our lack of ownership of Meta Platforms for the majority of the quarter - though did add this stock to the strategy in March. We remain convicted in our current holdings.

**During the quarter, we had muted turnover.** We continue to like the balance of the overall portfolio and prefer to let our winners run. It’s remiss to say that this muted turnover comes after a year with above-average turnover. In the recent quarter, we did add Quanta Services (PWR) in our portfolio; PWR stands out as a fundamental investment in energy transition, serving as a primary choice for infrastructure related to domestic energy transmission and communications. Additionally, we invested in Meta Platforms (META), recognizing the company’s efficient execution during its “year of efficiency,” and to minimize our portfolio’s deviation from the benchmark. The acquisition of these stocks was financed by selling Costco Wholesale (COST) and Intercontinental Exchange (ICE), both of which had reached our internal price targets.

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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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