

Aptus Value Stock Sleeve

Strategy Objective

The Aptus Value Portfolio is a relatively diversified, low-turnover strategy that owns ~ 25 high-quality, Value-tilted stocks across the domestic market. The strategy strives to have S&P 500 Value-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 Value	S&P 500 Value	Characteristics	Aptus Value	S&P 500 Value
Communication Services	0.00%	4.59%	P/E (NTM)	21.8x	18.27x
Consumer Discretionary	8.00%	5.59%	EPS GROWTH (5-Yr)	10.88%	5.17%
Consumer Staples	11.86%	9.90%	YIELD	1.71%	2.22%
Energy	8.69%	6.65%	ROE	27.50%	10.25%
Financials	20.69%	22.76%	ROIC	14.90%	10.75%
Health Care	19.71%	18.50%	DEBT-TO-CAPITAL	43.02%	51.25%
Industrials	11.57%	11.36%	MARKET CAPITALIZATION (\$M)	\$208,637	\$188,159
Information Technology	8.30%	8.21%			
Materials	4.20%	3.51%			
Real Estate	3.30%	4.12%			
Utilities	3.70%	4.71%			

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

Investment Approach

We embrace a “compounder mentality” seeking to invest in businesses 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 Value	S&P 500 Value
Q1 2024	10.54%	8.01%
1 Year	29.49%	25.48%
2 Year	7.66%	11.92%
Since Inception	9.86%	12.10%

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

The Aptus Value outperformed the benchmark by 2.5% during Q1. Value-tilted stocks continued to lag Growth stocks to begin the year, as the latter has benefited from the exuberance in artificial intelligence (“AI”). The Growth index typically holds a higher proportion of semiconductor chips and other entities thriving from this AI-driven enthusiasm, whereas Value indices are more inclined towards cyclically influenced sectors of the market. The Aptus Value strategy returned 10.5%, as the portfolio benefited from strong stock selection (+2.84%), which was partially offset from sector allocations (-0.31%). After a difficult start in 2023, Aptus Value has rebounded over the past year, outperforming the index by 3.5% though it continues to lag since inception.

Stock selection drove returns in Q1. The strategy achieved positive stock selection in 10 of the 12 GICS sectors, with Real Estate and Industrials as the only two sectors that detracted from performance. Our strategy's emphasis on high-quality companies paid off, as the market favored businesses with pricing power, robust profitability, and significant growth potential, attributes we believe our holdings possess. Progressive Corp. emerged as the top performer in our portfolio (+30.5% return), benefiting from significantly better-than-expected underwriting margins and a rise in policy growth, especially from bundled products with high long-term value that are becoming a larger part of new business. On the other end, American Tower Corp. was the most notable underperformer (-8.5% return), affected by higher structural interest rates and challenges in refinancing as they approach a maturity wall on their debt.

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 purchased Stryker Corporation (SYK). We believe SYK is well-positioned to deliver premium growth relative to the broader medtech market over coming years given its extensive market presence, strong competitive stance across various sectors, and consistent operational excellence relative to its competitors. We also purchased Devon Energy, Inc. (DVN). We funded these purchases with the sale of Sun Communities, Inc. (SUI) and Union Pacific Corp. (UNP) – both of which were relative losers last year.

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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-2404-16.

