



# Overview of Aptus Capital Advisors

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# Firm Overview

- Founded in Fairhope, Alabama in 2013.
- As of March 31<sup>st</sup>, 2024, Aptus manages \$5.7B in assets under management.
- We believe that we maintain distinct and differentiated investment strategies, exploiting inefficient asset classes.

**/Aptus/ - adapted, suitable,  
appropriate, fitting**



# Your Investment Department

Team-Based Approach Provides Unique Perspectives

## Portfolio Managers

JD Gardner, CFA  
John Luke Tyner, CFA  
David Wagner, CFA  
Brad Rapking, CFA

## Research & Trading

Beckham Wyrick, CFA  
Mark Callahan  
Joseph Sykora, CFA  
Brett Bennett, CFA  
Brian Jacobs, CFA  
Marcus Jordan

## Operations

John Goldsberry  
Will Gardner  
Brett Wickmann  
Joe King  
Clay Calhoun  
Katlyn Sesera  
Jaela Robbins, CPA

## Client Relationships

Derek Hernquist  
James Yahoudy, CFP  
Christopher Neill, CFA  
Matt McGowan, CAIA  
Will Graham  
Michael Sefscik

## Creative

Alicia Griffin

## Engineering

David Nguyen  
Jeremy Cole  
Santosh Monoharan  
Winston Feng



# Investment Philosophy



- Seek to invest in great businesses that have demonstrated high returns on invested capital and high levels of free cash flow largely due to having significant barriers to entry and pricing power.
- Seek to invest in excellent management teams with a history of treating shareholders as partners.
- Seek to invest in businesses with great reinvestment histories and opportunities.
- Price is what you pay, value is what you get.

**It's difficult to get people to buy into simplicity because it's hard to believe that complex problems don't require complex solutions. We all want to believe that the Holy Grail of investment sophistication exists and if we can only find the secret sauce, all our problems will be solved.**



# Investment Strategies

## The Power of Compounding



***“It is not the strongest of the species that survives, nor the most intelligent, but the one that is most adaptable to change.”***  
**– Charles Darwin**





# Aptus Stock Sleeve Complex

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# Fund Overview

- Portfolio Managers: David Wagner, CFA and Brad Rapping, CFA.
- Supplementary broad-based individual equity portfolio constructed to serve as a sleeve in high-net-worth clients' overall portfolios. Its purpose is to be an S&P 500 beta exposure replacing the expensive SMAs or undifferentiated mutual funds.
- Seek to invest in businesses that, in our view, compound shareholder capital at above-average rates of return. We buy what we believe to be high-quality companies with higher returns on equity.
- Scalable and Transparent Strategy.





# What is Our Edge?

There are three primary sources of investment edge. We believe our approach takes advantage of all three:

## Information Advantage

The portfolio is more of an all-capitalization portfolio, in which we own a few stocks that are not well covered by sell-side analysts.

## Analytical Advantage

We believe deep roots in fundamental research allow us to build an analytical advantage by taking a different perspective from market consensus.

## Time-Horizon Advantage

We take a business owner's perspective, thinking about the next three to five years, not three to five months.



# Sleeve Introduction

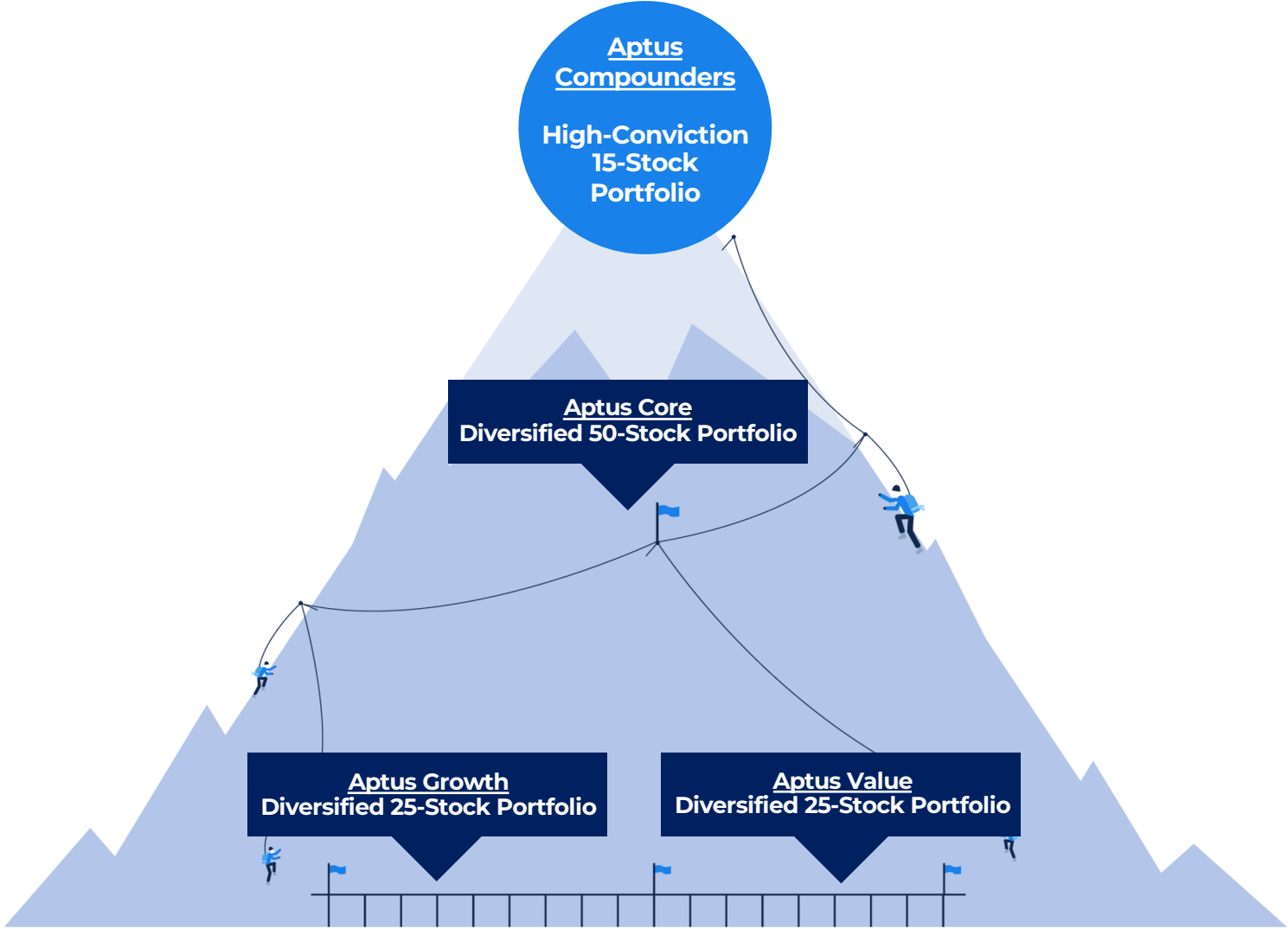
## Aptus Offers Four Distinct Equity Baskets

	Aptus Compounders	Aptus Core	Aptus Value	Aptus Growth
#of Holdings	~15	45 - 55	20 - 30	20 - 30
Turnover	Low Turnover (20% - 40%)	Medium Turnover (~40%)	Medium Turnover (~40%)	Medium Turnover (~40%)
Benchmark	S&P 500	S&P 500	S&P 500 Value	S&P 500 Growth
Overview	A highly-concentrated, high-conviction portfolio containing 15 stocks.	A diversified basket, combining Aptus Value and Aptus Growth into a Core S&P 500 replacement	A concentrated, yet diversified value-tilted portfolio containing 25 stocks.	A concentrated, yet diversified growth-tilted portfolio containing 25 stocks.
Investment Approach	Seeks the highest-quality companies in the U.S. - truly active, collaborative, bottom-up, fundamental process.	Seeks a broad-based high-quality portfolio that is meant to track the S&P 500.	Value-oriented - focus on buying stocks below what we believe is their intrinsic value.	Seeks the highest-quality sustainable growth stocks in the U.S.

**We believe that the economy and the stock market are best understood as biological systems – specifically, complex adaptive systems. Complex systems have unpredictable outcomes; therefore, as investors, we focus on companies that are adaptable, long-term focused, innovative, possess long-duration growth, and maximize non-zero-sum outcomes.**



# Sleeve Introduction



# Investment Process Overview

We focus our research on a select number of what we believe to be extraordinary businesses. These companies meet specific standards related to the business itself, the people who manage it, and the discipline they demonstrate when it comes to capital allocation.

Idea Generation	Fundamental Review	Portfolio Construction	Sell Discipline
<p><b>Investable Universe</b></p> <ul style="list-style-type: none"> <li>- Purchase range within the bounds of the Russell 1000</li> <li>- Ample liquidity</li> <li>- Prefer companies that pay a dividend</li> </ul> <p><b>Qualitative Resources</b></p> <ul style="list-style-type: none"> <li>- Prior Research</li> <li>- Industry Events</li> <li>- Mgmt. Meetings</li> </ul>	<p>Through diligent research, we identify companies that meet what we see as rigorous investment criteria:</p> <ol style="list-style-type: none"> <li><b>1. Dividend Yield</b></li> <li><b>2. Higher Growth</b></li> <li><b>3. Higher Quality</b></li> <li><b>4. Reasonable Valuations</b></li> </ol>	<p>Concentrated, all cap, all sector, all industry portfolios</p> <p><b>Investment Weightings and Limitations</b></p> <ol style="list-style-type: none"> <li>1. ≤ 50% in One Sector</li> <li>2. ≤ 25% in One Industry</li> <li>3. ≤ 10% in One Security</li> </ol>	<p>As long as the holding exhibits a strong D + G, plus strong fundamentals and a competitive moat, the fund can hold portfolio companies indefinitely</p>



# Why Are We Different?

## Over Time, Yield Plus Growth Drives Total Return

### The Known: Dividend Yield

Paying dividends imposes financial discipline on use of capital, as you cannot fake cash. Dividends to shareholders reduce the amount of capital that would otherwise be invested in low-return projects or wasted by management teams.



### The Unknown: Growth Rate

Deep fundamental research focuses on two pivotal items:

1. The ability of a company to sustainably generate sales, EBITDA, earnings, cash flow, and dividend growth.
2. Sustainability of business model and potential risks.



### Total Return

To be considered for our portfolio, we target a doubledigit Y + G return threshold.

Research Area	Focus
Competitive Landscape	What industry dynamics affect the company?
Operational Performance	Does management have a history of effective execution?
Management Philosophy	Does management have a history of successful capital allocation?
Return on Equity	Does the company earn enough to return capital to shareholders and reinvest in the business?
Leverage	Will a heavy debt load impair the business in a downturn?
Price Momentum and Short Interest	Is the market telling us something about the company's prospects?
Earnings Surprise and Revision	What is the near-term outlook?



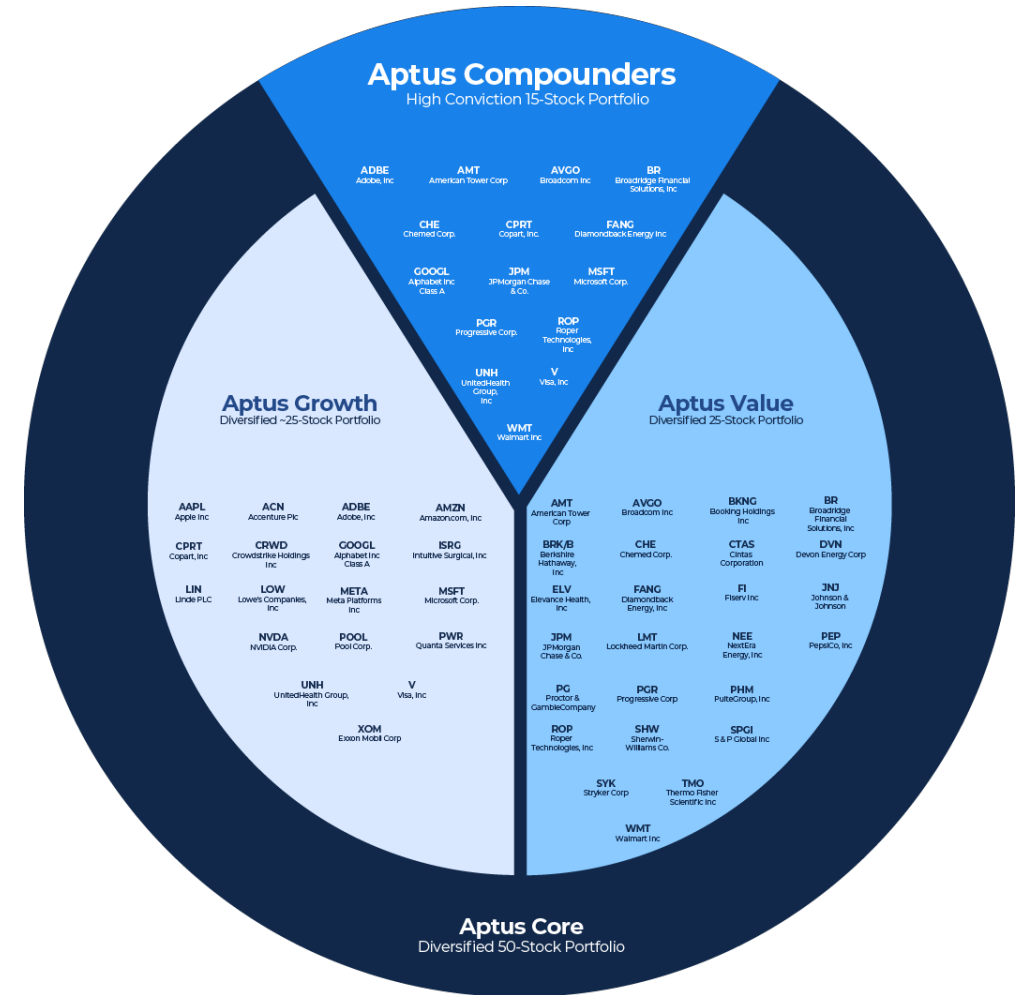
# The Stock Sleeves

## Dividend + Growth Framework

	Yield	Growth	Y + G
<b>Compounders</b>	<b>1.31%</b>	<b>10.87%</b>	<b>12.18%</b>
<b>Growth</b>	<b>0.61%</b>	<b>12.32%</b>	<b>12.94%</b>
<b>Value</b>	<b>1.74%</b>	<b>9.16%</b>	<b>10.90%</b>
<b>Core</b>	<b>1.23%</b>	<b>11.53%</b>	<b>12.76%</b>

Source: Aptus Capital Research 2024, Data as of 03/31/2024

Growth rates are a weighted aggregation of the portfolio manager's assessment of potential growth for each company holdings in the strategy. This is not a measurement of expected returns but fundamental analysis of a company's intrinsic value from the issuing company's financial situation, current market and economic conditions. These figures may differ or be subject to change based on economic changes, or unforeseen company circumstances.



Data as of 03/31/2024



# Aptus Compounders Performance

## Performance Versus Benchmarks (%)

Time Period	Aptus Compounders	S&P 500
Q1 2024	9.25%	10.55%
YTD	9.25%	10.55%
1 Year	34.71%	29.86%
2 Year	14.37%	9.48%
3 Year	16.59%	11.50%
5 Year	19.13%	15.02%
Since Inception	20.99%	17.08%

## Performance Versus Benchmarks (%)

Time Period	Aptus Compounders	S&P 500
Calendar Year 2019	41.85%	31.47%
Calendar Year 2020	18.96%	18.39%
Calendar Year 2021	29.92%	28.68%
Calendar Year 2022	-17.01%	-18.11%
Calendar Year 2023	36.84%	26.26%
Calendar Year 2024	9.25%	10.55%
Since Inception (Cumulative)	173.85%	128.89%
Since Inception (Annualized)	20.99%	17.08%

Page chart Data as of 3/31/2024. Sources: Lipper, Morningstar, Bloomberg. Inception Date: 12/31/2018. All returns are net of fees

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. iShares Core Allocation ETFs are designed as diversified core portfolios based on the specific risk consideration of the investor. For performance through most recent month end, please call (251) 517-7198 or visit [www.impact-series.com/fact-sheets](http://www.impact-series.com/fact-sheets)



# Aptus Compounder Portfolio

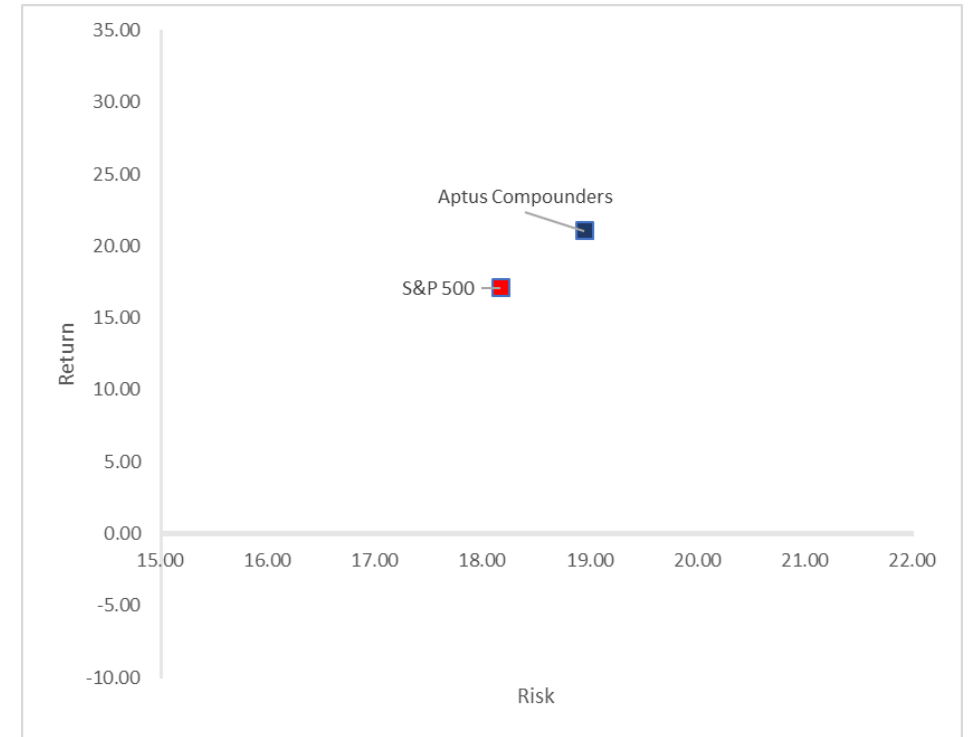
## Upside / Downside Capture

Measure	Aptus Compounder	S&P 500
Upside Capture <sup>1</sup>	118.08	100.00
Downside Capture <sup>1</sup>	97.68	100.00

## Risk Metrics

	Performance (Net %) <sup>1</sup>	Standard Deviation <sup>1</sup>	Sharpe Ratio
Compounder	21.04%	18.95%	0.83
S&P 500	17.10%	18.17%	0.65

Data as of 03/31/2024  
Source: Bloomberg  
<sup>1</sup>Since Inception Date: 12/31/2018



Data as of 03/31/2024  
Source: Bloomberg  
<sup>1</sup>Since Inception Date: 12/31/2018

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. iShares Core Allocation ETFs are designed as diversified core portfolios based on the specific risk consideration of the investor. For performance through most recent month end, please call (251) 517-7198 or visit [www.impact-series.com/fact-sheets](http://www.impact-series.com/fact-sheets)





# Aptus Stock Sleeve Performance

## Performance Versus Benchmarks (%)

Time Period	Aptus Core	S&P 500	Aptus Value	S&P 500 Value	Aptus Growth	S&P 500 Growth
Q1 2024	11.81%	10.55%	10.54%	8.01%	13.19%	12.60%
YTD	11.81%	10.55%	10.54%	8.01%	13.19%	12.60%
1 Year	35.45%	29.86%	29.49%	25.48%	42.42%	33.55%
2 Year	8.34%	9.44%	7.63%	11.87%	9.10%	6.25%
Since Inception	10.17%	11.46%	9.84%	12.06%	10.53%	10.09%

## Performance Versus Benchmarks (%)

Time Period	Aptus Core	S&P 500	Aptus Value	S&P 500 Value	Aptus Growth	S&P 500 Growth
Since Inception – 12/31/2022	31.56%	26.53%	30.42%	21.45%	32.43%	27.57%
Calendar Year 2022	-25.24%	-18.11%	-13.09%	-5.29%	-37.56%	-29.42%
Calendar Year 2023	25.42%	26.26%	11.73%	22.20%	44.74%	30.02%
Calendar Year 2024	11.81%	10.55%	10.54%	8.01%	13.19%	12.60%
Since Inception (Cumulative)	33.75%	38.52%	32.54%	40.78%	35.06%	33.46%
Since Inception (Annualized)	10.17%	11.46%	9.84%	12.06%	10.53%	10.09%

Page chart data as of 3/31/2024  
Sources: Lipper, Morningstar, Bloomberg  
Inception Date: 03/31/2021. All returns are net of fees

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# Investment Thesis: CHEMED Corp. (CHE)

## Overview

Chemed (CHE) operates in two distinct businesses - one of the largest hospice operators (Vitas) and the largest provider of plumbing and drain cleaning services in the U.S. (Roto-Rooter).

## Thesis

We believe that CHE is a very strong operator with tailwinds on both sides of its business. On the Roto-Rooter segment, given its above peer margins, its asset-light model, the reduced exposure to economic cycles (due to its growing exposure to water restoration), and limited online competition, we believe that this line of business deserves an above-average premium relative to peers. Meanwhile, given the size of the VITAS platform (scarcity value), analyst's positive outlook for the hospice industry, and the positive near- and medium-term outlook for Medicare reimbursement rates, we believe that VITAS also deserves an above-average premium relative to peers. From our view, CHE has been a very strong operator, with minimal leverage at the corporate level, a growing dividend, and accretive share repurchases. With this, we believe that the company is very undervalued relative to peers and should be an all-weather holding in a portfolio given its downside protection along with its outperformance in normalized market scenarios.

## Case For Ownership

### 1. *Two Boring Cash Cows Make a Great Company*

VITAS constitutes roughly two-thirds of Chemed's total sales, with Roto-Rooter being the remaining one-third. We feel that management's bets have proven to be brilliant. Both subsidiaries, in our view, although appearing "boring", have strong business economics. In particular, we see them as having their leading market positions, scale advantages, strong cash flow, capital-light operations, and superior ROIC make their parent company an appealing candidate for stock investment.

### 2. *Roll-Up Strategy → Continue to Consolidate Plumbing Franchises*

Roto-Rooter continues to increase efficiency at the branch level, while we believe that they are looking to acquire franchisees in certain territories at reasonable valuations. They look to purchase at 6x-8x EBITDA range and given their stock price, these branch acquisitions are immediately accretive. Per management, there continues to be a long runway of opportunities to consolidate their Roto-Rooter franchise business.

### 3. *Inelasticity of the Two Businesses*

Since 2004, there has only been one year where the company experienced a YoY sales decrease (i.e., -1.2% in 2013), thanks to the recession-proof-ness of its two businesses.

For a full list of holdings, see slide 14





# Disclosures

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The S&P 500® Growth measures growth stocks using three factors: sales growth, the ratio of earnings change to price, and momentum. Constituents are drawn from the S&P 500®.

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