

Aptus Compounder Update:

The Aptus Compounder Stock Sleeve is designed to give equity exposure to a group of individual stocks that we think offer attractive prospects through a combination of yield, growth, quality, and reasonable valuations relative to large cap peers.

		Aptus Compounders		
Ticker	Company	February 2023		March 2023
ADBE	Adobe Inc	6.67%		6.67%
AMT	American Tower Corp	6.67%		6.67%
AVGO	Broadcom Inc	0.00%	BUYING	6.67%
BR	Broadridge Financial Solutio	6.67%		6.67%
CHE	Chemed Corp	6.67%		6.67%
CPRT	Copart Inc	6.67%		6.67%
DG	Dollar General Corp	6.67%		6.67%
GOOGL	Alphabet Inc-CI A	6.67%		6.67%
JPM	Jpmorgan Chase & Co	6.67%		6.67%
MSFT	Microsoft Corp	6.67%		6.67%
NVDA	Nvidia Corp	6.67%	SELLING	0.00%
PGR	Progressive Corp	6.67%		6.67%
PXD	Pioneer Natural Resources Co	6.67%		6.67%
ROP	Roper Technologies Inc	6.67%		6.67%
UNH	Unitedhealth Group Inc	6.67%		6.67%
V	Visa Inc-Class A Shares	6.67%		6.67%

Source: Factset, Data as of 3/28/23

Sells:

We have held **NVIDIA Corporation (NVDA)** since January 2021 – we’ve owned it during its highs (2021, 2023), but also during its re-valuation lows (2022). Yet, we’ve continued to be amazed by Jensen Huang, CEO of NVDA, ability to adapt to the current and everchanging environment. Whether it be through his swift actions during the China restrictions of November 2022 or being the first mover in the Artificial Intelligence (“AI”) space.

We continue to very much like the narrative around NVDA, as accelerated computing is here and it’s real as Moore’s law slows (or dies), a situation NVDA appears uniquely suited to benefit from as they deliver both the hardware and software environments needed to drive the datacenter cost and power efficiencies that are increasingly becoming unattainable using only CPUs.

We are being cautious by selling this name, as investors have become enamored of the generative AI opportunity and have been searching for the purest way to play the narrative. Our purchase of Broadcom Inc. (AVGO) allows us to keep our high-quality semiconductor exposure, but at a much cheaper valuation and substantially higher yield.

Purchases:

We love the long-term narrative around semiconductors and believe that the defensive **Broadcom Inc. (AVGO)** is a play for the “cyclically nervous,” given better visibility and control in their semiconductor business, software that supports margins and lowers volatility, free cash potential and margin performance, cash return, and inexpensive valuation, with the VMware deal poised to drive further upside.

In a nutshell, AVGO designs, develops and supplies a broad range of semiconductor and infrastructure software solutions. Outside of normal business operations, we love the company’s “wash, rinse, and repeat” mentality when it comes to M&A, which has allowed the company to efficiently grow and diversify its business.

AVGO checks a lot of boxes for our “compounder” mentality, yet we believe that the stock trades at an unjustified 30% discount vs. semi peers despite double-digit EPS growth and best-in-semis profitability, FCF generation, and returns. We attribute discount to software/mainframe cynicism and conglomerate discount, but we believe investors under-value the sum of AVGO’s parts. With the recent VMware acquisition taking the company to 50% software revenue, we believe that the company should no longer trade in parity with other pure-play semiconductor companies.

In a way, we are swapping like-minded securities, yet one trades at a much lower valuation with a 3% dividend yield, and we love how it transforms the characteristics of the entire portfolio:

	NTM P/E	EPS Growth	ROE	ROIC	TD / TC	Yield	Mkt Cap
Previous Aptus Compounders	23.5x	15.17%	27.47%	16.64%	39.07%	1.90%	\$ 393,036.77
New Aptus Compounders	20.4x	14.66%	29.49%	17.03%	40.91%	2.09%	\$ 366,016.11
S&P 500	19.3x	9.14%	17.12%	-	48.76%	1.75%	\$ 519,373.58

Source: Bloomberg, Data as of 3/23/2023

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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.

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