

THIRD QUARTER 2023

Dividend Growth Commentary

September 30, 2023

3Q MARKET REVIEW

During the third quarter of 2023, U.S. Treasury investors were beginning to wake up to the sobering reality that the Federal Reserve (Fed) just might hold short-term interest rates higher than previously anticipated. From a bigger picture perspective, it can no longer be ignored that the United States fiscal profligacy is unsustainable, and investors are demanding higher yields to hold U.S. Treasuries. Running 7% budget deficits in times of peace and full employment will only add to the already bloated 113% debt-to-GDP ratio. In August, Fitch Credit Ratings downgraded U.S. Government debt from AAA to AA+. It cited the lack of political will to deal with these deficits in any meaningful way along with the political dysfunction in Washington. These issues, along with a Fed still fighting inflation were instrumental in 10-year Treasury yields rising from 3.84% to 4.57% during the quarter. The Bloomberg U.S. Aggregate Bond Index returned -3.2% for the quarter, bringing its year-to-date (YTD) return to -1.2%. Despite these less-than-ideal fundamentals and lackluster returns, fixed income has become an interesting asset class once again. As the quarter ended, real yields across the maturity spectrum—as measured by Treasury inflation-protected securities (TIPs)—are now all above 2%. These levels have not been seen across the curve since prior to the Global Financial Crisis.

The equity market turned in negative returns for the quarter as the Fed's higher-for-longer messaging was cause for concern. The S&P 500® Index returned -3.3% for 3Q but is still up YTD at 13.1%. The more interest-rate-sensitive small cap Russell 2000® Index was the laggard and returned -5.1% for the quarter and is up just 2.5% YTD. Commodities were a bright spot for investors as the S&P Goldman Sachs Commodity Index returned 12.8% for the quarter, primarily on the strength of the crude oil market.

Heading into the final quarter of the year, investors will be looking for evidence that the long-awaited corporate earnings growth will reassert itself during 4Q. Investors will also want to know if the rate of inflation will continue to moderate or whether it will be sticky as some suspect. A strong U.S. economy with moderation of inflation and a return to corporate earnings growth would go a long way to offset some of the fiscal challenges and slowing global growth picture.

DIVIDEND GROWTH PORTFOLIO REVIEW

The Dividend Growth Composite (Composite) returned -2.24%, gross of fees, for the quarter ending September 30, 2023. The strategy's benchmark, the S&P 500 Index, returned -3.27% during the same time period.

During the third quarter of 2023, investor attention shifted from concerns about a looming recession to worries about the stubbornly higher-than-expected inflation. Continued robust employment and strong consumer spending supported the U.S. economy in the quarter despite higher rates and energy prices. The Fed increased the target range for the Federal Funds rate by 25 basis points (bps) in July, signaling that while it might be approaching the end of its rate hike cycle, there was a possibility that interest rates could remain higher for longer.

The consequence of this "hawkish pause" was the U.S. 10-year Treasury rates climbing by 76 bps, causing modest declines in most asset classes. The S&P 500 declined by 3.27% with utilities, real estate, and consumer staples sectors, which are the most sensitive to changes in interest rates, performing the poorest among sectors. Energy was the best performing sector with the price of oil growing from \$70 to \$90.

Our security selection in the healthcare and industrials sectors and overweight of the energy sector were the largest contributors to performance.

Our underweight of the communications, overweight of the utilities sectors, and security selection in consumer discretionary sector were the largest detractors.

STRATEGY INFORMATION

Benchmark	S&P 500® Index
Business Minimum	\$1M
Number of Holdings	50
Assets	\$111.97M

PORTFOLIO MANAGEMENT TEAM



Julia Batchenko, CFA

Senior Portfolio Manager
 Industry start date: 2011
 Joined Red Cedar: 2019



David L. Withrow, CFA

Senior Market Analyst
 Industry start date: 1988
 Joined Red Cedar: 2018



John L. Cassidy III, CFA

Co-Chief Investment Officer
 Industry start date: 1987
 Joined Red Cedar: 2018



Conor P. Davis

Investment Analyst
 Industry start date: 2020
 Joined Red Cedar: 2021



INVESTMENT PHILOSOPHY

"We seek companies that possess a combination of three essential criteria: growth of dividends, consistency of earnings and enhanced profitability."
 —Julia Batchenko

continued on page 2

Dividend Growth Commentary

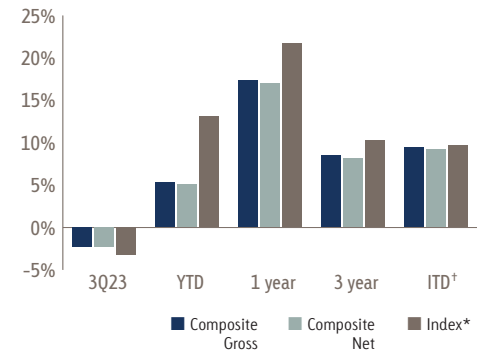
September 30, 2023

DIVIDEND GROWTH POSITIONING & OUTLOOK

S&P 500 earnings are expected to decline 0.3% in the third quarter, which would be an improvement from 4.1% decline in the second quarter. Analysts also expect further improvement starting in the fourth quarter of 2023 with 7.8% earnings growth. Given the ability of U.S. businesses and consumers to withstand the impact of higher interest rates and oil prices, it is likely that the Fed will maintain its restrictive monetary policy stance for an extended period. As a result, we anticipate increased competition for dividend stocks from money market funds offering yields of over 5%, all without the need to take on business risk in the uncertain macroeconomic environment.

We believe the macro uncertainty and high rates should continue to benefit companies with quality attributes, such as higher earnings growth, higher return on invested capital, and low debt.

PERFORMANCE



	Composite Gross	Composite Net	Index*
3Q23	-2.25%	-2.33%	-3.27%
YTD	5.29%	5.02%	13.07%
1 year	17.32%	16.95%	21.62%
3 year	8.39%	8.12%	10.15%
ITD*	9.40%	9.14%	9.61%

*Inception Date 1/1/2020

Periods greater than 12 months are annualized

S&P 500 Index

Source: Bloomberg, Clearwater Analytics

DISCLOSURES

Red Cedar Investment Management, LLC (RCIM) is an investment adviser registered under the Investment Advisers Act of 1940, founded in 2013. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. For more information, please visit www.adviserinfo.sec.gov and search for our firm name. Neither the information nor any opinion expressed herein should be construed as personalized investment, tax, or legal advice, or a recommendation of any particular security or strategy.

The securities discussed do not represent the Composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The information presented in this material is general in nature and not designed to address your investment objectives, financial situation, or particular needs. Prior to making any investment decision, you should assess, or seek advice from a professional regarding whether any particular transaction is relevant or appropriate to your individual circumstances. The mention of specific securities and sectors illustrates the application of our investment approach only and is not considered a recommendation by RCIM. There is no assurance that the securities purchased remain in the portfolio or that securities sold have not been repurchased. The opinions expressed herein are those of RCIM and may not actually come to pass.

All information and performance are reported in U.S. dollars.

The "Net" returns presented are net of fees. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The "Gross" returns presented are gross of fees. The results do not reflect the deduction of investment management fees. The client's return will be reduced by the management fees and any other expenses incurred in the management of the account. For example, a US \$100 million account, paying a 0.50% annual fee, with a given rate of 10% compounded over a 10-year period would result in a net of fee return of 9.5%. Management fees are described in Part 2A of RCIM's Form ADV Part 2A. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The information herein was obtained from various sources. RCIM does not guarantee the accuracy or completeness of information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. RCIM assumes no obligation to update this information, or to advise on further developments relating to it.

RCIM Dividend Growth Composite (Composite) includes all fully discretionary institutional portfolios that invest in common stocks with market capitalization of \$2 billion and higher. The strategy is focused on investing at least 80% of the portfolio in high quality dividend paying and dividend raising stocks and up to 20% in non-dividend paying lower quality stocks. The Composite was created January 1, 2020. The inception date of the Composite was January 1, 2020.

Benchmark Definition: The S&P 500 is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in industries of the U.S. economy.

Index Definitions: The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. The Russell 2000 (Small Cap) measures the performance of the 2,000 smallest companies in the Russell 3000 Index. It is generally representative of US Equity Small and Mid-Cap Performance. The S&P GSCI is widely recognized as a leading measure of general price movements and inflation in the world economy. It provides investors with a reliable and publicly available benchmark for investment performance in the commodity markets.

An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

RCIM claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Please see the Composite's GIPS® Composite Report for important additional information. To receive a list of composite descriptions and/or GIPS® Composite Report that complies with the GIPS® standards, contact RCIM at mfeldhaus@redcedarim.com.