

Dividend Growth Commentary

December 31, 2020

MARKET REVIEW

Despite a global pandemic and a horrible start to the year, the capital markets managed to shrug off a deep recession caused by a shutdown of the economy to turn in an impressive performance for the year. Indeed, most every asset class apart from commodities and oil ended the year with positive returns.

Equity markets led the charge with an impressive rebound off the lows seen on March 23. At that point, the S&P 500[®] Index was down 30.3% year to date. Thanks to massive amounts of monetary stimulus—the Fed took interest rates to zero and re-started an aggressive quantitative easing program—and generous fiscal support, the S&P 500 rebounded to finish the year up 18.4%. The technology heavy NASDAQ led the parade, finishing the year up 45.1%. The stimulus was not just limited to the United States as many countries joined the fray by providing monetary and fiscal support. This allowed the MSCI Emerging Market Index to return 18.5% for the year, while its EAFE Index struggled to produce an 8.4% return for the year.*

Most of the major fixed income indices performed well as investment grade bonds, both domestically and globally, had positive returns for the year. Even the Bloomberg Barclays High Yield Bond Index finished the year up 7.1%, despite the default rate climbing significantly during the year. According to CreditSights, the trailing 12-month issuer-weighted high yield default rate moved from a rather pedestrian 3.11% as of 12/31/19 to 7.3% as of 11/30/20.

During the fourth quarter, some interesting pro-cyclical rotations were beginning to take shape in asset allocation that may be setting the stage for new leadership in 2021. Small cap stocks had an impressive 31.4% return during the final quarter of the year to lead stocks. Many of these smaller companies are levered to an economic reopening and they typically perform well in the early stages of economic recovery. Although bonds had a great year, by the fourth quarter, the rally seemed to be running out of steam with the Bloomberg Barclays Aggregate Bond Index returning just 0.7% for the quarter. Even though commodities had a negative return for the year, they did return 13.0% during the fourth quarter as measured by the CRB Commodity Index. These observations of lackluster bond returns, along with stellar commodity return, could be interpreted as the market beginning to sniff out reflation and inflation caused by the massive amounts of money creation and fiscal stimulus provided by monetary authorities and governments.

PORTFOLIO REVIEW

The Dividend Growth Composite returned 8.41%, net of fees, for the quarter ending December 31, 2020. The strategy's benchmark, the S&P 500, returned 12.14% during the same time period.

Market rotation into more cyclical sectors and lower quality names and away from secular growth and high-quality ones was the major deterrent from the quarter's performance. Hard-hit value sectors, such as energy, brick-and-mortar retail, travel and hospitality, and financials rallied, while the pandemic beneficiaries, such as online retail, healthcare, home improvement, and large-cap tech lagged.

Following the strategy's discipline, during the quarter, we added to economically sensitive sectors, such as banks, names leveraged to travel and hospitality, higher commodity prices and lower dollar, to seek to better position the portfolio for higher global economic growth in 2021.

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STRATEGY INFORMATION

| | |
|--------------------|----------------------------|
| Benchmark | S&P 500 [®] Index |
| Business Minimum | \$1M |
| Number of Holdings | 49 |
| Assets | \$55.84M |

PORTFOLIO MANAGEMENT TEAM



Julia Batchenko, CFA

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



INVESTMENT PHILOSOPHY

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

Dividend Growth Commentary

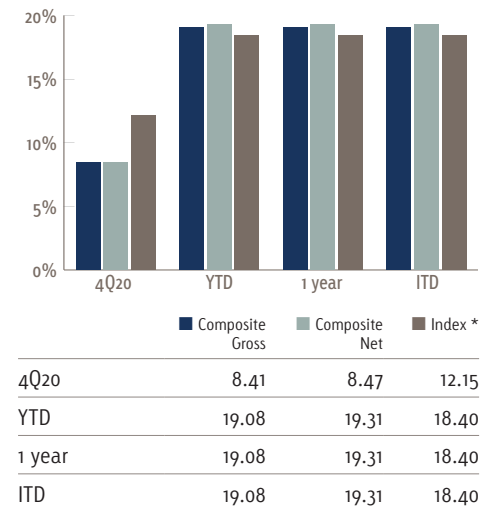
December 31, 2020

STRATEGY POSITION & OUTLOOK

As we think that growth will not be scarce in 2021, following an unprecedented scale of fiscal and monetary support and vaccine rollout, we continue to believe that pro-cyclical value parts of the market should outperform the secular growth ones. Henceforth, following our discipline of selecting the companies with improving fundamentals and relative strength, we seek to overweight the positions that should drive higher earnings growth in this type of environment like financials, industrials, materials, and energy.

We will continue to underweight the higher valued companies that benefited during the pandemic and should face tougher comparison in 2021.

PERFORMANCE



Source: Clearwater Analytics

Inception Date 1/1/20

*S&P 500® Index

Red Cedar Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions and/or a presentation that complies with the GIPS standard, contact Red Cedar Investment Management at (513)345-4414.

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DISCLOSURES

*All end-of-year index data noted is as of 12/31/20

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Index Definitions: Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the U.S. S&P 500 Index: Broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. MSCI Emerging Markets Index captures large and mid-cap representation across 27 EM countries. The index covers approximately 85% of the free-float-adjusted market capitalization in each country. EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside the U.S and Canada. CRB Commodity Index is a commodity futures price index. It acts as a representative indicator of today's global commodity markets. Bloomberg Barclays High Yield Bond Index measures the USD denominated, high yield, fixed rate corporate bond market. NASDAQ Composite: Market capitalization-weighted index of over 3,000 common equities listed on the NASDAQ stock exchange.

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