

# Large Cap Core: Performance & Commentary

## PERFORMANCE SUMMARY

The strategy returned 13.02% before fees (12.86% net of fees) in the first quarter, outperforming the S&P 500's 10.56% return.

Asset allocation (-10 bps) hindered performance for the quarter, with cash holdings costing 27 bps. Stock selection (+256 bps) created the relative outperformance for the quarter, driven primarily by holdings in the Industrials, Health Care, and Energy sectors, while positions in Real Estate and Utilities detracted slightly from performance.

## MARKET OUTLOOK

The stock market continued its strong trend into the new year. As inflation readings cooled, investors embraced a soft-landing scenario with lower rates and a slowing, but still growing economy. All sectors except for Real Estate produced positive returns for the quarter. 1Q winners were found in Communication Services (15.8%), Energy (13.7%) and Technology (12.7%). Real Estate (-0.6%) and Utilities (4.6%) were among the losers as investors sold defensive names along with interest rate sensitive sectors.

The S&P 500 Index traded at 21.9x next 12-month earnings estimates at quarter-end, a level that is above its 5-year average forward multiple of 19.4x. Currently, earnings revisions are down modestly with 2024 estimates down 3% over the last several months, but so far price-to-earnings (P/E) multiples have expanded as an offset. The S&P 500 is expected to post 13% earnings growth in 2024 led by Health Care, Technology, and Communication Services with Energy, Real Estate, and Financials lagging.

The market faces rising geopolitical risks and slowing economic growth amid sticky inflation. Interest rates are volatile and S&P 500 earnings expectations are too optimistic. Oversold short-term conditions may lead to sharp rebounds but further evidence of easing inflationary pressures and a less aggressive Fed is necessary for sustained gains. Some areas of the S&P 500 appear to be fully valued, but we are maintaining a balanced approach to the market.

## STRATEGY OVERVIEW

Benchmark: S&P 500

Inception Date: November 1, 2002

## STRATEGY SUMMARY

The Large Cap Core Strategy seeks to produce attractive long-term, risk adjusted returns by combining quantitative screening with thorough fundamental analysis by industry focused analysts. Our investment process is rooted in behavioral finance and we look to take advantage of mispricing opportunities caused by recognized investor biases. Investors tend to extrapolate historical data trends too far into the future and often under-react to new data that contradicts their initial opinions. Further, we focus on free cash flow rather than the more common earnings measures as we believe its ultimately free cash flow return on invested capital and growth rate of free cash flow that matters for stock returns.

## PERFORMANCE\*

|                  | MOST RECENT QUARTER | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR |
|------------------|---------------------|--------|--------|--------|---------|
| <b>Gross</b>     | 13.02%              | 38.31% | 13.83% | 16.55% | 13.61%  |
| <b>Net</b>       | 12.86%              | 37.51% | 13.16% | 15.86% | 12.94%  |
| <b>Benchmark</b> | 10.56%              | 29.88% | 11.49% | 15.05% | 12.96%  |

Source - Bloomberg and F/M

\*Returns are estimated. Past performance is no guarantee of future results. Benchmark: S&P 500.

As of March 31, 2024. All benchmark returns presented are provided to represent the investment environment existing during the time periods shown. Actual investment performance will vary due to fees and expenses. Investment performance reflects the reinvestment of dividends and other income. Gross-of-fees performance is shown net of trading expenses. Net of fees performance is shown net of a model investment management fee that is equal to the highest fee charged to the intended audience. For comparison purposes, the benchmarks include the reinvestment of income. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Past performance is no guarantee of future results.

# Large Cap Core: Most Recent Quarter Attribution

| SECTOR ATTRIBUTION     |                |           |                       |                  |              |
|------------------------|----------------|-----------|-----------------------|------------------|--------------|
| SECTOR                 | AVERAGE WEIGHT |           | *ATTRIBUTION ANALYSIS |                  |              |
|                        | PORTFOLIO      | BENCHMARK | ALLOCATION EFFECT     | SELECTION EFFECT | TOTAL EFFECT |
| Communication Services | 9.19%          | 8.88%     | 0.03%                 | 0.18%            | 0.21%        |
| Consumer Discretionary | 9.47%          | 10.45%    | 0.07%                 | 0.20%            | 0.27%        |
| Consumer Staples       | 5.91%          | 6.04%     | 0.01%                 | 0.18%            | 0.19%        |
| Energy                 | 3.89%          | 3.79%     | 0.01%                 | 0.28%            | 0.29%        |
| Financials             | 12.63%         | 12.95%    | -0.01%                | 0.16%            | 0.15%        |
| Health Care            | 12.56%         | 12.65%    | 0.00%                 | 0.29%            | 0.29%        |
| Industrials            | 8.81%          | 8.66%     | 0.02%                 | 1.06%            | 1.08%        |
| Information Technology | 28.18%         | 29.50%    | -0.01%                | 0.14%            | 0.13%        |
| Materials              | 2.64%          | 2.31%     | -0.01%                | 0.17%            | 0.16%        |
| Real Estate            | 1.85%          | 2.35%     | 0.05%                 | -0.05%           | 0.00%        |
| Utilities              | 1.92%          | 2.20%     | 0.01%                 | -0.01%           | 0.00%        |
| Cash                   | 2.97%          | 0.22%     | -0.27%                | -0.04%           | -0.31%       |
| Total Portfolio        | 100.00%        | 100.00%   | -0.10%                | 2.56%            | 2.46%        |

Benchmark = S&P 500

\*The attribution analysis is based off a model portfolio, and does not include fees or expenses.

As of March 31, 2024. Individual client results may vary. Total Effect includes sector allocation effect + stock selection effect. Past performance does not guarantee future results. The benchmarks are unmanaged and unavailable for direct investment. Percentages may not add up to 100% due to rounding.

# Large Cap Core: Characteristics

## STRATEGY OVERVIEW

|                   |  |
|-------------------|--|
| Benchmark:        | S&P 500  |
| Holdings:         | 55-65 securities   |
| Diversification:  | On a security basis, won't over/underweight to the benchmark by >3.5%<br>On a sector basis, won't over/underweight to the benchmark by >5% |
| Return Objective: | Outperform its benchmark by 1.50%  |
| Risk Control:     | Tracking Error target of 2%-5% vs. benchmark   |

## TOP TEN HOLDINGS BY WEIGHT

|                       | TICKER | PERCENT WEIGHT |
|-----------------------|--------|----------------|
| Microsoft Corporation | MSFT   | 6.99           |
| NVIDIA Corp.          | NVDA   | 5.59           |
| Apple Inc.            | AAPL   | 5.38           |
| Alphabet, Inc.        | GOOGL  | 3.84           |
| Amazon, Inc.          | AMZN   | 3.4            |
| Broadcom Inc.         | AVGO   | 2.99           |
| Meta Platforms, Inc.  | META   | 2.41           |
| Eli Lilly & Co.       | LLY    | 2.3            |
| Mastercard Inc.       | MA     | 2.18           |
| JPMorgan Chase & Co.  | JPM    | 2.1            |

## CHARACTERISTICS

| GENERAL MEASURES                          | LARGE CAP CORE | BENCHMARK |
|---|----------------|-----------|
| Number Of Stocks In Portfolio             | 61             | 503       |
| Weighted Average Cap (\$ Mil)             | 844,965        | 805,109   |
| Yield (%)                                 | 1.1            | 1.4       |
| ROE (%)                                   | 30.8           | 28.6      |
| Debt/Equity Ratio (%)                     | 90.0           | 87.3      |
| Beta                                      | 1.05           | —         |
| VALUE MEASURES                            | LARGE CAP CORE | BENCHMARK |
| Price/Earnings Ratio* (12-Month Trailing) | 28.7           | 26.1      |
| Price/Earnings Ratio* (Forecast FY)       | 23.7           | 22.0      |
| Price/Book Value Ratio                    | 5.3            | 4.5       |
| Price/Cash Flow Ratio                     | 18.5           | 16.7      |
| Price/Sales Ratio                         | 3.3            | 2.9       |
| GROWTH MEASURES                           | LARGE CAP CORE | BENCHMARK |
| EPS 1-Year Growth Rate (%) (Forecast FY)  | 19.9           | 19.1      |
| EPS 5-Year Growth Rate (%) (Trailing)     | 16.1           | 16.1      |
| EPS Growth - Long-Term Forecast           | 15.1           | 14.2      |

As of March 31, 2024. \*Price /Earnings ratios exclude stocks with zero or negative earnings. Data Source: FactSet | Past performance does not guarantee future results. The benchmarks are unmanaged and unavailable for direct investment. Holdings are subject to change and are as of the date indicated. These holdings should not be considered a recommendation to purchase, hold, or sell any particular security. There is no assurance that any of the securities noted will remain in the portfolio at the time you receive this presentation. It should not be assumed that any of the holdings discussed were, or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable. A complete list of all recommendations made by the firm is available upon request. Performance attribution and portfolio characteristics are calculated from the published daily holdings of the SPDR S&P 500 ETF Trust (Ticker: SPY), an exchange traded fund that seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500 Index. However, the performance and portfolio characteristics of SPY may deviate from the S&P 500 Index at any point in time. As of 1/1/2024, the Total Strategy ROE includes negative values, and also caps all ROE security values that are greater than 100 or less than -100. The targeted returns are forward-looking, do not represent actual performance, there is no guarantee that such performance will be achieved, and that actual results may vary substantially.

# Large Cap Core: Sector Weights

| SECTOR                 | LARGE CAP CORE | S&P 500 | Difference |
|------------------------|----------------|---------|------------|
| Consumer Discretionary | 9.62%          | 10.35%  | -0.73%     |
| Consumer Staples       | 5.92%          | 5.97%   | -0.05%     |
| Energy                 | 4.28%          | 3.95%   | 0.33%      |
| Financials             | 13.17%         | 13.16%  | 0.01%      |
| Health Care            | 12.52%         | 12.41%  | 0.11%      |
| Industrials            | 9.65%          | 8.80%   | 0.84%      |
| Information Technology | 28.64%         | 29.56%  | -0.92%     |
| Materials              | 2.88%          | 2.37%   | 0.51%      |
| Real Estate            | 1.80%          | 2.27%   | -0.47%     |
| Communication Services | 9.56%          | 8.95%   | 0.60%      |
| Utilities              | 1.97%          | 2.20%   | -0.23%     |

As of March 31, 2024. Based off a model portfolio, and does not include fees or expenses. Individual client results may vary. Past performance does not guarantee future results. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Portfolio characteristics and attribution are shown for a model portfolio of the referenced investment strategy and do not reflect an actual active, managed account. Portfolio characteristics and attribution may vary among actual accounts invested in the same investment strategy. ZCM believes the model portfolio closely resembles its intended strategy. Portfolio holdings and allocations are subject to change at any time without notice. Securities listed should not be considered a recommendation to buy or sell any security.

## Large Cap Core: Performance Disclosures

As of 3/31/2024

As of 3/31/2024 Ziegler Capital Management, LLC (aka ZCM) has been reorganized as part of F/m Investments, LLC. F/m Investments, LLC ("F/m"), is an investment adviser registered under the Investment Advisers Act of 1940.

| Year-End | Gross-of-Fees<br>Return | Net-of-Fees<br>Return | Benchmark<br>Return | Composite                  | Benchmark                  | Number of<br>Portfolios | Internal<br>Dispersion | Carve Out<br>Percentage | Composite<br>Assets<br>(USD millions) | Strategy<br>Assets<br>(USD millions) | Firm<br>AUM<br>(USD millions) | Firm<br>AUA<br>(USD millions) |
|----------|-------------------------|-----------------------|---------------------|----------------------------|----------------------------|-------------------------|------------------------|-------------------------|---------------------------------------|--------------------------------------|-------------------------------|-------------------------------|
|          |                         |                       |                     | 3 Yr. Ex Post<br>Std. Dev. | 3 Yr. Ex Post<br>Std. Dev. |                         |                        |                         |                                       |                                      |                               |                               |
| 2013     | 35.0%                   | 34.3%                 | 32.4%               | 12.9%                      | 12.1%                      | 5                       | N.A.                   | 0%                      | \$7                                   | \$474                                | \$4,321                       | \$162                         |
| 2014     | 13.6%                   | 12.9%                 | 13.7%               | 9.3%                       | 9.1%                       | <6                      | N.A.                   | 0%                      | \$4                                   | \$535                                | \$5,748                       | \$318                         |
| 2015     | 0.2%                    | -0.4%                 | 1.4%                | 11.1%                      | 10.6%                      | <6                      | N.A.                   | 0%                      | \$7                                   | \$377                                | \$9,781                       | \$605                         |
| 2016     | 11.7%                   | 11.0%                 | 12.0%               | 11.0%                      | 10.7%                      | 12                      | N.A.                   | 0%                      | \$23                                  | \$354                                | \$10,651                      | \$1,170                       |
| 2017     | 23.0%                   | 22.3%                 | 21.8%               | 10.3%                      | 10.1%                      | 11                      | 0.1%                   | 0%                      | \$21                                  | \$474                                | \$9,888                       | \$1,561                       |
| 2018     | -5.9%                   | -6.4%                 | -4.4%               | 11.8%                      | 11.0%                      | 43                      | 0.1%                   | 0%                      | \$260                                 | \$460                                | \$10,084                      | \$1,775                       |
| 2019     | 29.2%                   | 28.5%                 | 31.5%               | 13.1%                      | 12.1%                      | 40                      | 0.1%                   | 0%                      | \$286                                 | \$519                                | \$10,693                      | \$2,112                       |
| 2020     | 21.6%                   | 20.9%                 | 18.4%               | 19.5%                      | 18.8%                      | 37                      | 0.2%                   | 0%                      | \$334                                 | \$606                                | \$8,238                       | \$2,118                       |
| 2021     | 29.5%                   | 28.7%                 | 28.7%               | 17.7%                      | 17.4%                      | 37                      | 0.1%                   | 0%                      | \$378                                 | \$672                                | \$8,035                       | \$2,293                       |
| 2022     | -18.3%                  | -18.8%                | -18.1%              | 21.5%                      | 21.2%                      | 41                      | 0.1%                   | 0%                      | \$275                                 | \$482                                | \$6,383                       | \$1,734                       |

Ziegler Capital Management, LLC, doing business as ZCM, claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. ZCM has been independently verified for the periods 01/01/01-12/31/22. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Large Cap Core composite has had a performance examination for the periods 11/01/02-12/31/22. The verification and performance examination reports are available upon request. 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.

ZCM is a registered investment advisor that became a majority owned indirect subsidiary of 1251 Capital Group, Inc. that they acquired from Stifel Financial on March 27, 2020. ZCM was formed in 1991 and has grown significantly through strategic business combinations. Through these combinations, we have expanded our investment strategy offerings and broadened our portfolio management teams to best serve our expanding client base. ZCM's CEO changed in May 2021, and in February of 2023. Please refer to the firm's ADV Part 2 for additional disclosures regarding the firm and its practices. ZCM's definition of the firm used to determine the total firm assets and firm-wide compliance includes all fee-paying and non-fee-paying discretionary and non-discretionary assets under management, including accrued income, in all strategies. Assets under Advisement ("AUA"), in the form of model portfolios provided to other financial institutions, are excluded from our definition of the firm and are provided as supplemental information. Returns are calculated in U.S. dollars and reflect the reinvestment of dividends and other earnings. Past performance is no guarantee of future results. A list of broad distribution and limited distribution pooled funds is available upon request. To obtain a GIPS report or a list of our composite descriptions and/or policies for valuing investments, calculating performance, and preparing GIPS reports, please call (312) 368-1442 or send an e-mail to letters@zieglercap.com.

**Composite and Benchmark Description:** Large Cap Core is an actively managed equity strategy that applies a systematic approach combined with fundamental research to identify neglected, attractive stocks. Prior to January 1, 2018 the composite was named Large Cap Core Select 60. At this time, the composite was redefined to reflect the strategy employed. The benchmark is the S&P 500 Index. The S&P 500 index is widely regarded as a standard for measuring U.S. large capitalization stock market performance.

**Minimum Account Size:** The minimum account size for this composite is \$100,000. From 1/1/06-12/31/12 the minimum account size was \$250,000.

**Composite Creation and Inception Date:** The Large Cap Core composite creation and inception date is October 31, 2002.

**Significant Cash Flow Policy:** Beginning January 1, 2013, portfolios with significant cash flows are excluded from the composite. Cash flows of 10% or more are considered significant.

**Internal Dispersion:** The internal dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the period. If there are less than 6 portfolios in the composite for the entire year, the internal dispersion is not statistically meaningful and is presented as N.A. All risk measures are calculated using gross-of-fees returns.

**Fees:** Gross-of-fees returns are presented after trading expenses and before management fees. Net-of-fees returns are presented after the highest applicable model fee applied on a monthly basis. Prior to 1/1/12, fees were applied on a quarterly basis. The highest applicable model fee is 0.60%. Fees are calculated separately for each portfolio, and therefore, performance may differ from one portfolio to another. The effect of fees and expenses on performance will vary with the relative size of the fee and account performance. For example, if \$10 million were invested and experienced a 10% compounded annual return for ten years, its ending dollar value, without giving effect to the deduction of the advisory fee, would be \$25,937,425. If an advisory fee of 0.60% of average net assets per year for the ten-year period were deducted, the annual total return would be 9.37% and the ending dollar value would be \$24,489,624. The fee schedule is: 0.60% on the first \$25 million; 0.45% on the next \$25 million; and 0.30% on all additional assets.

**Other:** Strategy assets include all portfolios in the Large Cap Core strategies, even those portfolios that are excluded from the composites because of significant cash flows or for other reasons, and include non-wrap, wrap and UMA assets. This is presented as supplemental information.

## Disclosures

This review is for institutional advisory clients of F/m. The strategy review often expresses opinions about the direction of market, investment sector and other trends. The opinions should not be considered predictions of future results. The information contained in this report is based on sources believed to be reliable, but is not guaranteed and not necessarily complete.

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S&P 500 Index - The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

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