



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

## DAC Insights – The Case for Dividend Growth Investing

Regardless of how thorough the analysis or how accurate the economic forecasting, how well an investment performs on paper cannot compare to its performance in the real world. It's the difference between theory and reality. To that end, DAC's three-dimensional investment approach provides a more dependable, repeatable pattern of consistent performance, total returns, and, importantly, income growth for long-term investors.

### Our Proprietary Investment Philosophy 3-D Investing

Dividend Assets Capital ("DAC") was built on a pioneering, 40+ year legacy of dividend growth investing that we call the **3-D process... "Double-digit, Dividend Growth for a Decade or More."** We believe companies that pay and increase their dividends substantially and consistently, year after year, tend to perform uncommonly well for reasons beyond their dividends alone.

**At DAC, we believe in the power of long-term investment strategies. Our dividend growth investment philosophy, which spans a decade or more, is not just a preference, but a prerequisite for our portfolio of investment companies. This philosophy serves as a safeguard for our clients' investment portfolios, ensuring stability and consistent growth over time.**

For a company even to be considered for one of DAC's client portfolios, it must have a proven track record of:

1. **Consistent Dividend Growth** - This means that all of our investment companies must consistently raise their dividends, thereby demonstrating that they are capable of generating an increasing stream of income distributions for their shareholders each and every year.
2. **By Double Digits** - We invest exclusively in companies with economic strength and capital discipline to grow their dividends, on average, by at least 10% or more.
3. **For a Decade or More** - All of our investment companies must demonstrate the ability to consistently maintain this double-digit income growth for at least 10 years. Many of our investment companies have continued this growth for decades.

Once DAC has identified that a company meets this rigorous dividend criterion, our team of investment professionals begins the process of identifying and constructing a well-diversified portfolio of high-quality U.S. and international companies that offer a combination of earnings growth, cash flow sustainability, reasonable financial leverage, and consistently growing dividends. While many of these investments tend to be large, well-established companies with demonstrated competitive advantages, our Equity Strategy also offers the added diversification of investing in many small and mid-size companies as well.

<https://dacapitalsc.com/strategies/>

One benefit of our proprietary investment process is flexibility. As a boutique investment firm, we can customize any of our portfolios to meet a client's individual needs, whether that is higher income, tax considerations, or adjustments for risk tolerance.



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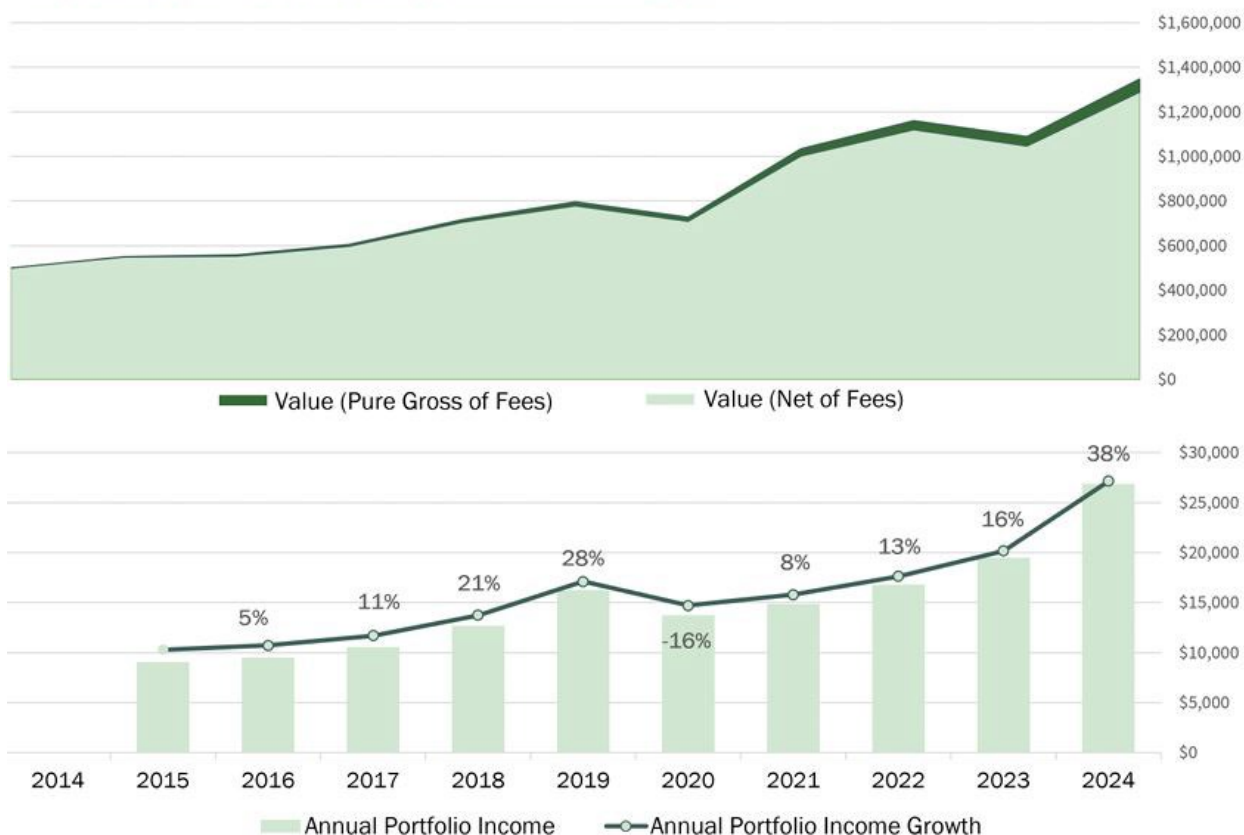
### Asset & Income Growth

Since its founding over 20 years ago, DAC has mastered the process of combining high-quality companies that pay sustainable and growing dividends into portfolios that provide at least two significant benefits for investors... long-term capital appreciation AND a rising stream of portfolio income. Most conversations about portfolio performance focus on total return. However, we believe income growth is an equally important investment outcome, and it is often both underappreciated and overlooked, even by experienced investment professionals.

Examining the results over the last decade of DAC's Equity strategy demonstrates how both outcomes can be achieved from a single investment approach. The chart below illustrates how a \$500,000 investment in a representative DAC Equity portfolio on 3/31/2014 grew to \$1,346,914 (\$1,288,885 net of DAC's management fees) over 10 years. With regard to income growth, the bar chart below shows how annual income increased in the same representative portfolio, from \$9,046 to \$26,847 over the same 10-year period, producing income at an average annual growth rate of 12.1% - well ahead of inflation.

<https://dacapitalsc.com/dac-insights-asset-and-income-growth/>

#### Hypothetical Growth of \$500,000 (10-years as of 03/31/2024)



#### Did You Know?

- According to Bloomberg data, as of 12/31/2023, 14,185 stocks were listed on U.S Stock Exchanges and domiciled in the U.S.
- Only 1,366—or less than 10%—of those stocks are expected to pay dividends over the next 12 months.
- Among those expected to pay dividends, only 158 companies, or just over 1% of all listed securities, are projected to deliver dividend growth rates at or higher than 10% annually over the next three years.



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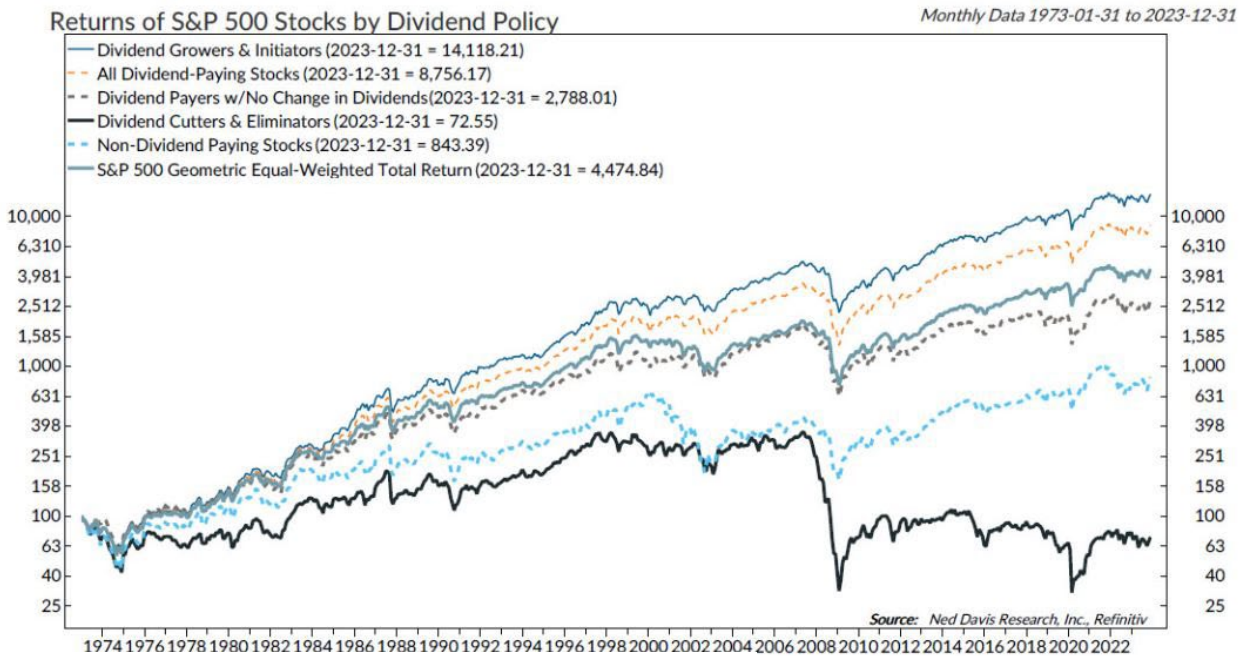
- Those 158 companies have an average market capitalization of \$55 Billion and an estimated expected dividend yield of 1.87% - about 37 bps higher than the current indicated yield of the S&P500® Index - because of this higher dividend growth.

<https://dacapitalsc.com/informed-dividend-investor-first-quarter-2024/>

**Historically, Dividends Remain One of the Best Indicators of Long-Term Stock Performance**

According to the most recent update from Ned Davis Research (12/31/2023), "Dividend Growers and Initiators" have outperformed all other dividend policies and the S&P 500® Equal-Weighted Index, continuing to demonstrate the power of compounding dividend growth. In fact, as the chart and table below demonstrate, over the past 50 years, dividend growers have continued to outperform both dividend-paying and non-dividend-paying stocks, along with the broader S&P 500® market index. Another highlight worth mentioning is the significant underperformance of dividend cutters or eliminators, which generated negative returns over the same period. Since dividends are a promise that a company makes to pay a percentage of its profits to shareholders, we view any reduction in dividend policy as a warning sign that a company is in a weakening financial position. For this reason, DAC adheres to a strict policy of removing any companies from our client portfolios that fail to raise, cut, or eliminate their dividend.

<https://dacapitalsc.com/informed-dividend-investor-first-quarter-2024/>



Source: Ned Davis Research, Inc. All rights reserved. Copyright© 2023.

Portfolio Performance Statistics		
Analysis Dates: 1973-01-31 - 2023-12-31		
Portfolio	Gain/Annum %	Growth of \$100
Dividend Growers & Initiators	10.2	14118.2
All Dividend-Paying Stocks	9.2	8756.2
Dividend Payers w/No Change in Dividends	6.8	2788.0
Dividend Cutters & Eliminators	-0.6	72.5
Non-Dividend Paying Stocks	4.3	843.4
S&P 500 Geometric Equal-Weighted Total Return	7.7	4474.8

Returns are based on a monthly equal-weighted geometric average of total returns of the S&P500® component stocks reconstituted monthly.



## **About DAC - At the Intersection of Wall Street and Main Street**

Founded by two Wall Street veterans who retired from their long careers to the heart of the South Carolina low country, our co-founders Tom Cameron, widely known as "the Grandfather of Dividend Growth Investing," and his Partner, Troy Shaver, quietly brought under one roof some of the most historically recognized and impactful investment philosophies in the world of wealth management. With a commitment to investing on behalf of friends and family, they developed DAC's "Double Digits for a Decade or More" (3-D) dividend growth philosophy.

Today, as an employee-owned boutique wealth management firm, DAC continues that legacy by collaborating with successful individuals and families, financial advisors, and institutional clients to simplify the complexities of wealth management. Our Firm's boutique size allows us to take a highly personalized approach to serving our clients while fostering open communication and providing peace of mind. We bring clarity, simplicity, and devotion to our work, helping successful families, advisors, and institutions set and achieve their financial goals so they may preserve what is meaningful to them, their families, and their communities.

## **Our Values**

We regard managing our clients' wealth as a privilege, and we are proud to build multigenerational, philanthropic, and institutional relationships based on transparency, trust, and mutual respect.

Please select the following link to review DAC's core values: <https://dacapitalsc.com/our-values/>

The information contained herein has been compiled from sources Dividend Assets Capital, LLC ("DAC") believes to be reliable, but no warranty, expressed or implied, is being made that the information is complete or accurate. DAC makes no guarantee that the objectives associated with a particular strategy will be achieved, will equal past performance, or will be profitable. Different types of securities and/or strategies involve varying degrees of risk and have the potential for profit or loss.

Historical performance results generally do not reflect the deduction of transaction and/or custodial charges. The "Pure Gross of Fees" performance results shown in this hypothetical illustration are calculated gross of all fees. The "Net of Fees" value reflects the deduction of DAC's investment management fee charged to the "Representative Portfolio" for the DAC Equity strategy composite (.45% (45 Bps) annually). The inclusion of transactions, custodial and/or advisory fees, and other expenses will reduce actual returns.

Dividend Assets Capital, LLC is a Registered Investment Adviser with the U.S. Securities and Exchange Commission. Registration does not imply any specific level of skill or training. Before investing, you should carefully consider the investment objectives, potential risks, management fees, and charges and expenses. The Firm's Investment Adviser Brochure, Form ADV Part 2, contains this and other information about the Firm and should be read carefully before investing. You may obtain a current copy of DAC's Form ADV Part 2 by visiting our website at <https://dacapitalsc.com/>, emailing [info@DACapitalSC.com](mailto:info@DACapitalSC.com), or by calling us at (866) 348-4769. Additional information about Dividend Assets Capital, LLC is also available on the United States Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number known as a CRD. DAC's CRD is 129973.