FOURTH QUARTER 2022

Dividend Growth Premium Income Commentary

December 31, 2022

4Q MARKET REVIEW

The fourth quarter of 2022 capped off a challenging year in the capital markets as investors continued to grapple with the impact of inflation and central banks globally raising interest rates. The optimist would suggest that at least stocks and bonds both had positive returns for the quarter as the large cap Russell 1000® Index returned 7.23% for the quarter and the small cap Russell 2000® Index returned 6.20%. When looking at the entire year, however, large cap returned -19.14% and small cap was at -20.46%. The divergence in equity returns was most striking, however, when comparing the growth style of investing to value. For the fourth quarter, the Russell 1000 Growth Index was up 2.19% while the Russell 1000 Value Index returned 12.40%. Taken over the entire year, growth returned -29.14% and value returned -7.56%.

In fixed income, investors were left to guess just how far the Federal Reserve (Fed) would go in hiking rates to combat an ugly inflation environment. During the course of the year, the Fed increased the Fed Funds rate from 0.25% to 4.50%, and it still has not finished tightening. The bond market responded by increasing the 10-year U.S. Treasury (UST) yield from 1.51% to 3.87%. The shorter 2-year UST yield moved from 0.78% to 4.40%, leaving the yield curve inverted, which historically signaled that a recession is on the horizon. When the dust finally settled, it left the U.S. bond market, as measured by the Bloomberg U.S. Aggregate Bond Index, with a -13.01% return for the year. For the fourth quarter, however, the Index did manage a positive 1.87% return.

Moving into 2023, plenty of uncertainty remains as it relates to how far the Fed will increase rates to get inflation under control. With that being said, we believe the terminal Fed Funds rate will end up in the 5%-5.5% range. If this is the case, 2023 could end up being a positive year for fixed income. While a lot of steam has been taken out of the equity market, we still believe valuations are somewhat stretched and are keeping an eye on earnings guidance for 2023. If earnings downgrades do materialize, equities could struggle during the first part of the year. We believe value stocks will continue to outperform growth and expect to redeploy more capital into equities when valuations become more attractive.

DIVIDEND GROWTH PREMIUM INCOME PORTFOLIO REVIEW

The Dividend Growth Premium Income Composite (Composite) returned 11.74%, gross of fees, for the quarter ending December 31, 2022. The strategy's benchmark, the S&P 500® Index, returned 7.56% during the same time period.

As the Fed and other central banks continued to raise interest rates to combat higher inflation, investors focused on the data pointing to the cooling of price levels in the U.S. and remained unconvinced that the Fed would continue its path of rate increases, considering the heightened probability of a recession. As a result of this dichotomy, effective monetary conditions loosened in 4Q, leading to positive stock returns in the quarter.

Easier financial conditions, however, did not help the long duration stocks with value outperforming growth and international equities outperforming U.S. equities, dragging down U.S. large cap technology, communications services, and discretionary names. The cyclically oriented parts of the market, such as energy, industrials, materials, and financials, were the best performers in Q4.

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STRATEGY INFORMATION

Benchmark	S&P 500® Index
Business Minimum	$1M
Number of Holdings	49
Assets	$15.42M

PORTFOLIO MANAGEMENT TEAM

Julia Batchenko, CFA
Senior 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

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Our underweight and security selection in the discretionary and technology sectors as well as the underweight of the communications services sector were the largest contributors to performance.

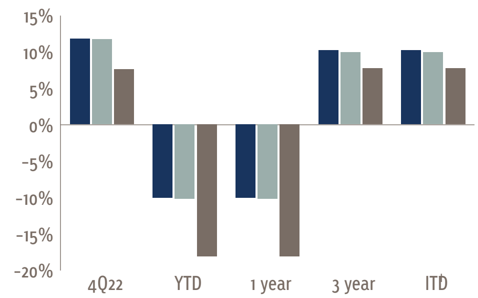
Our security selection in the industrials sector, overweight of the REITs sector, and security selection in the utilities sector were the largest detractors.

DIVIDEND GROWTH PREMIUM INCOME POSITIONING & OUTLOOK

While most of the aggressive rate moves by the Fed have likely been made, we believe rates will stay higher for longer to tame persistent albeit abating levels of inflation. Q4 earnings release and, most importantly, forward guidance should provide more clues on the impact of the rate increases to the U.S. economy and corporate profits. Money growth's collapse could have a very negative effect on corporate profits in 2023. Employment continues to be tight, however, the U.S. consumer is slowing down spending in the face of higher prices.

We continue to favor value over growth and believe selection within sectors will be more important this year. Companies with pricing power and stable cash flows that trade at reasonable valuations are most attractive.

PERFORMANCE



	Composite Gross	Composite Net	Index*
4Q22	11.74%	11.69%	7.56%
YTD	-10.04%	-10.23%	-18.11%
1 year	-10.04%	-10.23%	-18.11%
3 year	10.13%	9.90%	7.65%
ITD†	10.13%	9.90%	7.65%

†Inception Date 1/1/2020
Periods greater than 12 months are annualized
*S&P 500® Index
Source: Bloomberg, Clearwater Analytics

DISCLOSURES

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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 U.S. $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.

The Dividend Growth Premium Income Composite includes all fully discretionary institutional portfolios that invest in common stocks with market capitalization of $2 billion and higher and a dividend yield of at least 1%. The Composite was created January 1, 2020. The inception date of the Composite was January 1, 2020.

Benchmark Definition: The Standard & Poor's 500 Index (S&P 500 Index) is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

Index Definitions: The Bloomberg U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The Russell 2000 Index 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 Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 90% of the total market capitalization of that index. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

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.

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RCIM-2022-12