# Equity Income

## Portfolio Update: First Quarter 2025

During the quarter ending March 31, 2025, the Equity Income Composite (the "Strategy") returned +2.43% gross of fees, +2.31%, net of fees, compared to +2.14% return for the Russell 1000® Value Index (the "Benchmark").

| | 3 Months | YTD | 1 Year | 3 Years | Since Inception |
|---|---|---|---|---|---|
| Equity Income (Gross) | +2.43% | +2.43% | +10.39% | +8.55% | +8.93% |
| Equity Income (Net of IM fees) | +2.31% | +2.31% | +9.79% | +8.00% | +8.37% |
| Equity Income (Net of IM & WM Fees) | +2.06% | +2.06% | +8.72% | +6.95% | +7.31% |
| Russell 1000® Value Index | +2.14% | +2.14% | +7.18% | +6.64% | +5.87% |

*Inception date: December 31, 2021. Performance for periods greater than one year is annualized. Please see important disclosures at the end of this document. Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. Data as of March 31, 2025. Investment management (IM) fees are charged for managed investment accounts, is intended to compensate the portfolio managers for their time and expertise for selecting investments and managing the specific strategy as well as other items, such as investor relations expenses and the administration costs. Wealth management (WM) fees are charged to cover the construction and management of a portfolio and the holistic wealth management services that a client has chosen beyond their investments including, but are not limited to, estate planning, tax strategies (and related services), risk management, financial planning, retirement planning, investment advice, and insurance/banking oversight services. These fees vary by client and for this presentation the highest possible wealth management fees has been applied in these calculations.*

The weighted yield of the Strategy was 2.9%. This compares to the dividend yield of the Russell 1000® Value benchmark of 2.1% and the S&P 500 yield of 1.3%. Over the long-term, we believe the Strategy will maintain a total dividend yield roughly 1x – 2x the S&P 500 dividend yield (currently 2.2x).

Income during the quarter included regular dividends from every stock that was held in the Strategy for the duration of the quarter except Berkshire Hathaway (BRK.B), which does not pay a dividend. Year-over-year, three stocks maintained existing dividend policies: Dow Inc. (DOW), Huntington Bancshares Inc. (HBAN), and International Paper Co. (IP). The remaining stocks raised regular dividends by an average of 6.9% compared to the prior year. Dividend income contributed 0.8% of total return in the quarter.

US equity markets came into the year with a high bar for success after two consecutive years of 20%+ returns. Accordingly, the S&P 500 retraced some of those gains in the first quarter. Technology and Consumer discretionary stocks were hit the hardest, while defensive sectors like consumer staples, healthcare, and utilities were up in the quarter. This presents itself as "value" outperforming "growth" and can be observed in the returns of the Russell 1000® Growth Index declining -10.0% compared to the Russell 1000® Value index increasing 2.1%.

In January, a Chinese AI outfit, DeepSeek, released a surprisingly efficacious AI model while claiming to use much less in the way of compute power (costing much less and using less energy). While leading edge AI would still require leading edge chips, DeepSeek's open-source nature and much lower cost shocked markets and called into question whether the U.S. and leading companies have sustainable competitive advantages and whether the capital expenditure arms race could sustain pace. Investors used this shock as a catalyst to sell mega-cap tech stocks. Meta, (who's open-source Llama model was used by DeepSeek) was the only one of the Magnificent 7[1] that wasn't down double-digits.

It would be an understatement to say that changes in Washington influenced markets during the quarter. In his first days in office, President Trump made it clear that tariffs were going to be an important tool for reducing the trade deficits with our trading partners, including Mexico and Canada and especially China. This began by declaring a national emergency

[1] The "Magnificent 7" refers to the following stocks: Apple Inc. (AAPL), Microsoft Corp. (MSFT), Alphabet Inc. (GOOG), Amazon.com Inc. (AMZN), Tesla Inc. (TSLA), Meta Platforms Inc. (META), and NVIDIA Corp. (NVDA).

related to Fentanyl trafficking and undocumented immigration. There were retaliations, escalations, postponements, and exemptions, but by March, Trump was focused on promoting April 2nd as "Liberation Day" when "reciprocal" tariffs would be announced. Even in advance of these tariff details, companies, consumers, and investors began adjusting expectations and behaviors in anticipation of the changes. It is worthwhile to mention that the shift towards fiscal policy and executive orders has taken the spotlight off of monetary policy. That continued into the second quarter, but investors are closely watching how the Fed will respond to the impacts on inflation and employment, which could face the unusual tension of slowing economic growth and rising prices (stagflation).

Consumer staples, Energy, Communication Services, Healthcare, Financials, and Technology sectors each positively contributed to returns. Real estate, Consumer Discretionary, Materials, and Industrials detracted from results.

## Contributors and Detractors

Philip Morris International Inc. (PM) was a positive contributor to performance. Philip Morris is one of the world's leading tobacco companies that is undergoing the biggest shift in the company's history. PM is progressing towards its vision of achieving a smoke-free future and succeeding in its strategy to dominate the market for reduced-risk nicotine products. The company has a goal of generating more than 2/3 of its total revenues from smoke-free products by 2030. These products are safter and more profitable than combustible products. Growth in heated tobacco and nicotine pouches (i.e. Zyn) are helping to drive positive volume growth in the face of secular decline in cigarette volumes. PM is targeting 6-8% revenue growth and 9-11% annual earnings growth through 2026. PM finished the quarter with a 3.4% dividend yield.

**Equity Income**
**FIRST QUARTER 2025 CONTRIBUTION REPORT**
*Ranked by Basis Point Contribution*

| | Basis Point Contribution | Average Weight |
|---|---|---|
| **Top Contributors** | | |
| Philip Morris International Inc. | +124 | 4.46% |
| Berkshire Hathaway Inc. | +63 | 3.83% |
| Verizon Communications Inc. | +59 | 4.23% |
| RTX Corp. | +59 | 4.26% |
| Johnson & Johnson | +57 | 3.87% |
| **Bottom Detractors** | | |
| Hubbell Inc. | -68 | 3.16% |
| Federal Realty Investment Trust | -57 | 4.36% |
| Target Corp. | -50 | 1.98% |
| Merck & Co. Inc. | -39 | 4.09% |
| BlackRock Inc. | -30 | 3.94% |

*Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy. Holdings listed might not have been held for the full period. To obtain a copy of RMB Asset Management's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.*

Berkshire Hathaway Inc. (BRK.B) was a positive contributor to performance. BRK.B is a conglomerate with a concentration in insurance. Insurance stocks, which can be defensive in some environments, performed relatively well in the first quarter in what was a relatively soft equity market environment for US stocks. Berkshire reported strong fourth quarter results, driven by its insurance underwriting results. The key GEICO unit profitability improved and policies in force (PIF) turned the corner toward growth. As noted above, Berkshire Hathaway is the only stock in the portfolio that does not currently pay a dividend.

Hubbell Inc. (HUBB) was a detractor this quarter. Hubbell manufactures electrical and utility equipment that has been benefiting from investments in the electrical grid, transmission and distribution, and datacenter growth. The company is experiencing some softness in telecom markets and facing channel destocking in some of its utility businesses. This drove a slight miss on revenue growth relative to expectations. Margin expansion remains impressive and has been a critical component of our investment thesis. Shares first started to weaken on the DeepSeek announcement, implying that Hubbell has been designated part of the "AI trade," despite the small percentage of sales tied to datacenters. Hubbell ended the quarter with a 1.6% dividend yield.

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Target Corp. (TGT) detracted from performance in the quarter. Target is one of the largest U.S.-based retailers, operating over 1,900 stores across the country. The quarterly results reflected continued weakness in higher-margin discretionary spending, as shoppers remained cost-conscious, favoring lower-margin essentials. Early indications of a soft start in the first quarter led to FY25 guidance that was below street consensus expectations, with management expecting flat sales and EPS growth relative to 2024. Target ended the quarter with a 4.2% dividend yield.

## Portfolio Activity

Our goal is to keep turnover "low, but healthy," as stocks compete for a place in the portfolio. During the quarter, we used the market volatility to put to work some of the cash balance that was on the sidelines. We invested additional capital in existing holdings Danaher Corp. (DHR), Dow Inc. (DOW), Johnson & Johnson (JNJ) and Merck & Co. Inc. (MRK).

There were no new companies added to the portfolio during the quarter. Similarly, there were no companies sold to zero.

## Outlook

The near-term outlook is cautious given the likely behavior of companies and consumers in the face of heightened uncertainty. As Q1 earnings results and conference calls begin, we expect many companies to reduce, widen, or remove 2025 earnings guidance. We expect companies to slow capital allocation decisions such as capital expenditures and mergers & acquisitions. Consumers may pull forward some purchases in advance or tariffs or defer purchases and tighten their belts. The likelihood of a recession has increased dramatically. Investors tend to pay a premium for greater visibility, predictability and growth, all of which have likely decreased. Unlike the onset of the COVID-19 pandemic or the Great Financial Crisis, the forward path can change with the stroke of a Sharpie or a social media post. We saw some of this volatility shortly after quarter-end when President Trump delayed the reciprocal tariffs by 90days, likely in response to an increasingly adverse stock market and higher treasury yields. We remain cautious and aware that delays and deferrals help with the magnitude of the disruption, but do not negate the risks.

Longer-term, we believe this may be a turning point in the global economic order. The U.S. has benefited from the U.S. dollar as a reserve currency, access to global markets, and influence over global institutions. Through the benefits of comparative advantage, globalization delivered low-cost goods to US manufacturers and consumers at the expense of domestic manufacturing jobs. The costs of globalization became increasingly apparent as the wealth gap widened to the highest levels since the 1920s. The disruptions from the COVID-19 pandemic revealed the fragility of tight global supply chains. The Russian invasion of Ukraine shed light on the strategic benefits of producing some essential goods locally (defense, steel, pharmaceuticals, etc.). Retreating globalization began years ago, but the pace of the current transformation is accelerating.

The magnitude of the changes occurring may lead to a more rapid evolution of winning and losing companies. Companies adapting to the changing competitive environment will likely outperform those that are either stuck on the status quo or have more structural impediments to change. This should create opportunities for active investors like us to differentiate performance vs. the indexes and the passive investors that follow them.

Rather than worrying about what we cannot control, we focus on identifying companies that we believe can beat market expectations for growth and returns on capital. Economic cycles, interest rates, and investor preferences all influence short-term absolute and relative performance. Over the long-term, we believe that investing in high quality companies that create value for shareholders and distribute a portion of that cash flow in the form of dividends can result in long-term shareholder returns that beat the overall market.

# Equity Income

Thank you for your confidence in the team and the Strategy. If you have any questions, please do not hesitate to contact us.

Sincerely,

John O'Connor, CFA
Portfolio Manager

| TOP TEN HOLDINGS AS OF 3/31/25 | |
|---|---|
| **Company** | **% of Assets** |
| Philip Morris International Inc. | 5.00% |
| Verizon Communications Inc. | 4.59% |
| RTX Corp. | 4.46% |
| Johnson & Johnson | 4.37% |
| JPMorgan Chase & Co. | 4.21% |
| Berkshire Hathaway Inc. | 4.20% |
| Federal Realty Investment Trust | 4.08% |
| Merck & Co. Inc. | 4.03% |
| International Business Machines Corp. | 3.80% |
| BlackRock Inc. | 3.79% |

*Holdings are subject to change. Past performance is not indicative of future results, and there is risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.*

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An investment cannot be made directly in an index. The index data assumes reinvestment of all income and does not bear fees, taxes, or transaction costs. The investment strategy and types of securities held by the comparison index may be substantially different from the investment strategy and types of securities held by the strategies. The benchmarks are shown for comparison purposes and are fully invested and include the reinvestment of income. The Russell 2000® is a subset of the Russell 3000® Index, representing about 8% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500® is a subset of the Russell 3000®, including approximately 2500 of the smallest securities based on their market cap and current index membership. The strategies include small- to mid-cap equity portfolios. The strategies may target investments in companies with relatively small market capitalizations (generally between $500 million and $10 billion at the time of initial purchase), that are undervalued as suggested by RMB Capital's proprietary economic return framework. The S&P 500 is widely regarded as the best single gauge of the United States equity market. It includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 focuses on the large cap segment of the market and covers approximately 75% of U.S. equities. The Russell 2000® Value Index tracks the performance of companies with lower price-to-book ratios, which shows a company's market price relative to its balance sheet. The Russell 2000® Growth Index is a subset of companies with higher price-to-book ratios, or those expected to have higher growth values in the future.

**Basis Point (bps)**: A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

# Equity Income

**RMB Asset Management**

Equity Income Composite // GIPS Report

**Organization** | Curi RMB Capital, LLC ("Curi RMB Capital") is an independent investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 and established in 2005. The GIPS firm is defined as RMB Asset Management ("RMB AM"), a division of Curi RMB Capital. Previously, the firm was defined as RMB Capital and was redefined on January 1, 2016, to only include the asset management business due to the difference in how its investment strategies and services are offered. RMB AM claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. RMB AM has been independently verified for the periods April 1, 2005 through December 31, 2022. The verification report(s) is/are available upon request. 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. Verification does not provide assurance on the accuracy of any specific performance report.

**Description** | The Equity Income Strategy reflects the performance of fully discretionary equity accounts, which have an investment objective of dividend income and capital appreciation using a portfolio of primarily U.S. stocks with market caps > $2 Billion and for comparison purposes is measured against the Russell 1000® Value Index. The inception date of the Equity Income Composite is December 31, 2021 and the Composite was created on December 31, 2021. Valuations and returns are computed and stated in U.S. Dollars.

**ANNUAL PERFORMANCE RELATIVE TO STATED BENCHMARK**

| | | ***Composite Assets*** | | ***Annual Performance Results*** | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year End | Total Firm Assets as of 12/31 ($M) | USD ($M) | # of Accounts Managed | Composite Gross-of-Fees (%) | Composite Net-of-Fees (%) | Russell 1000® Value (%) | Composite 3-YR ST DEV (%) | Russell 1000® Value 3-YR ST DEV (%) | Composite Dispersion (%) |
| 2023 | 6,235.5 | 167.4 | 455 | 7.10 | 6.57 | 11.46 | N/A | 16.51 | 0.38 |
| 2022 | 5,228.7 | 89.0 | 265 | 2.38 | 1.87 | -7.54 | N/A | N/A | N/A |

** Composite dispersion is reported as N/A when the information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.*

***Fees*** | *Effective March 2, 2022, Curi RMB Capital's management fee schedule for this Composite is as follows: 0.50% on the first $1.0 million, 0.5% on the next $2.0 million, 0.475% on the next $2.0 million, 0.45% on the next $5.0 million, 0.425% on the next $15.0 million, and 0.400% over $25.0 million. Net returns are computed by subtracting the highest applicable fee (0.50% on an annual basis) on a quarterly basis from the gross composite quarterly return, and the resulting quarterly net figures are compounded to calculate the annual net return. Actual management fees charged by Curi RMB Capital may vary. Composite performance is presented on a gross-of-fees and net-of-fees basis and includes the reinvestment of all income. Gross-of-fees returns means it is net of transaction costs but gross of asset management fees and custodian fees. The payment of actual fees and expenses would reduce gross returns. The compound effect of such fees and expenses should be considered when reviewing gross returns. The composite includes accounts that pay asset-based pricing for trading expenses. The maximum fee is 15 basis points per year; however, many accounts pay lower amounts due to household break-point relief. In addition to a management fee, some accounts pay a wealth management fee based on the percentage of assets under management to Curi RMB Capital. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the Composite the entire year. Risk measures presented are calculated using gross-of-fees performance. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.*

***Minimum Value Threshold*** | *There is $100,000 account minimum for the Equity Income composite.*

***Comparison with Market Indices*** | *Curi RMB Capital compares its Composite returns to a variety of market indices such as the Russell 1000® Value Index. The index represents unmanaged portfolios whose characteristics differ from the Composite portfolios; however, it tends to represent the investment environment existing during the time period shown. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected and historical growth rates. An investment cannot be made directly in an index. The returns of the index do not include any transaction costs, management fees, or other costs. The investment strategy and types of securities held by the comparison index may be substantially different from the investment strategy and types of securities held by your account in the Composite. Benchmark returns presented are not covered by the report of independent verifiers.*

***Other*** | *Past performance is no guarantee of future performance. Historical rates of return may not be indicative of future rates of return. Individual client performance returns may be different than the composite returns listed. 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. A list of Composite Descriptions and a list of Broad Distribution Pooled Funds are available upon request.*