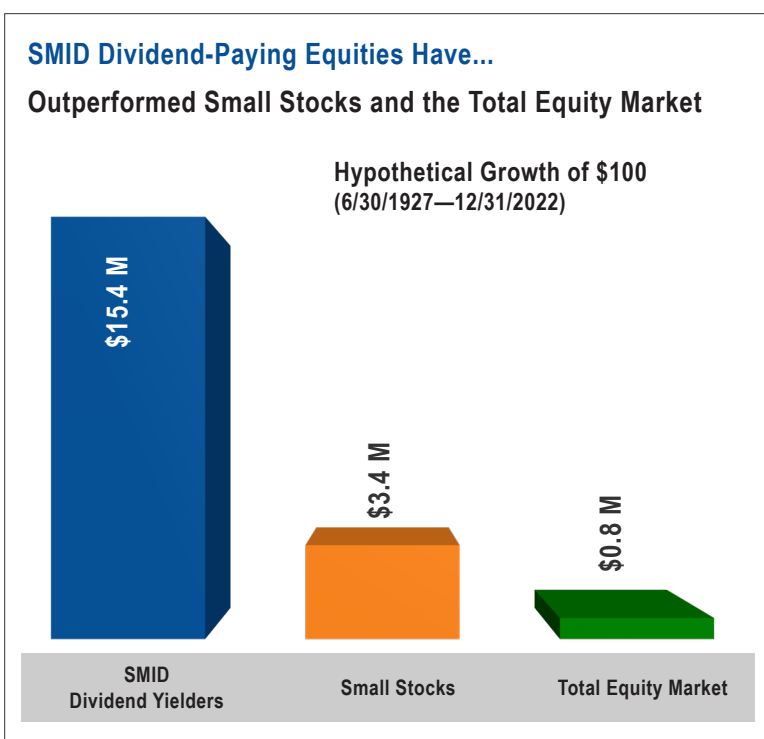


Small / Mid Cap, Dividend-Paying Equities

Small/mid capitalization (SMID) equities are often thought of as a higher risk, more volatile asset class, but one that has the potential to provide robust returns over the long-term. But what about those SMID companies that are profitable and likely to pay dividends? These companies represent a sub-set of the broad SMID market and we believe represent a compelling opportunity that is often overlooked by investors. As illustrated below, since 1927 SMID dividend-paying stocks outperformed both the broad small cap market as well as the total equity market, while producing more favorable risk characteristics than those of solely small cap stocks. Furthermore, profitable companies in the Russell 2500 Index have outperformed unprofitable companies in all but two calendar years since 2005 (see following page).



SMID Dividend-Paying Equities Have...
Exhibited Strong Risk-Adjusted Characteristics (6/30/1927—12/31/2022)
Provides potential diversification benefits to a portfolio

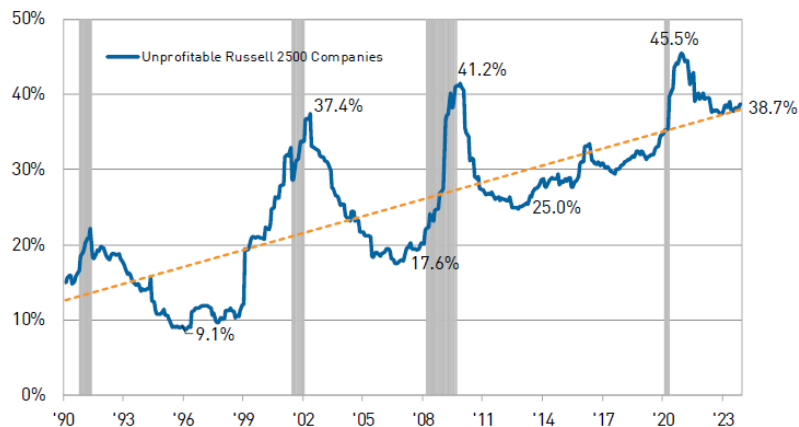
	SMID Dividend Yields	Small Stocks	Total Equity Market
... Higher Total Return than the Broad Small Cap Market and Total Equity Market (6/30/1927—12/31/2022)			
Annualized Total Return	13.3%	11.6%	9.8%
... Lower Beta than Broad Small Stocks with Volatility Closer to the Total Equity Market			
Beta*	1.03	1.34	1.00
Volatility (Standard Deviation)	21.3%	28.7%	18.6%
... Compelling Risk-Adjusted Characteristics			
Sharpe Ratio	0.54	0.40	0.43
Annual Alpha*	3.4%	1.0%	0.0%

* Calculated vs. the Total Equity Market.
 See reverse for definitions and additional important information.

Source: Ken French's Website - <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/index.html>; **Past performance does not guarantee future results.** Total Equity Market is representative of US public equity securities listed on the NYSE, AMEX or NASDAQ exchange; Small Stocks is representative of US public equity securities with a market capitalization in the bottom 30% (excluding REITs) of the NYSE and includes all NYSE, AMEX, and NASDAQ stock that fit the market cap criteria; SMID Dividend Yields is representative of companies with a dividend yield in the middle 40% of dividend payers with a market capitalization in the bottom 50% of the NYSE (excluding REITs) and includes all NYSE, AMEX, and NASDAQ stocks that meet these criterion, all three indexes are reconstituted annually in June. Monthly returns are calculated on a value-weighted basis. The reinvestment of dividends, interest, capital gains and withholding taxes are all built into the hypothetical analysis. Information sourced from third party. For illustration purposes only.

All investments involve risk; principal loss is possible. There are no guarantees that a company will pay or continually increase its dividends. SMID companies may be more vulnerable to adverse issuer, market, political, or economic developments than securities of large-capitalization companies. Smaller-capitalization companies generally trade in lower volumes and are subject to greater and more unpredictable price changes.

The Rise of Unprofitable Index Constituents Percentage of the Russell 2500® Index That Has Not Earned a Profit



- As of 12/31/23, 38.7% of companies in the Russell 2500® Index were unprofitable versus the long-term average of 25.3% (12/31/1989—12/31/2023).
- Recessions aside, profitless companies in the Index have been trending higher over the last several decades.

Source: All data from Strategas Research, Inc. © Copyright 2024 Strategas Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. All data based upon available company data. Unprofitable is defined as not earning a financial gain after accounting for business expenses over the previous four quarters. Expenses include the explicit costs of doing business, such as operating expenses, depreciation, interest and taxes, according to generally accepting accounting principles (GAAP).

Profitable Companies in the Russell 2500® Index Have Outperformed Unprofitable Companies (Calendar Year Total Return %)

Calendar Year	Profitable Companies	Unprofitable Companies	Russell 2500 Index
2005	10.31%	-5.75%	8.10%
2006	17.17	8.81	16.17
2007	3.91	-15.11	1.39
2008	-32.15	-54.22	-36.79
2009	31.40	40.54	34.40
2010	27.63	21.03	26.71
2011	-0.03	-18.90	-2.51
2012	18.30	15.76	17.88
2013	36.77	36.36	36.80
2014	8.16	1.64	7.08
2015	-0.08	-16.38	-2.90
2016	19.95	7.23	17.57
2017	18.52	8.76	16.82
2018	-9.54	-12.50	-10.00
2019	28.74	24.95	27.77
2020	13.43	35.73	19.99
2021	26.34	14.19	18.18
2022	-11.98	-39.19	-18.37
2023	19.42	10.50	17.42
Cumulative Total Return	635%	100%	481%

Annual total returns, unless otherwise noted. **Past performance does not guarantee future results, all results are hypothetical.** The profitable Russell 2500 consists of only companies with positive earnings over the previous twelve-month period in the Russell 2500. The profitable tranche is rebalanced quarterly based on trailing twelve-month (TTM) earnings in the Russell 2500. The profitable Russell 2500 return figures are calculated as a cap-weighted, float-adjusted index. All results are hypothetical, and the results are not based on an actual portfolio and the interpretation of the results should take into consideration of the limitation inherent in the results of the model.

This often overlooked asset class has the potential to provide investors with the growth attributes of SMID stocks in addition to the potential benefits of dividend income.

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Annual Alpha refers to excess returns earned on an investment above the benchmark return over a one-year period. **Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A beta of 1 indicates that the security's price moves with the market. A beta of less than 1 means that the security is theoretically less volatile than the market. A beta of greater than 1 indicates that the security's price is theoretically more volatile than the market. **Russell 2500® Index** measures the performance of the small to mid-cap segment of the U.S. equity universe. It includes approximately 2500 of the smallest securities based on a combination of market cap and current index membership. The Russell 2500® Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set. **Sharpe Ratio** is a measure for calculating risk-adjusted returns. The Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. The higher the Sharpe ratio, the better the risk-adjusted performance has been. **Standard deviation** (volatility) is calculated as the square root of variance by determining the variation between each data point relative to the mean.

It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees or expenses. Returns shown are not indicative of any AAM product.

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