



LITTLE  
HOUSE  
CAPITAL

# Dividend Income +

September 30, 2023

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# Table of Contents

## Organization

The LHC Difference  
Firm Facts

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## Investment Methodology

Philosophy  
Process Overview  
Research Approach  
Portfolio Construction  
Risk Management  
Sell Discipline

---

## Portfolio

Structure  
Team  
Characteristics  
Performance  
Current Positioning

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## Appendix

Biographies  
Fee Schedule  
Contact Information

# The Little House Difference

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We embrace innovation, challenge conventional wisdom and strive to deliver strong investment results for our clients.



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# FIRM FACTS

## History

- Team history dates back to 2010
- Little House Capital was founded in 2017 to offer proprietary investment strategies and products
- Firm's mission is to deliver industry-leading client experience with technology-focused solutions
- Firm is 100% employee-owned

## Experience

- Senior investment team professionals average over 30 years of industry experience
- Leverage collective expertise in overseeing and managing large mutual funds and asset pools
- Demonstrated security selection and top-down expertise

## Clients

- Foundations and Endowments
- Family Offices
- Pension Plans
- High Net Worth Individuals



# Investment Methodology

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# INVESTMENT PHILOSOPHY

## Our Objectives

Competitive risk-adjusted returns with less downside risk

Diversified exposure to high-quality, well-capitalized companies

Sustainable and improving business fundamentals

## Our Beliefs

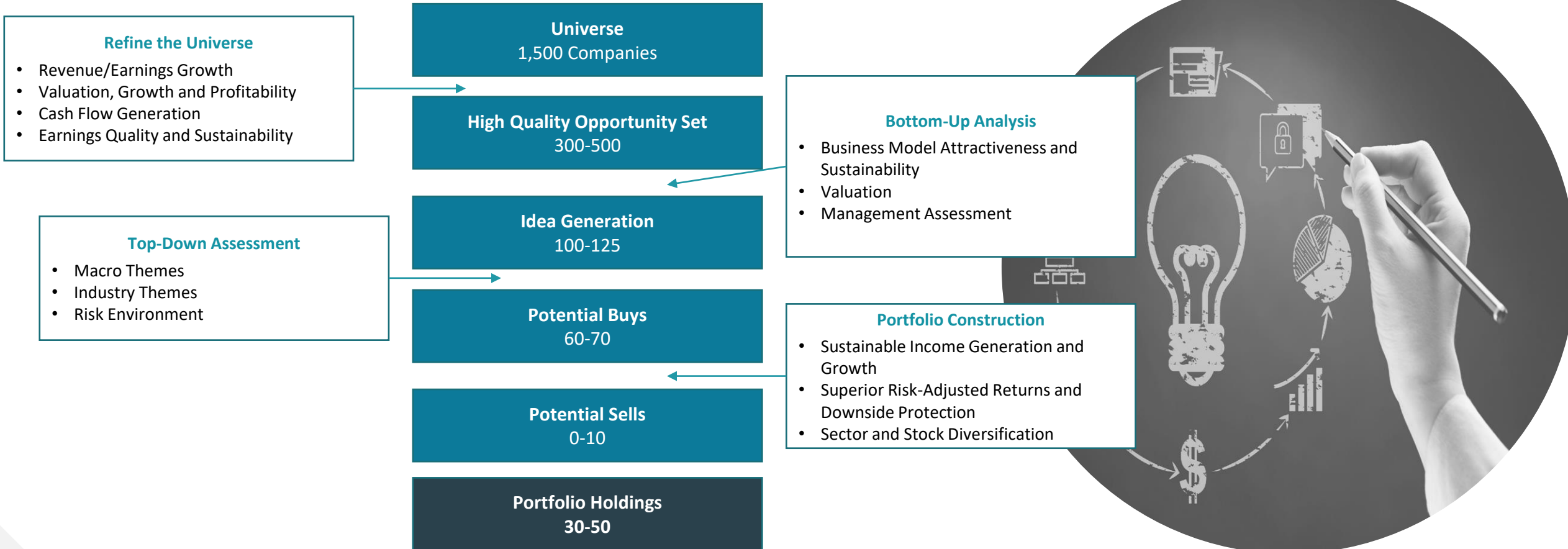
In the short-term, equity prices are heavily influenced by changing investor sentiment

In the long term, equity share prices reflect the value of cash flows and economic profits

Markets evolve and require a nimble, actively managed approach to portfolio construction

Irrational market behavior creates opportunities for disciplined, fundamentally oriented, investors

# INVESTMENT PROCESS: Overview



# INVESTMENT PROCESS: Refine Universe

## Profitability

Improving returns on Capital

## Growth

Revenue growth in expanding markets

## Valuation

Fair-value range

## Earnings Quality

Financials depict economic reality



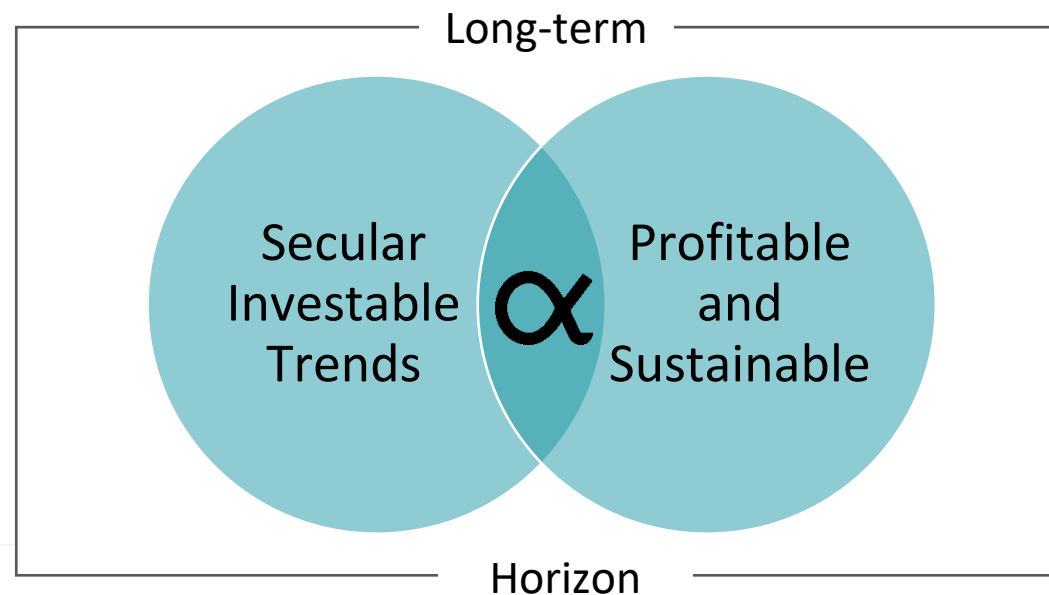
Universe

High-Quality Opportunity Set

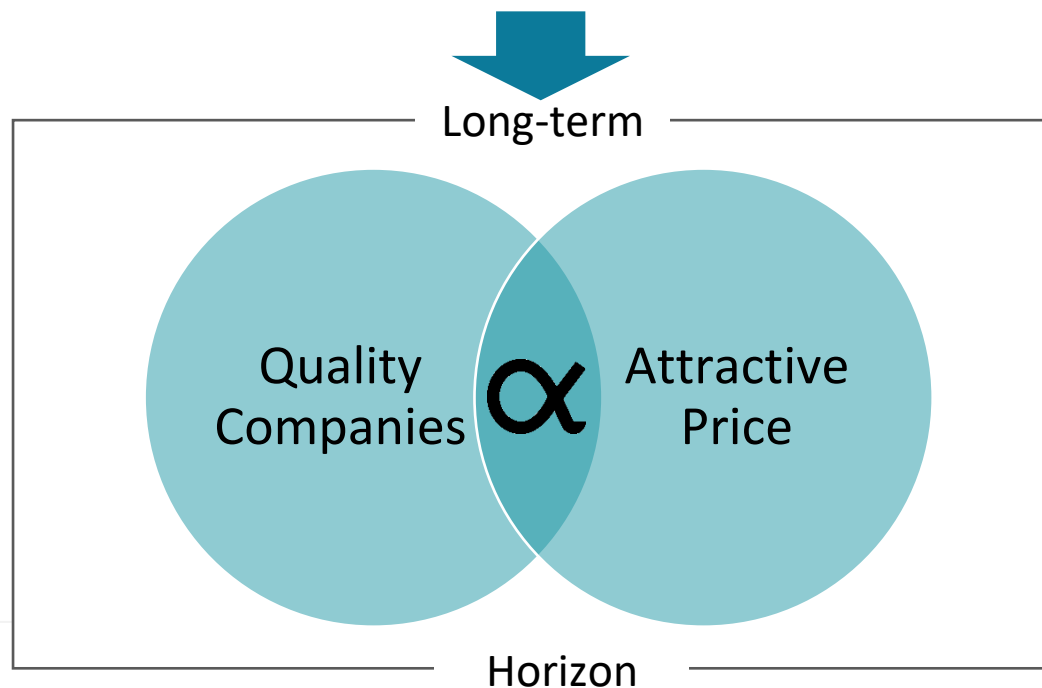




# INVESTMENT PROCESS: Top-Down Assessment



# INVESTMENT PROCESS: Bottom-Up Analysis



# INVESTMENT PROCESS: Portfolio Construction

Buy, Sell, Trim Decisions

Portfolio Holdings



## OBJECTIVES:

### **Improve Risk/Reward Profile**

Calibrate exposure to current outlook

### **Enhance the Quality of Growth**

Sustainable and growing dividend income

### **Maintain Portfolio Diversification**

Broad exposure to sectors & industries

### **Reduce Idiosyncratic Risk**

Understand non-systemic relationships

### **Reduce Downside Risk**

Protect principal



# RISK MANAGEMENT: Controls

## Portfolio Level

Sector exposure constraints relative to the Benchmark

Overall risk profile calibrated to capital market environment

Neutral factor/style risk exposures relative to the Benchmark



## Individual Stock

Transparent business model and trustworthy management

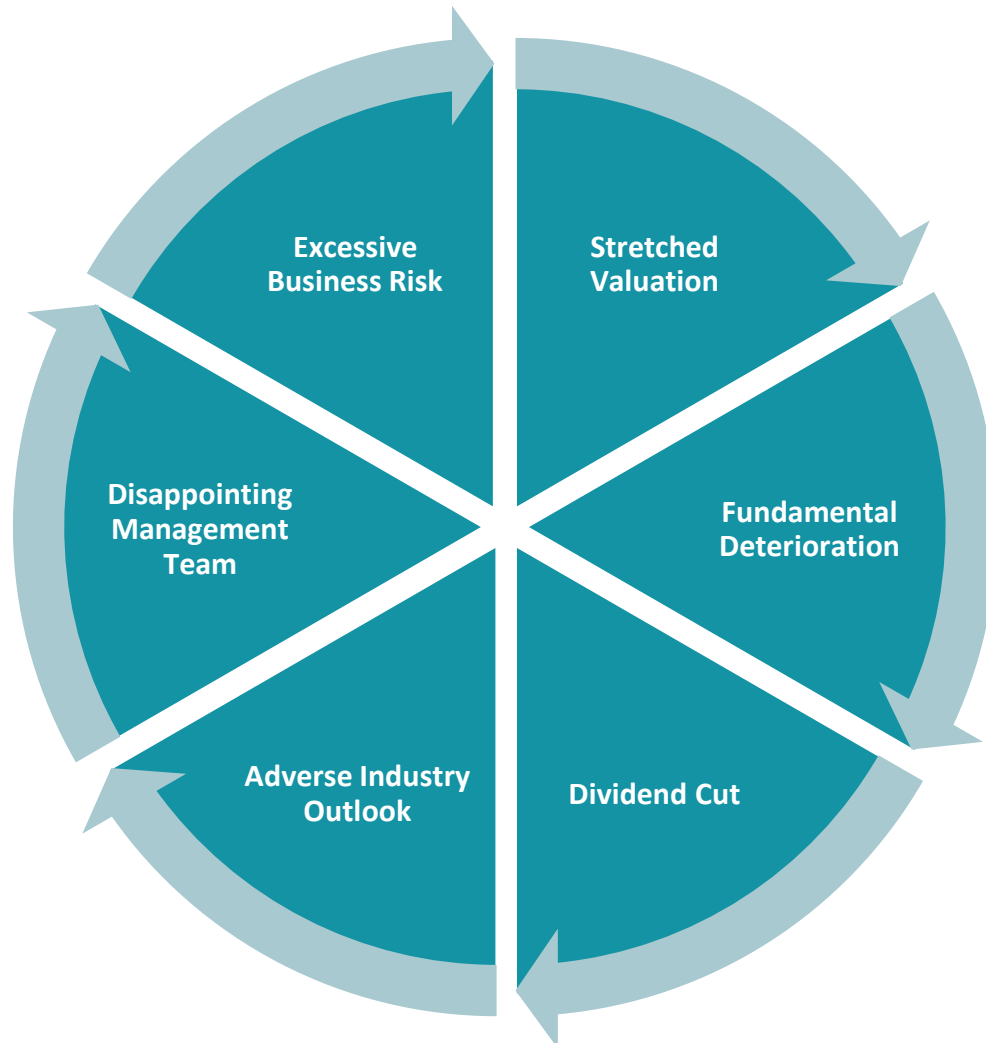
Margin of safety valuation and financial stability

Ability to withstand financial shocks

No accounting “red” flags



# RISK MANAGEMENT: Sell Discipline



## Final Sale Rationale:

- Company cuts the dividend
- Management changes/loss of confidence
- Stock price exceeds intrinsic valuation range
- Rapidly deteriorating company fundamentals
- Spike in company financial-risk profile
- Revenue/Earnings assumptions challenged
- Better opportunities elsewhere

# Portfolio LHC Dividend Income+

As of 09.30.23

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## LHC Dividend Income+

- Strategy run since December 31, 2013
- Lead Portfolio Manager, Robert C. Stimson has maintained full discretion over all buy and sell decisions since strategy inception
- Team averages over 25 years of industry experience
- Focus on larger capitalization, high quality companies with a record of sustained cash flow growth
- Integrated bottom-up and top-down investment approach
- Actively managed, concentrated portfolio of high-conviction ideas
- Benchmarked to a blend of 50% S&P 500 and 50% Russell 1000

Value



# LHC Dividend Income+

## Objectives

Outperform Benchmark

Less Downside Capture

Higher Dividend Yield

## Product Specifications

Cash  
(0-5%)

Tracking Error  
(3-6%)

Turnover  
(25-50%)

Number of  
Holdings  
(30-50)

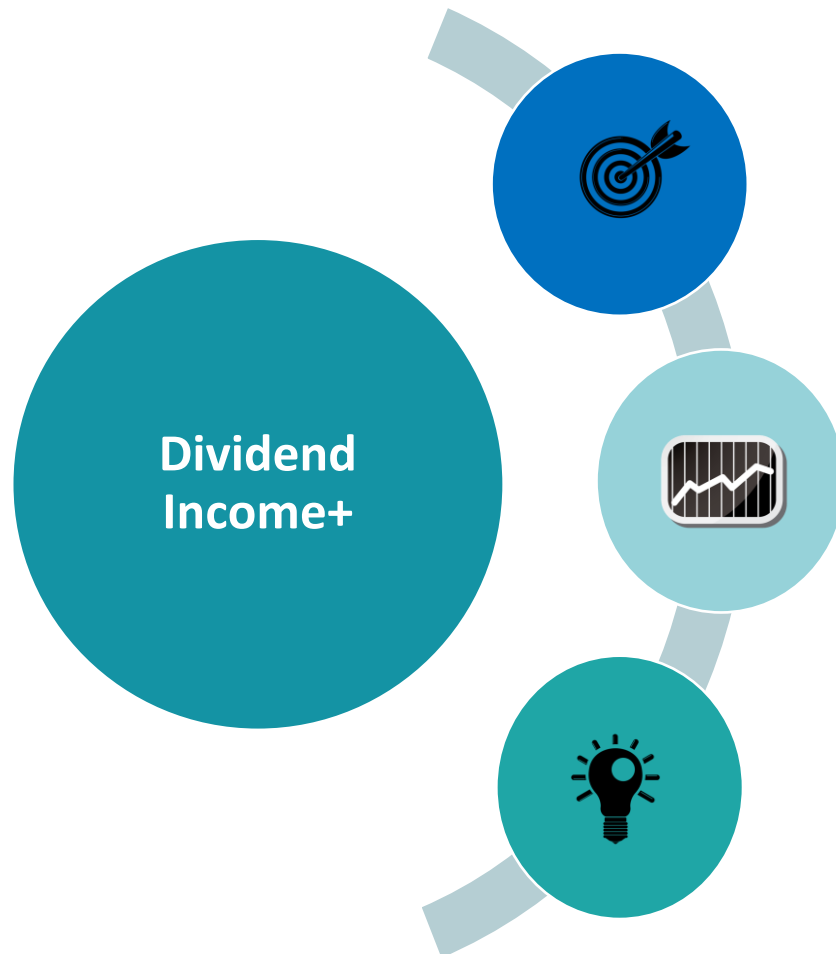
Relative Sector  
Constraints  
(+/- 7%)

Individual Stock  
Weights  
(1 to 6%)

Note: Blended Benchmark 50% S&P 500/50% Russell 1000 Growth



# PORTFOLIO: Structure



## Consistent Growers:

Consistent cash-flow generation with sustainable financials & strong management teams operating in a leadership position (70-80%)

## Misunderstood Achievers:

Underappreciated long-term value enhancing opportunities created by innovation in new technologies and markets (15-20%)

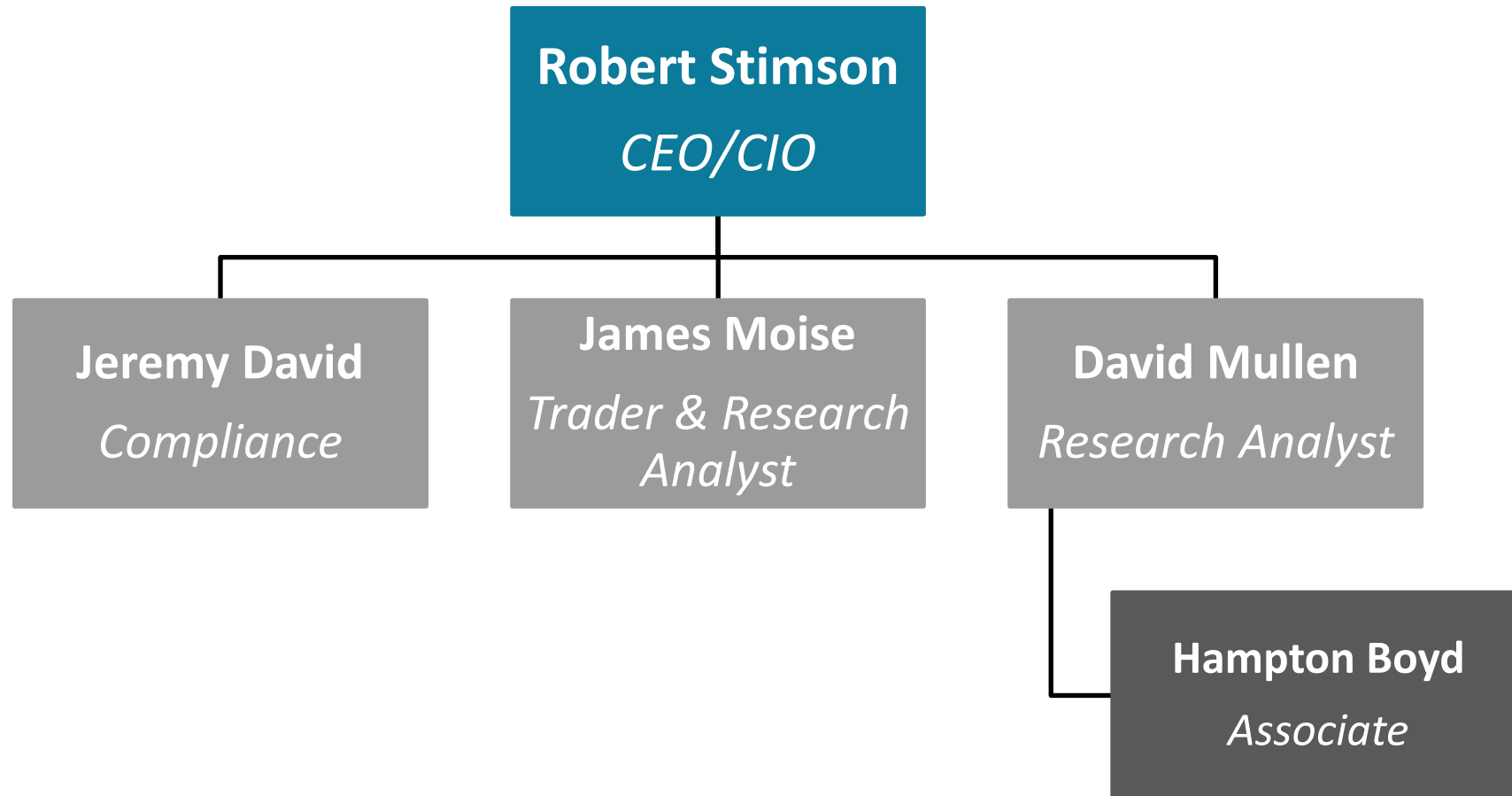
## Unrecognized Value:

The stock price failed to keep up with improving fundamentals such as cash flow generation and return on capital (5-10%)

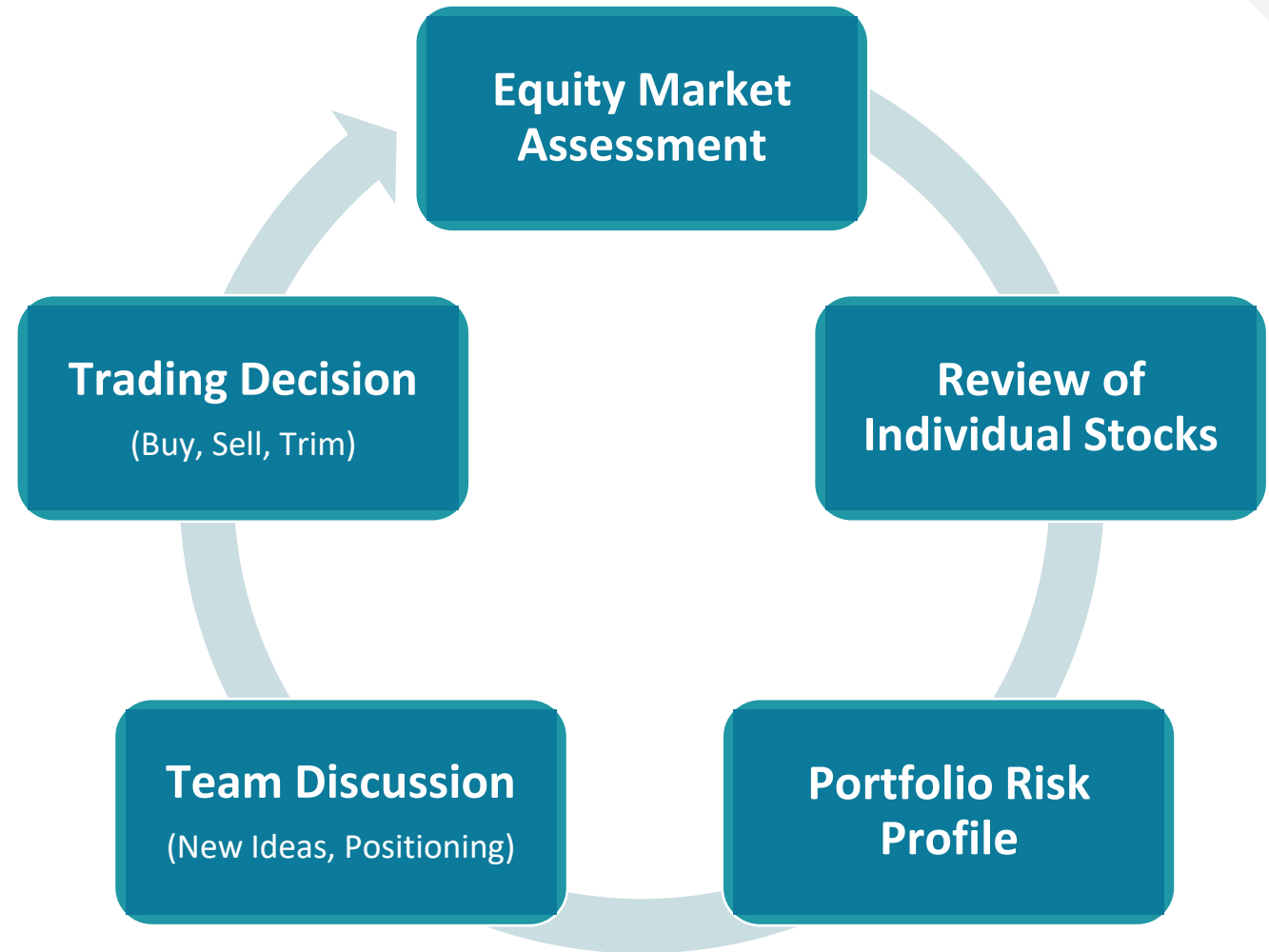
# THE LHC TEAM

<b>Robert C. Stimson, CPA</b>	Lead Portfolio Manager, Chief Investment Officer Boston College, MSF Ithaca College, BA/BS	36 years of industry experience
<b>David K. Mullen</b>	Research Analyst/ Trader University of Massachusetts, BA	4 years of experience
<b>James R. Moise</b>	Research Analyst/ Trader Johnson and Wales University, BA	15 years of industry experience
<b>Hampton W. Boyd</b>	Research Associate Babson College, MSF Stonehill College, BS	2 years of industry experience
<b>Jeremy S. David, ESQ., CFP®</b>	Chief Compliance Officer Suffolk University, JD Franklin and Marshall College, BA	20 years of industry experience

# LHC ORGANIZATIONAL STRUCTURE



# PORTFOLIO: Ongoing Review Process

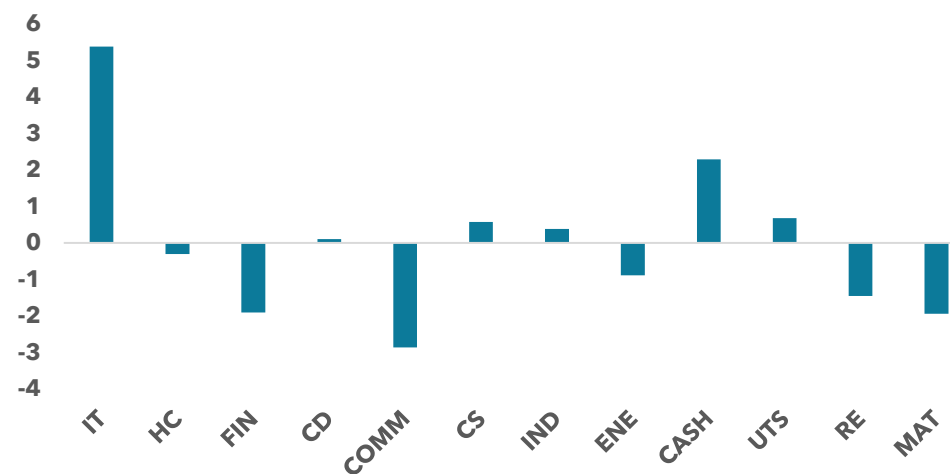




# PORTFOLIO: Top Holdings

Top 10 Holdings	Value
MICROSOFT CORP	6.3
APPLE INC	5.9
JPMORGAN CHASE & CO	4.2
JOHNSON & JOHNSON	3.5
WALMART INC	3.5
MERCK & CO. INC.	3.3
VISA INC-CLASS A SHARES	2.9
GOLDMAN SACHS GROUP INC	2.8
BLACKROCK INC	2.8
BROADCOM INC	2.8

Active Sector Deviations (%)

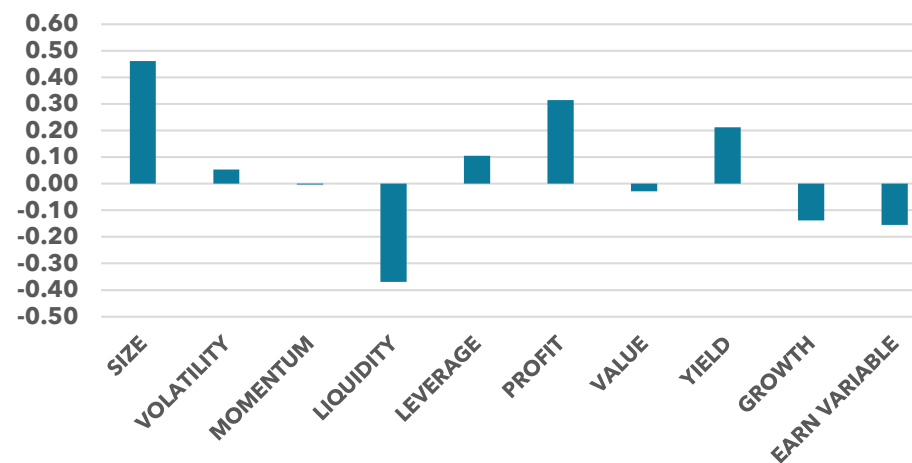


Please refer to disclosures and source information included herein. The information contained above is for illustrative purposes only.

# PORTFOLIO: Key Characteristics

Characteristic	Portfolio	Benchmark
Dividend Yield	2.4	2.3
Price to Earnings	17.9	18.6
Price to Cash Flow	12.5	12.7
Price to Book	4.0	3.1
Debt-to-Equity Ratio	192	128
Current Ratio	1.2	1.3
Forward Dividend Yield	2.47	2.05
Return On Equity	19.1	13.6

## Active Style Exposures

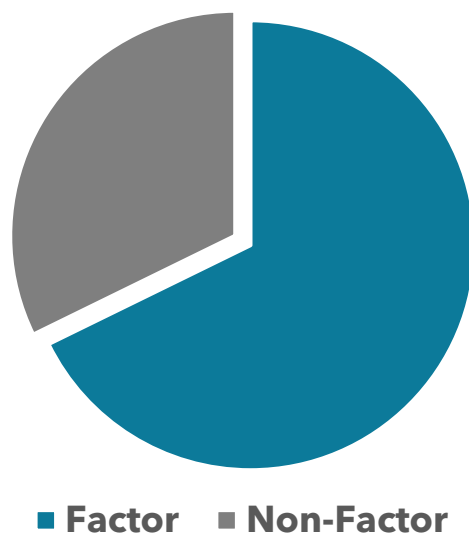


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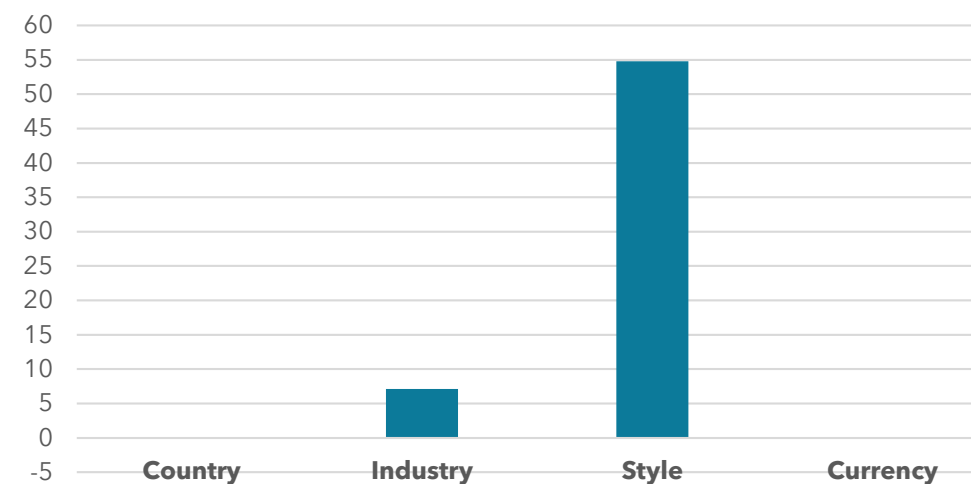
Benchmark of 50% S&P 500 and 50% Russell1000 Value

# PORTFOLIO RISK

Tracking Error - 3.76%



Factor Risk Breakdown



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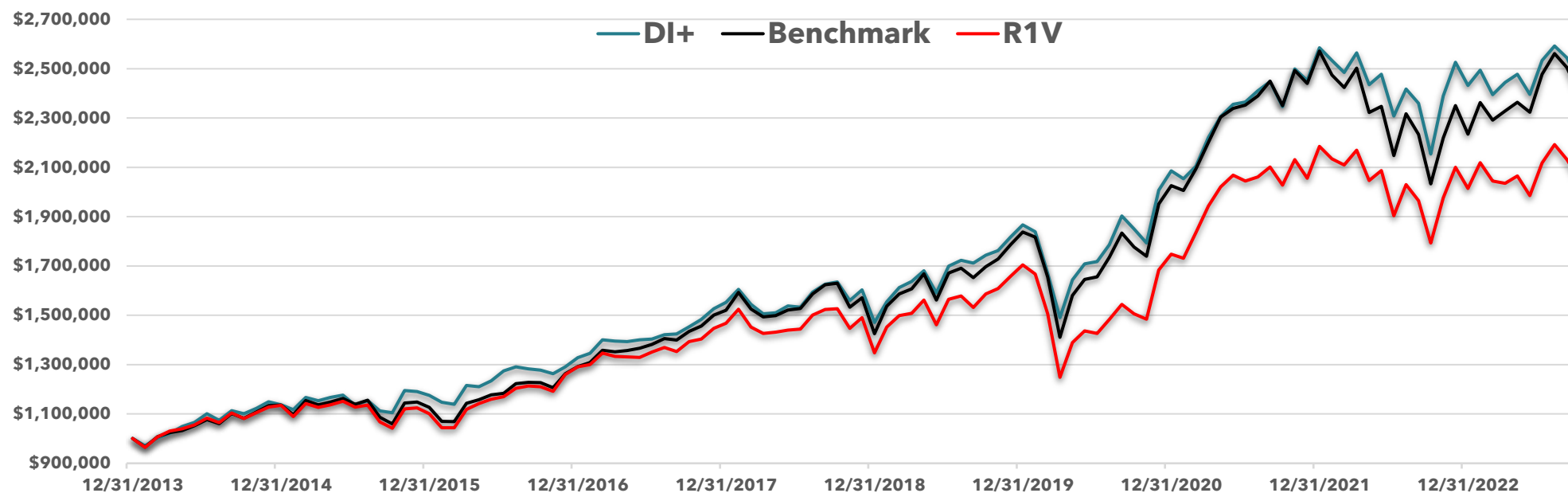
# PERFORMANCE RESULTS

Year	Portfolio (Gross)	Portfolio (Net)	Benchmark	Russell1000 Value	Excess wrt Bench	Excess wrt R1V
2014	14.03%	13.03%	13.58%	13.46%	-0.55%	-0.43%
2015	4.67%	3.67%	-1.24%	-3.84%	4.91%	7.51%
2016	13.80%	12.80%	14.64%	17.33%	-1.84%	-4.53%
2017	17.71%	16.71%	16.75%	12.70%	-0.04%	4.01%
2018	-4.35%	-5.35%	-7.04%	-8.80%	1.69%	3.45%
2019	28.04%	27.04%	29.01%	26.50%	-1.97%	0.54%
2020	12.88%	11.88%	10.59%	2.78%	1.30%	9.10%
2021	24.30%	23.30%	26.88%	25.05%	-3.57%	-1.74%
2022	-5.63%	-6.63%	-12.90%	-7.62%	6.27%	0.99%
2023	0.59%	-0.16%	7.28%	1.75%	-7.44%	-1.91%

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# ASSET GROWTH

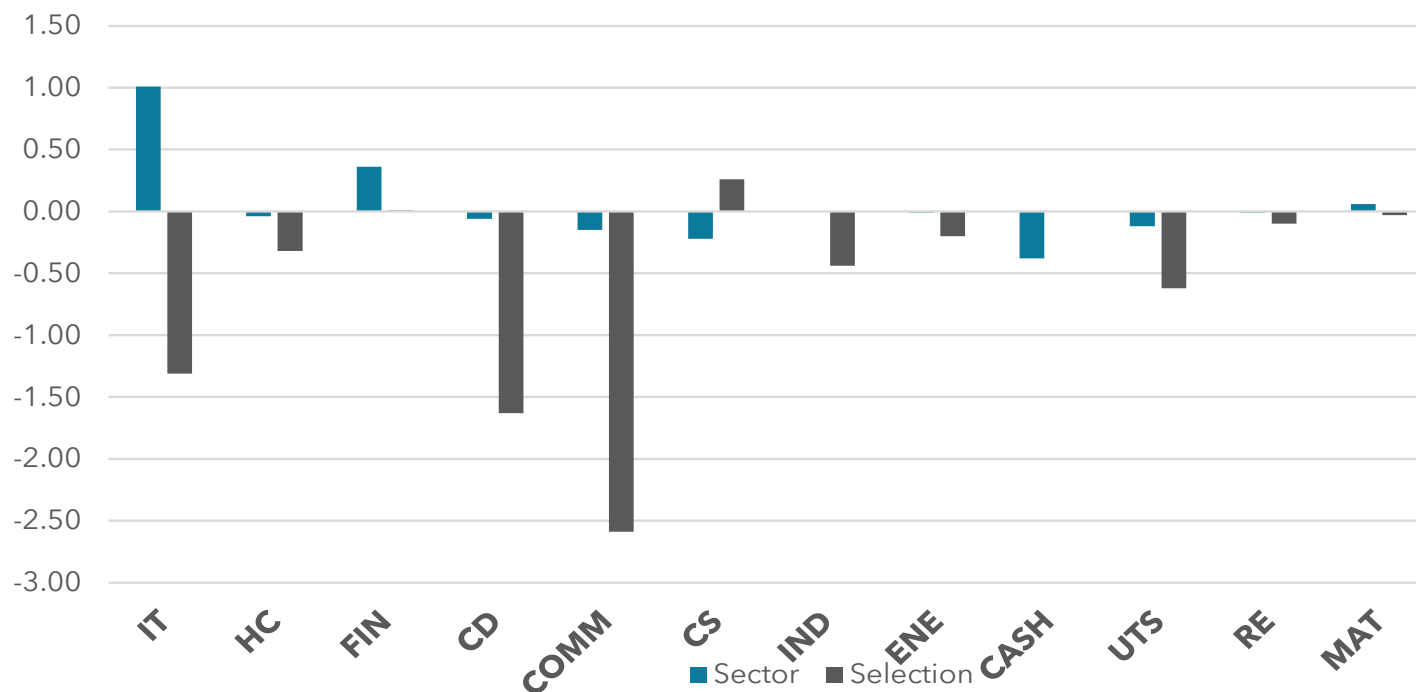
## Growth of a \$1 Million Investment



Net of fees performance above reflects the deduction of investment advisory fees based on a standard fee of 1%/year. Excess returns calculated relative a benchmark of 50% S&P 500 and 50% Russell 1000 Value. Past performance does not guarantee future results. Please refer to notes to performance disclosures included herein. The information contained above is for illustrative purposes only.

# RETURN ATTRIBUTION

## YTD Attribution (%)



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# WHY LHC Dividend Income+?

Experienced Investment Team

Track Record of Performance

Time-Tested Integrated  
Research Approach

Top and Bottom-Up Portfolio  
Construction

Risk Management Focused on  
Principal Protection

Low Turnover

Partner Philosophy with Clients

Competitive Fees

## The LHC Advantage

*Our team leverages many years of experience in investment research, risk management and portfolio trading under a variety of equity market environments*

# Appendix



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**Product Inquiries:**

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**Model Performance:** The model performance shown was created by Little House Capital, LLC (“LHC”) using Bloomberg software to calculate model returns. The model performance shown is not indicative of future performance, which could differ substantially. It does not reflect actual account performance for any specific client or a composite performance for a group of clients. Model results represent hypothetical performance and what an investor’s returns might have been had they been invested in the exact investments using the exact same allocation for the exact same time period for the model portfolio reflected. This does not reflect the impact that material economic and market factors may have had on decision making. The results shown were achieved by means of a mathematical formula.

**Management:** The accounts that comprise the performance of the Little House Capital Dividend Income+ equity model are managed in a substantially similar manner are advertised unless the exclusion of any such account would not result in materially higher performance.

**Fees:** Performance is net-of-fees based on a standard fee of 1.00%/yr. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. The applicable fees are described in Part II of the Form ADV. As an example, the effect of investment management fees on the total value of a client’s portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) hypothetical portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years.

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**Index:** Broad Based Third Party; Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. You cannot invest directly in an Index.

**Illustrative Purposes:** The information contained above is for illustrative purposes only.

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