

LAFFER | TENGLER

INVESTMENTS

Dividend Growth No K-1 | Fourth Quarter 2024

DIVIDEND COMMENTARY:

By Steven Shepich, CFA

Senior Portfolio Manager, Strategy Team Leader

The Laffer Tengler Dividend Growth no k-1 strategy ended the year on a positive note as six companies increased their dividends during the fourth quarter with an average year-over-year increase rate of 8.6%. The average rate of increase posted a notable uptick versus the prior three quarters, where the average increase was 5.6%. Three companies provided increases of 10% or better. For the year, the strategy experienced a total of 30 dividend increases with an average year-over-year growth rate of 6.1%.

The largest increase (15.1%) came from [Snap-on Inc., \(SNA\)](#). The increase was in line with what the company has provided over the last several years. However, we had projected the growth rate to slow to high single-digits due to slower earnings growth in 2024. In our view, this could be an indication of long-term optimism on the part of management.

[Simon Property Group \(SPG\)](#) increased its dividend for 12th time since the mall REIT was forced to reduce its dividend by 38% in 2020 due to COVID. The year-over-year growth rate was an attractive 10.5%. SPG has now returned its dividend to where it was prior to COVID. We project that dividend growth will moderate a bit from here.

The remainder of the dividend increases were in line with our expectations or within a couple of percentage points.

Laffer Tengler Dividend Growth No K-1 Strategy Dividend Increases

Fourth Quarter 2024

Ticker	Company	Record Date	New Dividend	Percentage Increase Qtr/Qtr	Yr/Yr	Consecutive Years of Growth	Uninterrupted Dividends Since	Adjusted Yield as of 12/31/2024
SNA	Snap-on Inc.	11/21/24	2.14	15.1%	15.1%	15	1939	2.5%
LMT	Lockheed Martin	12/2/24	3.30	4.8%	4.8%	22	1995	2.7%
SPG	Simon Property Group	12/9/24	2.10	2.4%	10.5%	4	1994	4.9%
HPQ	HP Inc.	12/11/24	0.29	5.0%	5.0%	15	1965	3.5%
AVGO	Broadcom, Inc.	12/23/24	0.59	11.3%	12.4%	15	2010	1.0%
ARE	Alexandria Real Estate Equities	12/31/24	1.32	1.5%	3.9%	14	1997	5.4%
Average Increase				6.7%	8.6%			

Source: Bloomberg, company reports

The list above includes companies owned by the strategy that provided a sequential (quarter over quarter) dividend change during the quarter. We consider the dividend change to become effective at the date of record. To be included on the list, the company must also have been owned by the strategy when the dividend was announced and at the end of the quarter. Year-over-year dividend comparison is also disclosed as some companies could have more than one dividend change during the year. For companies that do not pay dividends quarterly, we only list year-over-year change and use the trailing 12-month dividend to calculate. For businesses located outside the United States that do not pay their dividends in U.S. dollars, we report dividend increases in local currency to negate currency movements that do not reflect business fundamentals.

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NEW POSITIONS

During the quarter we initiated a position in [Target Corporation \(TGT\)](#), an operator of more than 1,900 general merchandise and food discount stores across the U.S. as well as an e-commerce website. Shares were pressured in the fourth quarter following a disappointing earnings announcement. We believe the sell-off created an attractive entry point relative to the underlying corporate fundamentals. Shares of TGT provide a yield of 3.3% (as of 12/31/24) and our three-year projected dividend growth rate is 5%-7%.

We also initiated a position in [NextEra Energy \(NEE\)](#) a leading clean energy company that owns Florida Power & Light, Americas largest electric utility. NEE is also the world's largest generator of renewable energy from the wind and sun and is a world leader in battery storage. Demand for clean energy has increased significantly due to the advent of artificial intelligence. Shares of NEE provide a yield of 2.9% (as of 12/31/24) and our three-year projected dividend growth rate is 8%-10%.

EXITED POSITIONS

During the quarter we exited our position in [BCE Inc. \(BCE\)](#). In November, the company announced a \$5 billion cash acquisition for a fiber business. Couple that with an increasingly hostile regulatory environment in Canada, and we believe that the dividend could be at risk, or at the very least dividend growth is highly unlikely for the foreseeable future.

We also exited our position in [Best Buy Co. Inc. \(BBY\)](#). Earnings for the electronics retailer have declined for several quarters following the post COVID 19 boom. While we believe that earnings will begin to stabilize soon, we do not see a catalyst to spur attractive growth over the next several quarters.

We also exited our position in [Extra Space Storage, Inc. \(EXR\)](#). The self-storage space has been challenging due to increased market supply and a stagnant housing market, a key component to self-storage demand. This has hindered the company's ability to grow its dividend.

INCREASED POSITIONS

During the quarter we added to several positions that we believe were trading at attractive valuations relative to the underlying corporate fundamentals. These included the following companies:

- [LyondellBasell Industries \(LYB\)](#)
- [PepsiCo \(PEP\)](#)
- [US Bancorp \(USB\)](#)
- [Medtronic PLC \(MDT\)](#)
- [Alexandra Real Estate Equities, Inc. \(ARE\)](#)

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DECREASED POSITIONS

We trimmed our weightings in three companies during the quarter. All three stocks experienced solid price momentum in 2024. We trimmed our positions in order to realize profit and reinvest the proceeds in other businesses that we believe have greater long-term appreciation potential. We reduced our weighting in the following companies:

- [Home Depot \(HD\)](#)
- [Snap-on Inc. \(SNA\)](#)
- [Morgan Stanley \(MS\)](#)

LEADERS

The top contributor to fourth quarter performance was [Broadcom \(AVGO\)](#). The company reported very solid third quarter results. However, it was the robust outlook and potential opportunity for Artificial Intelligence (AI) products that drove the share price following the report.

Shares of [Kinder Morgan Inc. \(KMI\)](#) were also a strong contributor during the quarter despite modestly missing estimates when they reported quarterly results. Pipeline companies in general, especially the companies that own natural gas pipelines (such as KMI) have experienced strong price momentum in recent quarters due to the higher electricity demands that artificial intelligence development (AI) is expected to create.

The third largest contributor to fourth quarter performance was [Morgan Stanley \(MS\)](#). The company reported better-than-projected EPS on a broad-based revenue beat and provided an optimistic outlook when it announced quarterly results. The wealth management division, which had been a modest concern earlier in the year, also posted strong business momentum.

LAGGARDS

The largest distractor from performance during the fourth quarter was [Amgen Inc. \(AMGN\)](#). Shares were pressured after the company released phase 2 data on its weight loss drug under development, MariTide, which missed some expectations.

The second largest distractor from performance was [LyondellBasell Industries \(LYB\)](#). Challenging industry fundamentals led the company to miss quarterly expectations and issue a cautious outlook.

Shares of [Lockheed Martin Corp. \(LMT\)](#) were also distractor from performance during the fourth quarter. The company posted slightly better than projected quarterly results but disappointed on the guidance front.

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