



## **Growth of Income Investment Management Process**

**Groesbeck Investment Management Corp.  
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# Growth of Income Investment Philosophy

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*“We seek to achieve four objectives:*

- A superior dividend yield*
- A rapid growth of the income stream*
- A total return in excess of appropriate benchmarks*
- A low level of volatility of performance*

*Our process not only tends to achieve the stated goals, but also offers an attractive risk-adjusted return.*

*At Groesbeck Investment Management, you will find us highly client friendly, flexible, and devoted to our investment process.”*

*- Robert P. Groesbeck, CFA*

# Benefits of a Dividend-Paying Stock Selection Strategy

## ➤ **REDUCED RISK**

Dividend-paying stocks are less volatile than the stock market in general. The high-quality stocks that we purchase must increase their dividend on an annual basis. These stocks tend to hold their value much better in a declining market and thus help to preserve wealth. Historically, our portfolios have outperformed during down markets.

## ➤ **DIVIDENDS, AND THEIR RE-INVESTMENT, HISTORICALLY COMPRISE ABOUT 40% OF THE TOTAL RETURN OF THE STOCK MARKET**

Although capital appreciation is the primary objective of our strategy, we can count on a significant portion of our return from dividends, thus increasing the reliability of our approach. Dividends are paid in cash; they cannot be faked.

## ➤ **A DIVIDEND POLICY LEADS TO A STRONG FINANCIAL DISCIPLINE FOR CORPORATIONS**

A dividend policy sets a priority for a company to pay its shareholders, along with meeting capital expenditure requirements, from its cash flow. We believe it's the ideal method of returning capital to shareholders and is the definition of a shareholder-friendly company. It tends to prevent corporations from wasting money on poor acquisitions and deviating from their business plan.

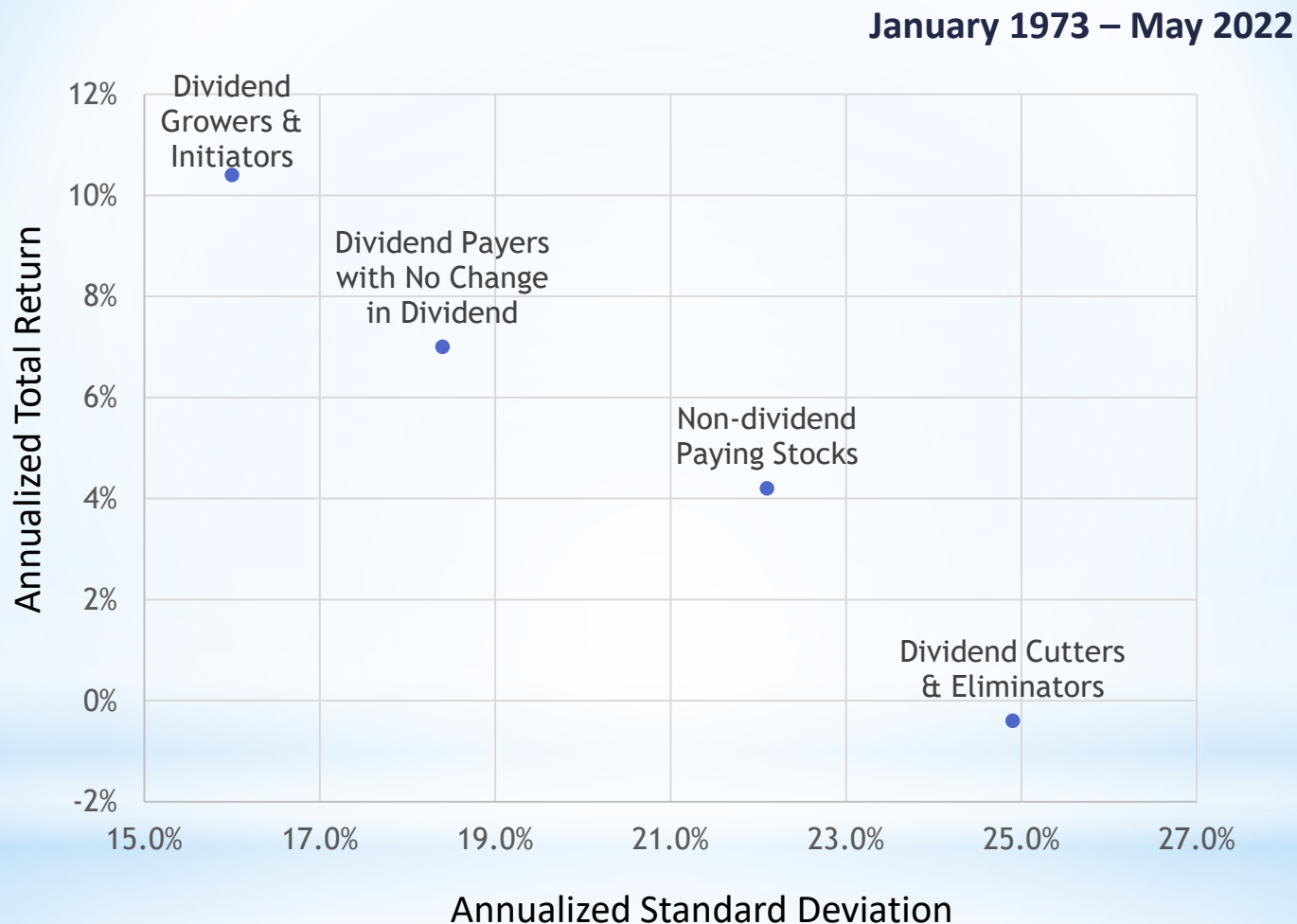
## ➤ **A DIVIDEND INCREASE IS A POSITIVE SIGNAL OF FUTURE FINANCIAL STRENGTH**

When a company raises its dividend, it sends a positive signal to the stock market that its prospects for earnings growth in the future are strong. Companies with strong dividend increase histories are generally financially superior businesses and tend to make good long-term investments.

## ➤ **A DIVIDEND-DRIVEN STRATEGY EXCLUDES MANY HIGH RISK COMPANIES**

Our criteria exclude companies with poor earnings histories, and/or weak balance sheets, allowing our analysts to focus on a smaller universe of very high-quality companies.

## Dividend Growth Strategy – Favorable Return vs. Risk



Source: Ned Davis Research



# INVESTMENT CRITERIA

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**For those companies qualifying for the portfolio, we look for the following criteria:**

## **Dividend Criteria**

- Consistent growth of dividends now and expected in the future
- Dividends should increase annually, unless business conditions dictate otherwise
- Dividend growth exceeding industry and market averages over a market cycle
- Potential for significant growth – growing earnings and cash flow; low payout ratio

## **Strong Fundamentals**

- Underlying rising sales, growing earnings, increasing margin trends
- Consistent Operating & Free cash flows
- Balance sheet strength – low debt level, healthy cash position
- High Return on Equity

## **Business Leadership**

- Market leadership and/or market share
- Industry outlook should be positive and growing
- Factors affecting sustainability of sales and earnings – competitive advantage

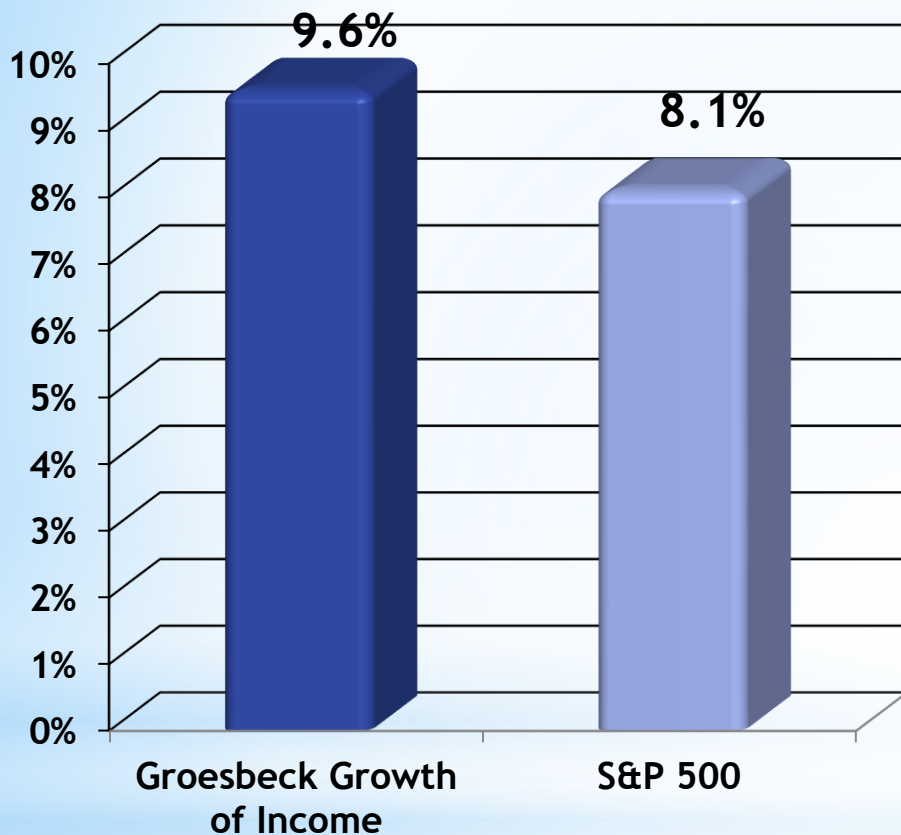
## **Valuation**

- P/E multiple on trailing operating earnings, relative to the S&P, its industry, and its history
- P/E relative to growth rate (PEG Ratio); the current PEG Ratio is 1.8x
- Attractiveness of dividend yield – usually better than the S&P500 and other alternatives

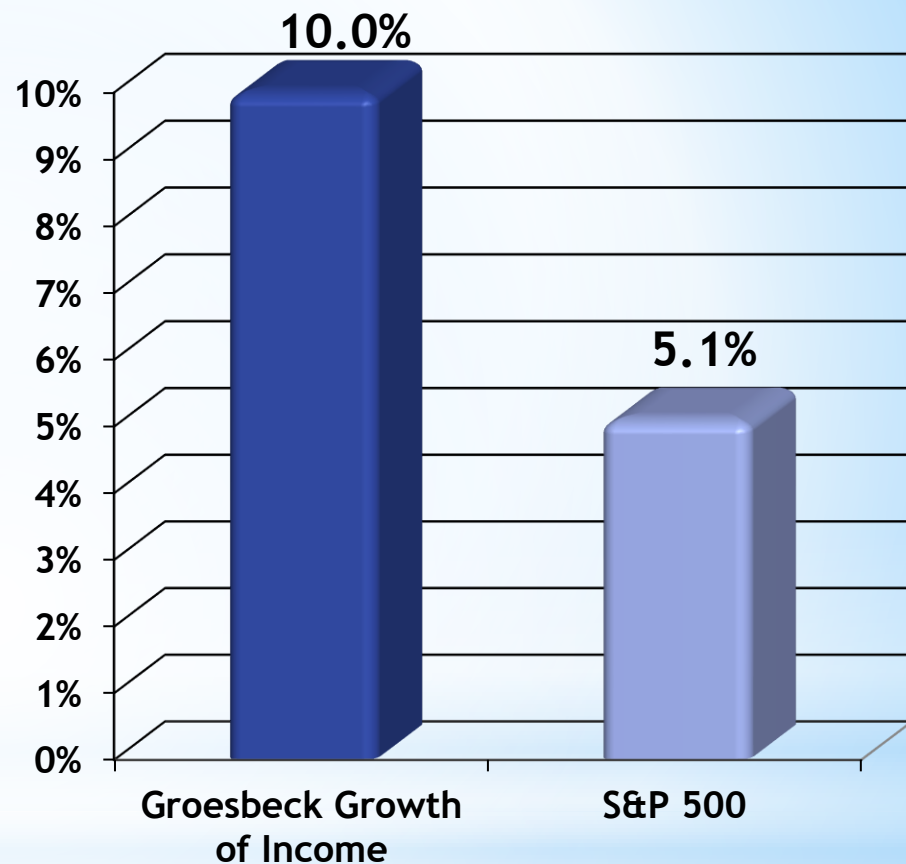


# Growth of Income: Relative Average Earnings and Dividend Growth

## 5 Year EPS Growth - 12/31/24



## 5 Year Dividend Growth - 12/31/24



The S&P 500, introduced in 1957, is widely regarded as a proxy for the U.S. equity market and is recognized worldwide as one of the premier benchmarks for the U.S. stock market's performance. The S&P 500 consists of leading companies from leading industries representing a broad cross-section of common stocks traded on U.S. exchanges and covers approximately 80% of available market capitalization. The products or services of Groesbeck Investment Management Corp. are not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's Inc. does not make any representation, warranty, or condition regarding the advisability of utilizing Groesbeck's services. Note that indexes are un-managed and investors cannot invest directly into an index. Past performance is not a guarantee of future results.

# Portfolio Statistics as of 12/31/24

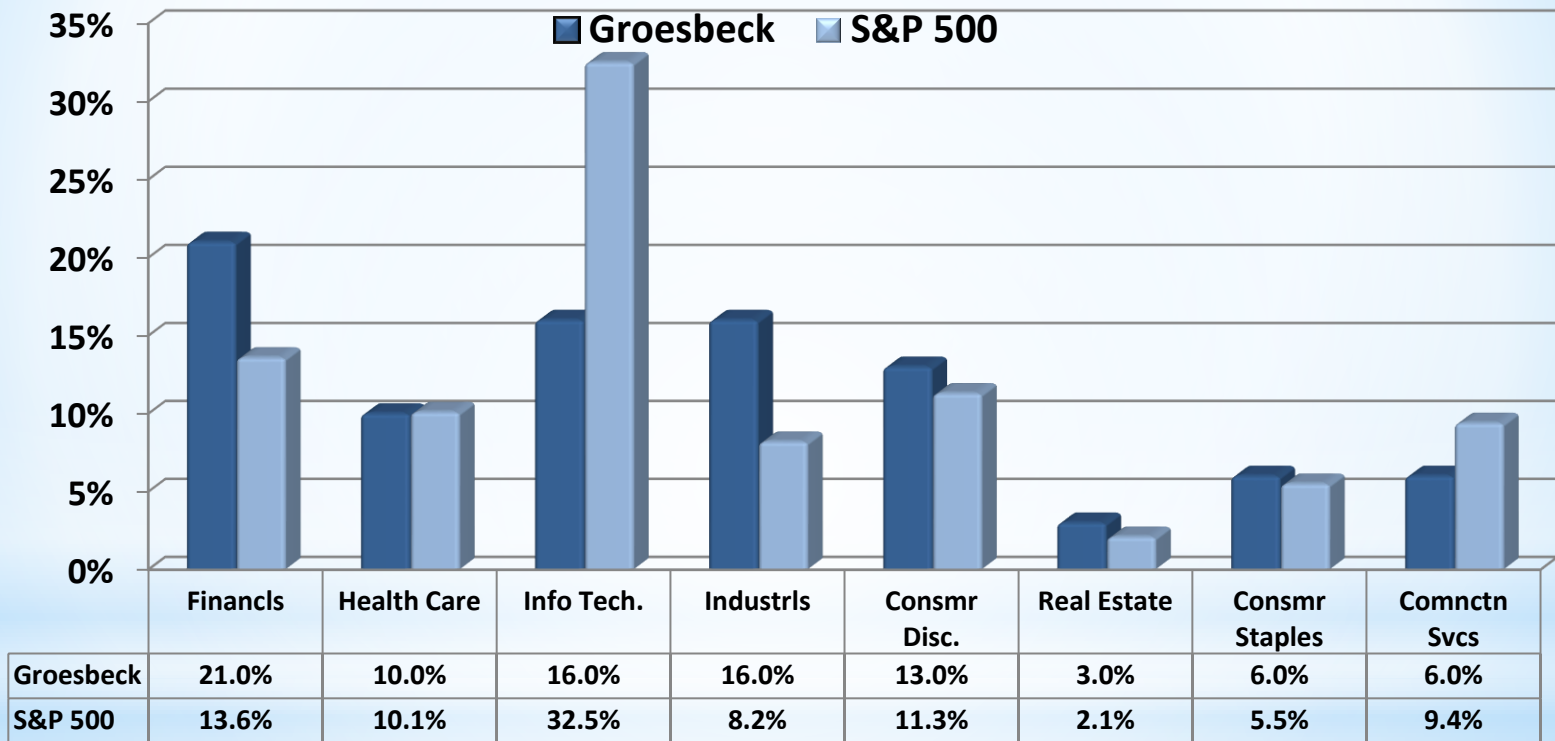
	<u>Groesbeck</u>	<u>S&amp;P 500</u>
EPS growth - 5 year average	9.6%	8.1%
Dividend Growth - 5 year average	10.0%	5.1%
Dividend Yield	2.0%	1.3%
Trailing P/E (1 year weighted average)	17.4x	26.0x
Beta	0.94	1.0
Weighted Average Market Capitalization	\$209.2 Billion	\$1060.6 Billion

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# Portfolio Construction: Growth of Income Process

- Construction of a Diversified Portfolio
- Fully Invested At All Times
- 25-35 companies
- Over 20 industries

## Portfolio Sector Weights (12/31/24)



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# Representative Holdings (12/31/24)

The Growth of Income portfolio holds companies with strong balance sheets that achieve above-average earnings and dividend growth and high profitability.

	<u>Current</u>	Most Recent	<u>5 Year Annualized Growth</u>		
	<u>Yield</u>	<u>Dividend Increase</u>	<u>EPS</u>	<u>Dividend</u>	<u>S&amp;P Rank</u>
Blackrock Inc.	2.0%	2.0%	9.5%	9.3%	A
UnitedHealth Group	1.7%	11.7%	13.4%	15.0%	A+
Amgen	3.7%	5.6%	5.6%	9.2%	B+
The Home Depot	2.3%	7.7%	7.6%	11.6%	A+
Sturbucks Corp	2.7%	7.0%	3.2%	9.3%	A-
Lockheed Martin Corp	2.7%	4.8%	5.8%	7.4%	A
Goldman Sachs	2.1%	9.1%	10.0%	24.9%	B+
The Kroger Co	2.1%	10.3%	17.3%	15.3%	A-
Intercontinental Exchange	1.2%	7.1%	8.8%	10.4%	B+
Lam Research	1.3%	15.0%	18.7%	13.3%	B

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# Sell Disciplines

Our reasons for selling:

➤ **Weakening Revenues and Earnings Trends**

*We want to own companies producing growing revenues and earnings.*

➤ **Declining Margins**

*A reduction in profit margins is often a warning for not only one stock but possibly several members of a sector.*

➤ **Failure to Increase the Dividend**

*This would cause an automatic sale of the holding.*

➤ **Reduced Growth Rate of Dividend**

*This triggers a review and possible sale.*

➤ **Positions Sold When Fully Valued**

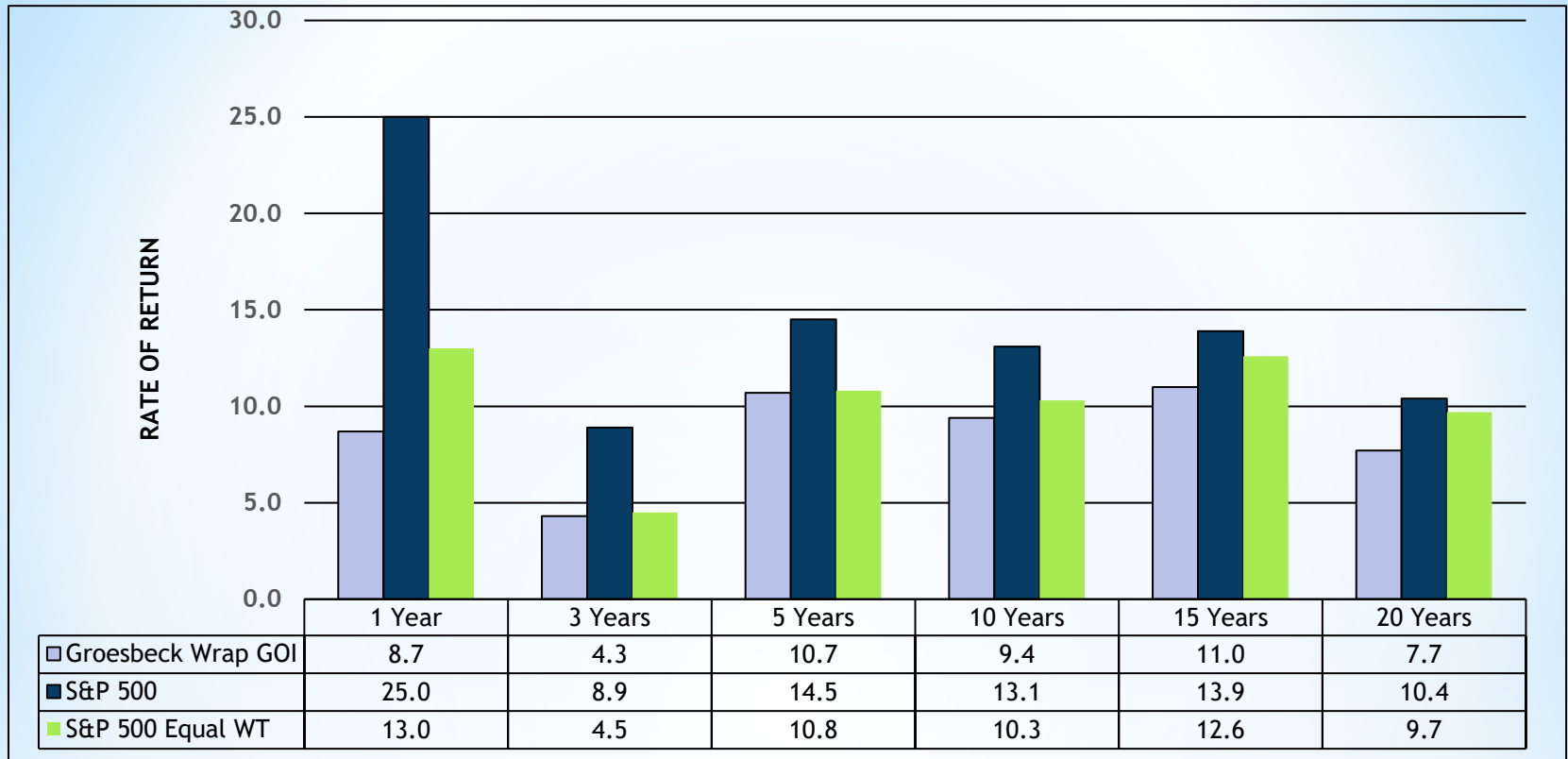
➤ **Superior Alternatives**

*We monitor other candidates closely, and make portfolio changes which increase the income stream.*

➤ **Positions Trimmed as Prices Advance**

*Stocks exceeding 7% of the portfolio will be trimmed back to 5% or less.*

# Growth of Income Returns as of 12/31/24



## Risk Analysis\*

	ROR	Std Dev	Sharpe Ratio	Beta	R-Squared
Groesbeck Wrap GOI	9.4	15.5	0.54	0.94	86.0
S&P 500	13.1	15.6	0.74	1.00	99.8

- For period 12/31/14–12/31/24, RISK ANALYSIS STATISTICS COURTESY OF MORNINGSTAR

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# A Summary: Repeatable Factors Contribute to the Success of the Process

- We only buy stocks that raise their dividends on a frequent and consistent basis.
- We focus on a process we can control – producing a growing stream of dividend income at a rate higher than the market.
- The relatively high dividend yield of our portfolio gives us an immediate advantage over the S&P 500 return.
- Our buy discipline helps us to avoid over-valued sectors of the market. We will not buy stocks of companies which neither pay a dividend, fail to produce a sustainable growth of earnings, or trade at excessive valuations.
- Our approach concentrates on companies with reliable and consistent revenue and earnings, enabling them to consistently increase dividends. We consider these companies to be “shareholder friendly”.
- The search for dividend growth requires us to reallocate capital from stocks having high valuations to more moderately valued issues. As prices increase, dividend yield will frequently decline, leading us to substitute another stock having a higher yield and a lower valuation.
- Dividend-paying and high-quality stocks tend to provide a cushion against market declines.

## Professional Experience

- Robert P. Groesbeck, CFA, has over 50 years of experience managing assets for taxable and tax-exempt clients. Bob started the firm in 1993.
- Theodore M. Groesbeck, CFA, has 32 years investment experience. Ted joined the firm in 1999.

## Consistency of Approach and Results

- Research driven stock selection disciplines
- Philosophy implemented over the long term
- Minimal dependence on market and street forecasts
- Fundamentally driven stock selection and sell methodologies
- Continuity of philosophy and strategy over many market cycles

## Corporate Structure

- 100% employee owned.
- We offer services to trusts, endowments, foundations, and high net worth individuals.



# Professional Biographies

## **Robert P. Groesbeck, CFA – President**

Mr. Groesbeck is the founder of the firm and a Portfolio Manager. He was formerly a Vice President of Argus Investors' Counsel, where he was responsible for managing assets of \$525 million. The largest single account was \$200 million. His 50 plus years of investment experience span economic and investment research, security analysis with concentrations in twelve different industries, and portfolio management for both taxable and tax-exempt assets.

Mr. Groesbeck earned a BS degree in Economics from St. Peter's College and an MBA in Finance from New York University. He holds the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts. He served continuously from 1971 through 2000 as Chair of the Planning Board for the Borough of Emerson, New Jersey, and was honored in 1993 by Bergen County and 2001 by Emerson for his many years of community service.

## **Theodore M. Groesbeck, CFA – Vice President**

Mr. Groesbeck is a portfolio manager and security analyst. He joined the firm in 1999 and has 32 years of investment experience. Prior to joining the firm, he was an analyst at Palisade Capital Management, Standard & Poor's and Gruntal & Co. Mr. Groesbeck's security analysis experience covers a broad number of economic sectors and industries. Mr. Groesbeck earned a BS degree in Finance from the University of Rhode Island. He holds the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts.