

# APRICUS

APRICUS WEALTH, LLC

Creating the right solutions, for the right reasons, for people we care about.

# WHAT SETS US APART

## IT'S PERSONAL

- Apricus Wealth is 100% employee-owned
- We are very selective about whom we serve
- We are clients of Apricus Wealth, LLC

## WHAT CAN YOU EXPECT

- A plan that makes sense to you
- Advice based on decades of experience
- A team that is invested in your success

## PHILOSOPHY

- Risk management starts before everything else and never stops
- Long-term investing requires the identification of enduring businesses
- Income is the first and most predictable return

## PROCESS

- Utilize a multi-layered approach to risk management
- Reduce volatility in order to increase returns
- Avoid fees on fees or other embedded conflicts of interest

## EXPERIENCE MATTERS

### **Joseph J. Costigan, CFA**

Joe Costigan has over two decades of experience as a financial analyst, trader, and institutional portfolio manager. Most recently, he was Director of Research at Verity Investment Partners, where he was responsible for developing the firm's equity investment process. Prior to Verity, Joe was Director of Research at Bryn Mawr Trust Company, a \$5 billion dollar asset manager, where he led the firm's equity strategies, chaired the equity research group, and managed equity trading, portfolio delivery, and performance reporting.

Joe received his Bachelor of Science degree in business with a concentration in finance from Elizabethtown College and his MBA, also with a concentration in finance, from Pennsylvania State University. He is a Chartered Financial Analyst, a post-graduate professional qualification awarded by the CFA Institute. He is a member of the CFA Society of South Carolina and CFA Society of Philadelphia.

Joe has been interviewed and quoted by The Wall Street Journal, Barron's, The Wall Street Transcript, The Financial Times, and U.S. News and World Report.

### **James E. Gibson**

Jim Gibson brings to us a 35-year track record as a multibillion-dollar institutional money manager, analyst and client advisor. In 2019, Jim retired as Chief Investment Officer of Valley Forge Asset Management, Sterling Advisors, an investment subsidiary of Truist Financial Corporation, a Fortune 500 bank. While at Valley Forge Asset Management Jim was responsible for the firm's investment research, trading, and portfolio management functions supervising a staff of 35 professionals.

Jim received a degree in finance from the University of Windsor, Canada and a degree in Economics from Western University in Canada. He passed the Financial Industry Regulatory Authority exams and has held licenses for Series 7, 4 and 24.

Jim has been interviewed and quoted in The Wall Street Journal and Barrons.

### **Ernest E. Cecilia, CFA**

Ernie has accumulated more than 40 years of experience in the investment management industry, serving affluent families and institutions. Most recently, he was the Chief Investment Officer for Bryn Mawr Trust, a multi-billion-dollar investment fiduciary. Prior to leading Bryn Mawr, Ernie was the Chief Investment Officer at Davidson Trust Company and President and Chief Investment Officer of PNC Equity Advisors Company.

He received his BS in economics from the University of Dayton and his MBA from Fordham University, with a focus on finance. He is a Chartered Financial Analyst, a post-graduate professional qualification awarded by the CFA Institute and is a member of the CFA Society of Philadelphia.

Ernie has appeared on CNBC, Fox Business News, and Reuters TV, as well as NPR radio. He has been interviewed by The Wall Street Journal, Forbes, Barrons and the Associated Press (AP), along with a number of other media outlets, including CNN Business and local TV outlets.

### **Ruston J. Wolfe, CFA, CFP®**

Rusty Wolfe has over 25 years of experience in financial services, working with individuals, families and institutional clients. Prior to joining Apricus, he was a Senior Investment Advisor at Bryn Mawr Trust serving clients with complex financial needs. He was a member of the Equity Research Team responsible for internally managed equity portfolios and was also a member of the Bryn Mawr Trust Investment Policy Committee. Rusty began his career in equity research at T. Rowe Price in Baltimore.

Rusty received his Bachelor of Science degree in business with a concentration in finance from Elizabethtown College and a Master of Science degree in finance from Loyola University. He is a Chartered Financial Analyst, a post-graduate professional qualification awarded by the CFA Institute, and is also a CFP® professional.

# WE INVEST— WE DON'T TRADE

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We are long-term investors in companies we believe will be around for the long term. We use quantitative and qualitative approaches to identify businesses that demonstrate operational stability, conservative balance sheets, excellent management teams, repeat customers, and growing markets. We expect our companies to be better than their competitors, to return capital to their shareholders, and to act in the best interests of their customers, employees, and communities. Companies that exceed our quantitative and qualitative hurdles, and which meet our standards for good corporate citizenship, we label enduring businesses.



## WE VIEW PORTFOLIO CONSTRUCTION AS AN OPPORTUNITY TO MANAGE RISK

The assembly of our portfolios balances our views on multiple variables including valuation, income production, and growth. Our challenge is to optimize a portfolio's average value for each variable relative to the market. We utilize a price correlation matrix to identify mathematically instances of risk aggregation and we look for co-exposure to macro factors, such as commodities and interest rates that may impact our portfolios within sectors and industries. We self-impose limits on portfolio purchases to 3% of portfolio value and 5% of portfolio income and consequently expect to own 40 to 50 businesses.

## WE FOCUS ON INCOME AND GROWTH

We view dividends as cash-certain returns on investment and the growth of dividends as protection against inflation. Enduring businesses should produce excess profits that can be used to pay consistent dividends and to take advantage of growth opportunities. We view dividends as evidence of a company's commitment to its shareholders and its confidence in the future.

## WE BELIEVE THE MARKET IS OCCASIONALLY WRONG ABOUT VALUE

Once we identify an opportunity set of enduring businesses, we value every one using our proprietary two-stage methodology. We believe our process is different from and more usable than traditional approaches. We expect that from time to time, the market and individual businesses will move between undervalued and overvalued and that individual companies within the market will move between relatively undervalued to relatively overvalued. We think of this as a tidal process and we count on reversion to mean valuations over time.

## Equity Research and Portfolio Management Process

### FOUR PILLARS PROCESS

Our investment methodology is based on our proprietary Four Pillars Process. The Four Pillars Process is an exclusionary investment approach that eliminates businesses we believe are less likely to contribute to long-term client and portfolio goals. The goal of the Four Pillars Process is to create the highest probability that our results will be competitive, consistent, and compounding.



### PILLAR 1

A quantitative screen that eliminates businesses which fail to meet our minimum requirements for profitability, trading liquidity, fiscal conservancy, shareholder-friendly actions, and growth.

### PILLAR 2

A qualitative review of each company's consistency, reputation, and business environment. We consider each company's competitive position, past performance, and reports on employee engagement and customer ratings to develop a mosaic viewpoint about each company's competitive advantages, operating consistency, and organizational character.

### PILLAR 3

A proprietary opinion of value for each company we consider purchasing. Our valuation methodology is designed to compare the businesses that survive our quantitative and qualitative pillars on an apples-to-apples basis.

### PILLAR 4

An overlay of multiple risk mitigation practices onto the portfolio construction process. We purposefully manage portfolio exposures to individual securities, industry groups, sectors, and macro factors.

# WHY PORTFOLIO INCOME MATTERS

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Portfolio income is the first source of portfolio return and, in our opinion, the most predictable. As long-term stock investors, we know that total return has two components.

$$\begin{aligned} &\text{Income} + \text{Price Change} \\ &= \\ &\text{TOTAL RETURN} \end{aligned}$$

**Over the last one hundred years** in the United States, price appreciation has been the larger component of the average annual total return for stocks. However, we know that the range of annual price changes has been wide and, in some years, negative. While a company's share price changes over time, the amount an investor receives won't be set until the shares are sold.

**But, dividend income is always a positive value. This is because cash dividends paid are just that—cash. When a company pays you \$1 in dividends, you get \$1. Once received, a shareholder can spend or reinvest the dividend as they see fit.**

Investors receive dividend cash over the life of their investment—not just when the shares are sold. For the majority of the dividend-paying companies traded on U.S. exchanges, dividends are paid quarterly or semiannually. A long-term investor is likely to receive dozens of dividend payments over many years. And many companies have well-articulated dividend payment policies which help investors plan. For these reasons, we think dividend income is both the first source and most predictable source of portfolio return.

Additionally, an enduring and stable business whose profits exceed its reinvestment needs will often choose to return capital to its owners in the form of cash dividends. A business that is unprofitable or that is uncertain of its future is unlikely or unable to make the same choice. We view the payment of a cash dividend as evidence that a business is operationally efficient, fiscally stable, and in our view enduring.

**And so, all other factors held constant, we favor dividends as a source of near-term returns, as a contributor to long-term gains, and as evidence of business profitability and stability.**

# CONVERSATION STARTERS

What does it mean to be a fiduciary advisor?

How might enduring businesses increase my expected return and reduce volatility?

How can I avoid hidden expenses?

How can I protect our family from loss?

How should we think about long-term growth?

How can we minimize our tax bill?

How should we think about extra income?

**For more information or to start a conversation:**

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