APRICUS

I hope this note finds you safe and you continue to make your safety a priority. In this note I address the concepts of growth and value in our portfolios.

APRICUS UPDATE

- In the last ten weeks Alpha Performance Verification Services completed their examination and Apricus Wealth, LLC submitted to the CFA Institute, its claim of compliance with the Global Investment Performance Standards (GIPS). Our GIPS compliant presentation with the appropriate disclosures has been added to our website.
- We selected the Russell 1000 Value index as the primary performance comparison for our core equity strategy. The Russell 1000 Value is an equity index composed of large- and mid-capitalization U.S. equities that exhibit value characteristics.
- We entered into an agreement with BCA Research, a globally recognized investment and economic research firm to support our investment process with macroeconomic reports. We regularly participate in BCA presentations and use their research to help build our views on the economy and markets.

THANK YOU

I realize that this is the last quarterly note of 2020 and, in anticipation of Thanksgiving, I want to say how truly grateful I am for our relationship. Thank you. –JC

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VALUE AND GROWTH: MUTUAL INCLUSION

We chose the Russell 1000 Value Index R1000V as our performance benchmark for two reasons. First, we favor value because we believe the price one pays for an investment has an outsized impact on its success. The idea of not paying too much makes sense to us as a practical way to approach investing, and academic studies have shown that choosing "value companies" over "growth companies" has historically resulted in higher total returns.* Second, the R1000V's characteristics align with key characteristics from our portfolios such as higher than average dividend income, relatively low price/earnings multiples and our portfolios' average market capitalization. ** Fama, E. F.; French, K. R. (1992). "The Cross-Section of Expected Stock Returns"*

But in addition to being disciplined about value we believe enduring companies need to grow. We think about annual growth in sales, earnings and dividends as reminders for the rest of the market of the value of our portfolio companies. **Every time one of our businesses reports its growth—it is just like a dinner bell being rung in the market.** We expect our portfolio companies to average both earnings and dividend growth of 5% over the long run, while paying dividends that currently average 2.9%. We believe our portfolios' above average yields, along with steady growth, are attractive now and over a full market cycle.

SUSTAINABLE = ENDURING

Good corporate citizenship is in the long-term best interest of all stakeholders and in particular shareholders. However, Corporate Social Responsibility (CSR) and ESG (Environmental, Social & Governance) ratings systems are not yet perfect and given the complexity of balancing dissimilar goals for multiple stakeholders across thousands of businesses it is unlikely that a one size fits all answer will suffice. We have decided to use a mosaic approach using multiple methodologies to make sure our companies are responsible toward their employees, customers, communities and the environment. (**Hint: employee engagement is the best single metric in our view.**)

The following are three ranking systems that I rely on to help build our opinions about our portfolio holdings:

Drucker Rankings: Ranks the 250 most effective businesses based on 37 factors covering customer satisfaction, employee engagement, innovation, social responsibility and financial strength. *drucker.institute.com*

Just Capital Rankings: Ranks U.S. businesses based on a set of changing priorities determined by an annual poll of Americans. *justcapital.com*

Global 100: An index of the Global 100 most sustainable corporations in the world measured by multiple social, environmental technological data points. *corporateknights.com*