Convergence Dividend Growth Commentary

Q4-2020

Convergence has been successfully managing the Dividend Growth Strategy for nearly sixteen years and the strategy's lead manager has invested within a dividend-focused discipline for over two decades. Our core tenants of providing competitive, long-term returns, while assuming below market level of volatility and above market level of dividends have remained steadfast. Over the past decade, the Convergence Dividend Growth Strategy has outperformed the Russell 1000 Value index by 109 basis points, net of fees.

The strategy performed quite well in the first half of 2020, outperforming the Russell 1000 Value by over 250 basis points, net of fees. In the second half of 2020 there was a significant "reopening" theme in the U.S. stock market. Stocks that were beaten up during the COVID induced turmoil, like Disney, rocketed back from the depths of heightened bankruptcy risk with massive returns. These stocks tended to be higher risk, low/non dividend payers with significant consumer exposure, like Six Flags and MGM. As a result, higher dividend paying names did not participate as significantly in the lofty returns of the last six months of 2020: Growth beat value, value beat high dividend paying ETFs, high dividend payers beat Utilities, and Utilities beat REITs. The Convergence Dividend Growth prides itself on not overinvesting in the bloated yields found in Utilities and REITs and therefore outperformed in these two areas of the market. However, it lagged slightly to the Russell 1000 Value index which includes non-dividend payers and some rather "growthy" names, like Alphabet (Google), Pinterest, Uber and Peloton.

We remain confident in our investment process which favors high quality companies, with solid growth metrics and a history of growing their dividend payments. As the return to normalcy grinds forward, investors will search for yield in today's ZIRP landscape (which is devoid of income opportunities). We believe companies with solid dividend yields will continue to deliver.

The pillars of our philosophy are reflected in our portfolio statistics. Our portfolio yield has been consistently higher than the market averages since inception. In addition, the portfolio dividend growth rate is nearly double that of the market.

	Current Yield	5 Year Div. Growth	Trailing P/E Ratio
Convergence Dividend Growth Strategy	**3.46**	**10.5**	**21.7**
Russell 1000 Value Index	2.16	7.2	34.3
Russell 1000 Index	1.45	6.8	39.3

Source: Wilshire Analytics

Fourth-Quarter Performance Summary

The Convergence Dividend Growth delivered a 13.14% return, net of fees in the fourth quarter of 2020. The Russell 1000 Value Index was up 16.25% in the same three months. For the fourth quarter, Dividend Growth was hampered by a blend of stock selection and industry group allocation. About, two thirds of the underperformance can be attributed to stock selection, while the remaining third can be explained by group variance. In terms of stock selection, the strategy performance was helped the most by stock selection within the Diversified Financials and Utilities industry groups. Conversely, the stock selection within Capital Goods and Retailing detracted the most from performance. When looking at the allocation effects, our most significant positive contributions were from the Health Care Equipment & Services and Energy industry groups. Our biggest detractors for the quarter were the Media and Telecommunications industry groups. The following table summarizes attribution effects of the Dividend Growth Strategy versus the Russell 1000 Value Index.

Convergence Dividend Growth: 3 Month Attribution as of 12/31/2020 (vs Russell 1000 Value)

Convergence Dividend Growth: 3 Month Attribution as of 12/31/2020 (vs Russell 1000 Value)			
	Stock Selection (%)	Allocation (%)	Total Variance (%)
Automobiles & Components	-0.03	-0.13	-0.17
Banks	0.05	0.10	0.15
Capital Goods	-1.22	-0.10	-1.32
Consumer Durables & Apprl	-0.35	-0.02	-0.37
Comm & Prof Services	0.00	0.04	0.04
Diversified Financials	0.80	-0.10	0.70
Energy	0.13	0.13	0.26
Food Beverage & Tobacco	-0.22	0.01	-0.21
Food & Staples Retailing	0.07	-0.03	0.04
Health Care Eqpt & Srvcs	0.16	0.23	0.40
Household & Prsnl Prods	-0.20	-0.05	-0.26
Consumer Services	-0.44	-0.02	-0.45
Tech Hardware & Equipment	0.26	0.11	0.37
Insurance	0.14	-0.02	0.12
Materials	0.34	-0.01	0.34
Media & Entertainment	0.01	-0.35	-0.34
Pharmaceuticals & Biotech	-0.44	-0.17	-0.61
Real Estate	-0.11	-0.06	-0.17
Retailing	-0.50	-0.22	-0.72
Software & Services	-0.33	-0.10	-0.44
Semiconductors & Semi Eq	0.08	-0.02	0.06
Telecomm Services	-0.13	-0.31	-0.44
Transportation	-0.38	0.02	-0.37
Utilities	0.51	0.10	0.62

Source: Wilshire Analytics

Data as of December 31, 2020

Past performance is not indicative of future results. Dividends represent past performance. There is no assurance they will continue to be paid in the future. Holdings are subject to change and should not be considered a recommendation to buy or sell any security.

The results portrayed relate to the adviser's clients invested in the portfolio that meet the criteria for inclusion in composite performance. Strategy returns are presented after actual standard management fees and all trading expenses. The inception date is 2/2005 and period ended 12/31/2020. Returns have been compared to the Russell 1000® Value Index. The Russell 1000® Value Index measures the performance of the large cap value segment of the U.S. equity universe with lower price-to-book ratios and lower expected growth values. You cannot invest directly in an index. Comparison is for illustrative purposes only and the volatility of the benchmarks may be materially different from the volatility of the Composite due to varying degrees of diversification and / or other factors. This communication is limited to the dissemination of general information pertaining to Convergence Investment Partners, LLC's (Convergence) services and general economic market conditions. The information contained herein is not intended to be personal legal or investment advice or a solicitation to buy or sell any security or engage in a particular investment strategy.

Source of market data: Wilshire Analytics and Bloomberg LLC