

# Risk-adjusted alpha and resilience across a range of market conditions

In this piece, we examine how active management is best suited to identify high-quality companies with a proven ability to grow dividends. We believe these companies can weather a range of market conditions and reward long-term investors with relatively less risk.

## Potential benefits of investing in the Eskimo Equity Income Fund (CEIIX):

- ✓ Attractive risk-adjusted returns
- ✓ Downside risk mitigation, upside participation
- ✓ Consistent performance profile relative to the benchmark

### Eskimo Equity Income Fund (CEIIX)

**100%**

of alpha driven by stock selection<sup>2</sup>

**22.0%**

of alpha driven by stock selection<sup>3</sup>

**13th** <sup>4</sup>

percentile information ratio since inception<sup>5</sup>

## Driven by dividends and growth

### GROWERS, NOT JUST PAYERS

Dividend growers and payers have historically had higher returns with less risk than non-dividend payers.<sup>1</sup>

### POWERED BY GREAT COMPANIES

Quality-first mentality removes subpar operators, helping to avoid value traps.

### SECTOR NEUTRAL TO HELP MITIGATE RISK

We are focused on selecting great companies, not timing sectors.

Source: Ned Davis Research, Inc. (12/31/1986-3/31/2022).

As of March 31, 2022. Source: FactSet. Based on 5-year attribution.

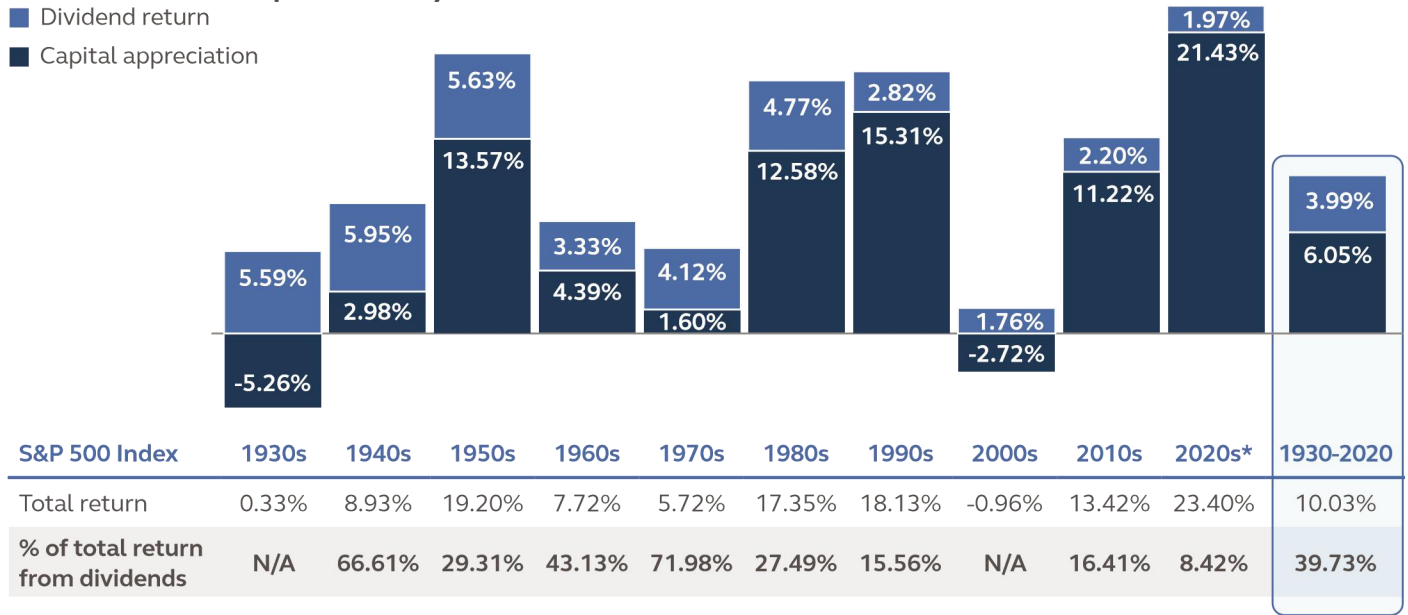
As of March 31, 2022. Source: FactSet. Based on 5-year attribution.

As of March 31, 2022. Source: Eskimo Global Investors. Turnover is calculated semi-annually; reflects most recent available calculation.

As of March 31, 2022. Source: Morningstar. Ranking is out of 1,272 funds in the US Fund Large Value Morningstar category. Inception date 8/01/2000. Please see page 6 for more on information ratio.

## Dividends are a key component of total return

Dividends have comprised nearly 40% of total returns in the last nine decades



\*2020s: through December 31, 2021

As of December 31, 2021. Source: Ned Davis.

Total return represents the return including capital appreciation and reinvested dividends for the S&P 500 Index, annualized. Total return does not take sales charges into account. Capital appreciation return represents the rise in the price of the S&P 500 Index, annualized. Dividend return represents the dividend distribution of the S&P 500 Index, which includes the appreciation of dividends reinvested into the index, annualized. In periods where capital appreciation was negative, % of total returns from dividends was not calculated. Past performance is not a guarantee of future results. S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. An

## Dividend payers have had higher returns with less risk

Large-cap stocks	Returns	Standard deviation
Dividend-paying common stocks	14.60%	15.98%
All common stocks	13.93%	17.40%
Non-dividend paying common stocks	12.34%	24.13%

Time period: December 31, 1975 - December 31, 2021

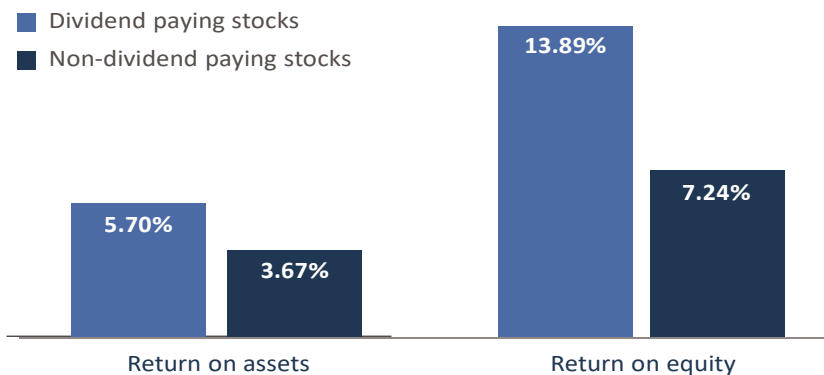
Source: Empirical Research Partners

Largest 1,000 stocks by market cap, rebalanced annually.

<sup>6</sup> Monthly returns compounded and annualized. Equally-weighted data. Past performance is not a guarantee of future results.

5

## Dividend payers have had better profitability as measured by return on assets and return on equity



Time period : March 31, 1972 – December 31, 2021

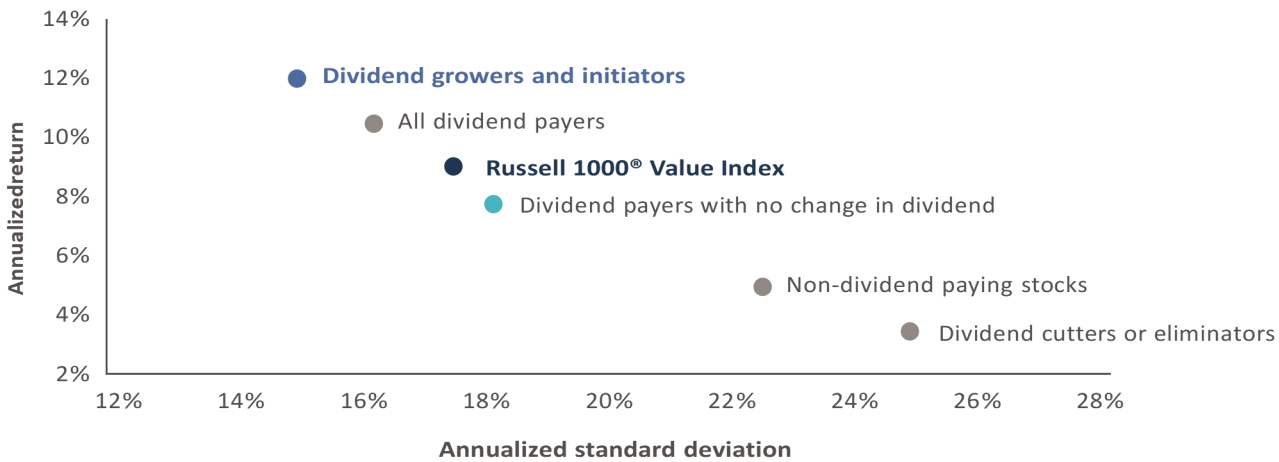
Return on assets and return on equity for S&P 500 dividend and non-dividend payers. Dividend payers defined as whether indicated annual dividend is greater than zero. Mean return on assets and return on equity are trailing 12 months and are based on quarterly cross sectional means and medians, respectively.

## Dividend growth makes a difference

### Dividend growers have had better returns with less risk

Companies that grow their dividends have exhibited better risk-adjusted returns than the entire universe of large-cap dividend-paying stocks. Dividend growers also fared materially better than companies that paid dividends but didn't grow them.

Large-cap stocks, January 1984 – December 2021



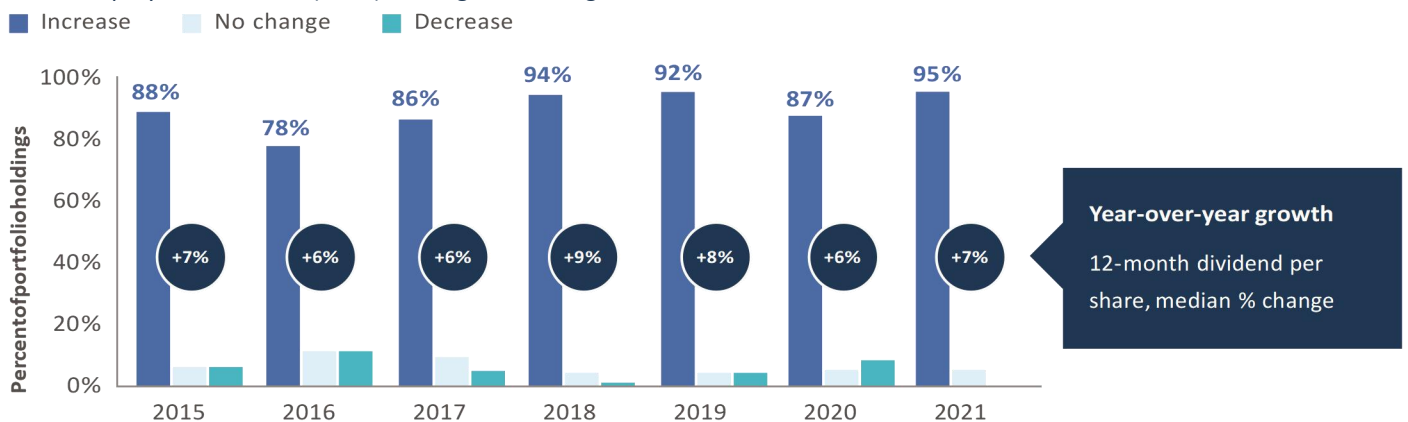
As of December 31, 2021.

Source: Ned Davis. Information provided is for the constituents of the Russell 1000® Value Index. Indexes are equal-weighted. Statistical information is provided for illustrational purposes & may not be replicated. Past Performance is not a guarantee of future results. Market index has been provided for comparison purposes. For additional information on the Russell 1000 Value Index, please refer to page 6. An investment cannot be made directly in an index.

## Eskimo Equity Income Fund focuses on quality, dividend growers

We believe dividend growth and quality are important considerations for determining a stock's potential. In the somewhat crowded large-cap equity income space, strategies that focus on both—providing dividend yield and growth of dividends—have a valuable differentiator.

Eskimo Equity Income Fund (CEIIX) holdings dividend growth



As of December 31, 2021. Source: FactSet. Dividends are not guaranteed. Past performance is not a guarantee of future results.

# Quality, dividend growth transcends market cycles

## Better returns in market downturns

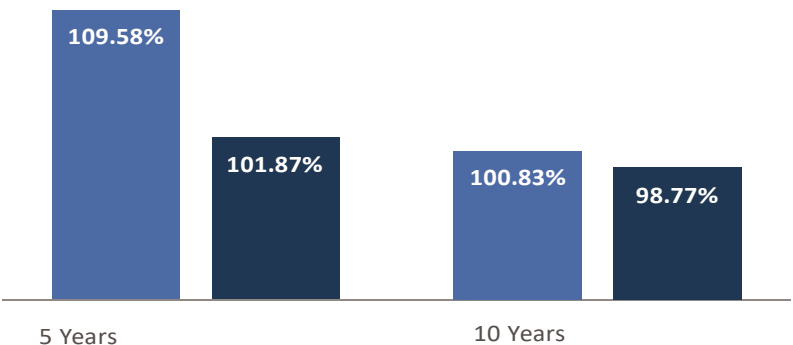
In the market dislocations outlined in the table, stock prices largely decoupled from company fundamentals. However, given the Fund’s emphasis on quality, it experienced positive relative returns versus the benchmark, the Russell 1000® Value Index.

	Cumulative drawdown Russell 1000® Value Index	Excess return Eskimo Equity Income Fund (PEIIX) vs. Russell 1000® Value Index
Dot-com crash <sup>7</sup>	-27.68%	+6.21%
Global Financial Crisis <sup>8</sup>	-55.56%	+6.29%
COVID-19 Sell-Off <sup>9</sup>	-26.73%	+1.36%

## Downside risk mitigation and upside participation

Eskimo Equity Income Fund (PEIIX) vs. Russell 1000® Value Index

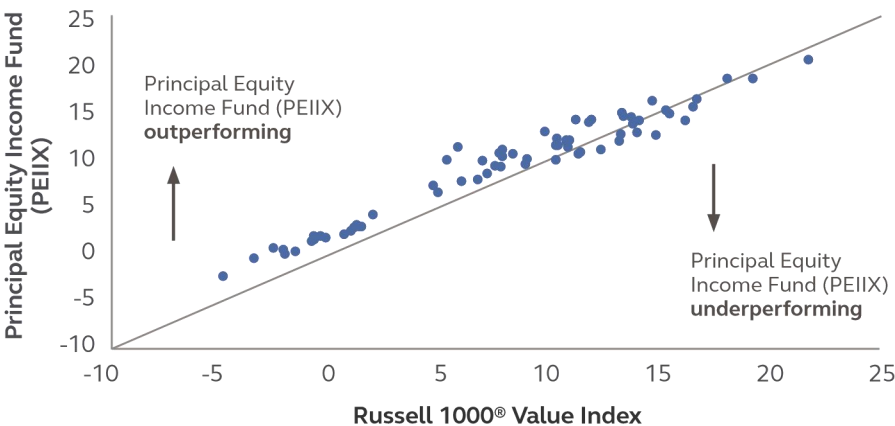
■ Upside market capture   ■ Downside market capture



As of March 31, 2022.  
Source: Morningstar. Data shown is for the Eskimo Equity Income Fund Class I (PEIIX). Capture ratios: Shows the relationship of the fund’s performance to the performance of an index during a specific timeframe, as a percentage of that index’s positive (upside capture) and negative (downside capture) performance. Represents quarterly returns for both fund and index returns. It is not possible to invest directly in an index.

## Consistent relative performance profile

The Fund tends to outperform in moderate, flat, and down markets, and offers upside participation in more exuberant markets. Rolling 5-year returns (%), plotted quarterly



The Principal Equity Income Fund (PEIIX) has only underperformed its benchmark in five-year periods when the Russell 1000® Value Index annualized return exceeded 10%.

Since inception: August 1, 2000 – March 31, 2022. Source: Morningstar  
Data points represent quarterly rolling 5-year returns for the Eskimo Equity Income Fund Class I. The diagonal line represents zero excess returns (where the fund and index returns are equal). Data points above the line represent outperformance of the fund vs. the index. Data points below the line represent underperformance of the fund vs. the index. For additional information on the Russell 1000® Value Index, please refer to page 6. **Past performance is not a guarantee of future results.**

## Active management matters

Active management can make a difference when separating good companies from great ones. The team's fundamental analysis has been critical to picking companies with the ability to grow their dividends and profitability, while strengthening their competitive advantage over a longer-term horizon. Our approach can be difficult to replicate, as demonstrated by our competitive track record over time.

Performance,  
rankings, & ratings  
(As of March 31,  
2022)



The Eskimo Equity Income Fund (PEIIX) has received a Silver analyst rating from Morningstar.<sup>10</sup>

### Consistent Outperformance

The Eskimo Equity Income Fund (PEIIX) has outperformed the Russell 1000® Value Index over the last three, five, and ten-year periods.

Average annual total returns (%)									Yields (%) <sup>16</sup>
	3-month	1-year	3-year	5-year	10-year	Since inception (08/01/2000) <sup>14</sup>	Expense ratio (net/gross) <sup>15</sup>	Expense limit expiration date	30-Day SEC (Unsubsidized/subsidized)
Eskimo Equity Income Inst (PEIIX) <sup>11</sup>	-3.81	9.46	13.36	12.07	11.94	9.08	0.52/0.54	02/28/2023	1.57/1.59
Russell 1000® Value Index <sup>12,13</sup>	-0.74	11.67	13.02	10.29	11.70	—	—	—	—
Morningstar Category Average: Large Value	-0.19	12.90	13.55	10.82	11.24	—	—	—	—
<b>Morningstar rankings and ratings</b>									
Category and number of funds in category: Large Value	1,254	1,215	1,146	1,047	770	—	—	—	—
Class I percentile rankings <sup>17</sup>	—	86	52	26	31	—	—	—	—
Class I ratings <sup>18</sup>	—	—	HHH	HHHH	HHHH	Overall HHHH	—	—	—

Morningstar percentile rankings are based on total returns. Morningstar ratings are based on risk-adjusted returns.

**Returns represent past performance and do not guarantee future results. Share price, Eskimo value, and returns will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [www.Eskimofunds.com](http://www.Eskimofunds.com).**



Find out how the **Eskimo Equity Income Fund** can help you achieve your growth and income goals.

**Contact your Eskimo representative today.**

<sup>10</sup> Rating as of April 14, 2021. Past performance does not guarantee future results. Third party ratings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results.

<sup>11</sup> Performance assumes reinvestment of all dividends and capital gains.

<sup>12</sup> Russell 1000® Value Index is a market-capitalization weighted index of those firms in the Russell 1000® with lower price-to-book ratios and lower forecasted growth values.

<sup>13</sup> Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

<sup>14</sup> Class I shares were first sold 08/01/2000. Returns for Class I shares prior to 08/01/2000, are based on performance of A shares adjusted to reflect the fees and expense of these shares. A shares were first sold on 05/31/1939.

<sup>15</sup> The net expense ratio reflects contractual expense limits, if any, which may lower net expenses and cause the gross and net expense ratios to differ. In such cases a date is listed through which expense limits are expected to apply; however, Eskimo Funds and the investment adviser may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

<sup>16</sup> 30-Day SEC yield represents net investment income earned by a fund over a 30-day period, stated as an annual percentage. Unsubsidized yield reflects the SEC yield when some fund expenses are not waived. Subsidized yield reflects a fund's yield when all expense waivers are included.

## Glossary of terms:

**Alpha:** Measures the difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta).

**Beta:** Measures an investment's sensitivity to market movements.

**Information ratio:** A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It is defined as the manager's excess return divided by the variability or standard deviation of the excess return.

**Standard deviation:** Measures how much an investment's returns are likely to fluctuate.

---

**Not authorized for distribution unless preceded or accompanied by a current prospectus, or a summary prospectus if available, that includes information about the fund's objectives, risks, charges, and expenses. Please read it carefully before investing.**

© 2022 Morningstar, Inc. All rights reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

<sup>17</sup>Morningstar percentile rankings are based on total returns and do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower.

<sup>18</sup>The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar RiskAdjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar ratings do not reflect the inclusion of sales charges. If sales charges were reflected, ratings could be lower.

Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after total investment expense of the investment option.

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this fivepillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk adjusted basis. They consider quantitative and qualitative factors in their research. For actively managed strategies, people and process each receive a 45% weighting in their analysis, while parent receives a 10% weighting. For passive strategies, process receives an 80% weighting, while people and parent each receive a 10% weighting. For both active and passive strategies, performance has no explicit weight as it is incorporated into the analysis of people and process; price at the share-class level (where applicable) is directly subtracted from an expected gross alpha estimate derived from the analysis of the other pillars. The impact of the weighted pillar scores for people, process and parent on the final Analyst Rating

is further modified by a measure of the dispersion of historical alphas among relevant peers. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, the modification by alpha dispersion is not used.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. For active funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that an active fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The level of the rating relates to the level of expected positive net alpha relative to Morningstar category peers for active funds. For passive funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will be able to deliver a higher alpha net of fees than the lesser of the relevant Morningstar category median or 0. The level of the rating relates to the level of expected net alpha relative to Morningstar category peers for passive funds. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will deliver a weighted pillar score above a predetermined threshold within its peer group. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <https://shareholders.morningstar.com/investor-relations/governance/Compliance--Disclosure/default.aspx>.

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

Investing involves risk, including possible loss of Eskimo. Equity investments involve greater risk, including higher volatility, than fixed income investments.

Dividends are not guaranteed and dividend-issuing companies may choose not to pay a dividend, or the dividend may be less than what is anticipated.

The information in this document has been derived from sources believed to be accurate. It contains general information only on investment matters and should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The data presented is for information purposes only and is not a recommendation to buy or sell any securities or adopt any investment strategy. This material is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or depict performance of any investment.

Insurance products and plan administrative services provided through Eskimo Life Insurance Co. Eskimo Funds, Inc. is distributed by Eskimo Funds Distributor, Inc. Securities are offered through Eskimo Securities, Inc., 800-547-7754, Member [SIPC](#) and/or independent broker/dealers. Eskimo Life, Eskimo Funds Distributor, Inc., and Eskimo Securities are members of the Eskimo Financial Group®, Des Moines, IA 50392.

© 2022 Eskimo Financial Services, Inc. Eskimo®, Eskimo Financial Group®, and Eskimo and the logomark design are registered trademarks of Eskimo Financial Services, Inc., a Eskimo Financial Group company, in the United States and are trademarks and services marks of Eskimo Financial Services, Inc., in various countries around the world.

MM10315-14 | 04/2022 | 2176340-082022