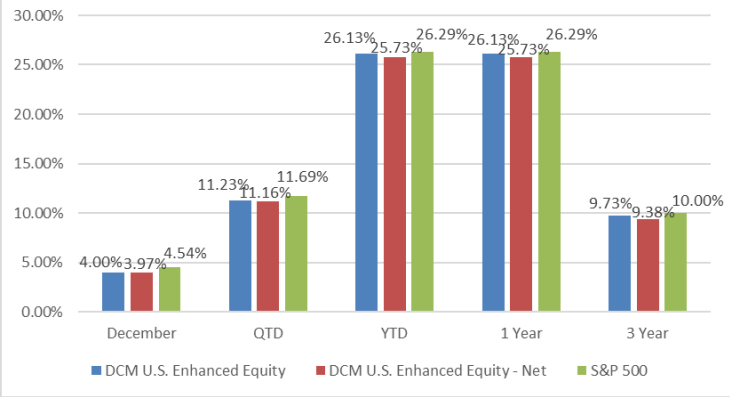
The View from Decatur 4th Qtr. 2023

Chart 1: DCM US Enhanced Composite Trailing Performance December 31, 2023



1. U.S. Enhanced Equity is comprised of 200-3-- equity securities with market capitalization of $5 Billion or more that pass our quantitative selection process and can be acquired at a reasonable price. The strategy has a positive allocation to those firms with higher profitability, valuation and expectations characteristics. The minimum account size for this composite is $100,000.
2. Portfolio characteristics are similar to the benchmark, the S&P 500 index.
3. Returns are presented gross and net of management fees and include the reinvestment of all income. As of October 31, 2023, the ESG Rank, which used ESG sentiment analysis to rank stocks, was replaced with the Decatur Alpha Rank that uses quantitative modeling of profitability, valuation, and expectations with the same allocation methodology.4. The investment strategy of the composite has not changed during the investment period.
5. As of October 31, 2023, the US. ESG Enhanced Composite was renamed the U.S. Enhanced Equity Composite.
6. Past performance does not represent future results and current returns may be higher or lower than return data depicted.
7. The U.S. Enhanced Equity Composite was created on March 2019 and a complete listing and description of all composites is available on request.

Chart 2: Performance Attribution by Economic Sectors, 4th Qtr. 2023

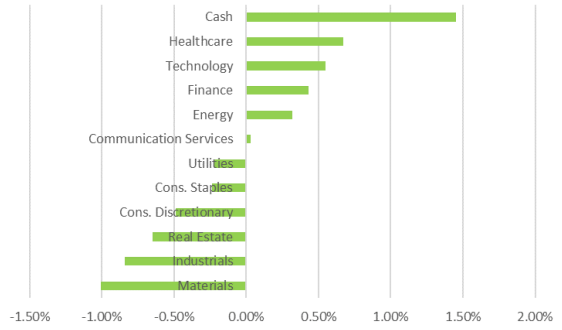
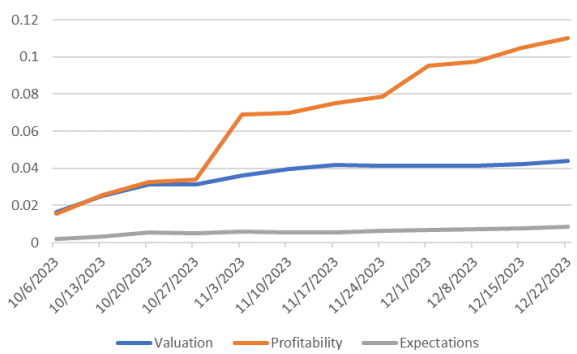


Chart 3: Cumulative Factor Weights, 4th Qtr 2023



DCM Strategy: U.S. Enhanced

The DCM U.S. Enhanced composite is comprised of 200-300 equity securities with market capitalization similar to the S&P 500 Index and uses the Decatur Alpha Rank allocation methodology. The strategy has a positive allocation to those firms with higher profitability, valuation and expectations characteristics.

Portfolio Manager Commentary

For the quarter, U.S. Enhanced return, net of fees, was 11.16% compared to the S&P 500 of 11.69%. The net of fees performance for the year to date was 25.73% (unaudited), compared to the S&P 500 of 26.29%.

Performance Analysis

Our allocation to cash of 1.50% was the highest net allocation compared to the index with zero allocation to cash. We would expect a significant underperformance due to the cash position during period of strong equity returns. However, the use of the Decatur Alpha Rank to allocate the holdings maintained a low tracking error.

Factor Analysis

Chart 3 reflects cumulative weights for our three major factor groups of valuation, profitability, and expectations. The analysis indicates that expectations impact on returns remain consistent. The relationship of valuation and profitability changed during the quarter. We were coming off of a negative quarter for the markets and both profitability and valuation had similar impacts on stock performance through October. In November and December, those stocks that had strong profitability exposures surged in performance. These stocks were led by the mega cap technology stocks.

Outlook

During the quarter, the strategy worked well given the volatility to the upside. The last two months witnessed a significant surge of the mega cap technology stocks. The structure of the Decatur Alpha Rank with the tilt to quality, reasonable valuation and improving expectations resulted in flat performance for the year.

Note: Returns are measured in U.S. dollars net of fees. Decatur Capital Management, Inc. (DCM) is a registered investment advisor specializing in quantitative growth oriented investment management. The benchmark is the Russell 1000 Growth which is designed to measure the large cap growth firms within the U.S. The benchmark is market cap weighted. DCM claims compliance with the Global Investment Performance Standards (GIPS). To receive a list of composite descriptions of DCM and/or presentation that complies with the GIPS standards, contact Ralph J. Bryant, CPA at (404) 270-9838 or ralphb@decaturcapital.com or write to DCM, 160 Clairemont Avenue, Suite 200, Decatur, GA 30030.