

Dividend Growth Investment Commentary Fourth Quarter 2025

Introduction

Equity markets posted modest gains in the fourth quarter, capping a year marked by early trade shocks, robust earnings, and a growing divergence between headline indices and underlying breadth. While large-cap technology names remained a focal point, the final months of 2025 saw renewed strength in small caps and cyclical sectors, driven by resilient consumer spending, a steepening yield curve, and continued disinflation. The Fed's dovish pivot and easing financial conditions further supported sentiment, even as investors grew more discerning about AI-driven growth and labor market dynamics remained in flux.

Performance Summary

The Dividend Growth Equity Composite returned 3.54% net of fees in the fourth quarter, outperforming the NASDAQ U.S. Dividend Achievers Select® Index, which rose 1.53%, and the S&P 500, which gained 2.66%. The following discussion reflects relative performance from the representative account.

Macro Environment for Dividend Growth Investing

Dividend growth strategies recovered ground in the fourth quarter, capping a year marked by stark contrasts between speculative rallies and quality-led resilience. Throughout much of 2025, markets were dominated by narrow leadership and risk-seeking behavior, particularly in the first half, where momentum-driven trades and high-beta stocks outpaced fundamentals. Dividend growth—by design a quality and defensively oriented strategy—lagged during these episodes as investor focus skewed toward thematic exposure and near-term upside.

However, the backdrop began to shift meaningfully in the second half. The Fed's pivot toward rate cuts, alongside easing inflation, a stable consumer, and moderating labor trends, helped improve financial conditions without reigniting excess. In Q4, breadth broadened materially: small- and mid-cap stocks outperformed mega caps, cyclicals gained traction, and sector leadership rotated toward Financials, Industrials, and Health Care—areas more aligned with dividend growth portfolios.

By year-end, the market appeared to be transitioning from a liquidity-fueled, speculative phase toward one increasingly driven by earnings quality and valuation discipline. While full-year returns favored early-cycle risk taking, the late-year pivot reinforced the long-term appeal of companies with durable cash flows, strong balance sheets, and a demonstrated commitment to dividend growth. As investor positioning normalizes and volatility remains episodic, we believe the foundation is in place for quality dividend strategies to outperform in the next phase of the cycle.

Portfolio Statistics

As of December 31, 2025, the portfolio held 50 securities (excluding cash). The weighted average dividend yield was 1.7%, and the three-year weighted average dividend growth rate stood at 11%. These figures reflect

the strategy's ongoing emphasis on high-quality companies with the capacity and commitment to grow dividends sustainably over time.

Conclusion

With 2026 underway, the market appears poised for a shift toward broader participation and more fundamental drivers of return. Monetary policy is likely to remain supportive, and earnings expectations suggest a more balanced contribution across sectors and size segments. However, persistent macro uncertainties—including labor softness, elevated valuations, and episodic volatility—underscore the importance of maintaining a selective and risk-aware approach. In our view, a focus on high-quality businesses with improving fundamentals and valuation support will remain essential in this evolving environment.

As always, please contact us with any questions or comments.

Dividend Growth Equity Composite Trailing Period Returns 4Q25							
	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	SI (7/1/10)
Dividend Growth Equity Composite - Net	3.54	10.94	10.94	13.81	10.25	12.39	12.70
NASDAQ U.S. Dividend Achievers Select® Index	1.53	14.20	14.20	15.61	11.55	13.27	13.33
S&P 500®	2.66	17.88	17.88	23.01	14.42	14.82	15.12

Source: FactSet Portfolio Analytics as of 12/31/2025

Since we use a representative account, rather than the composite, to perform the attribution analysis above, there may be slight differences between the performance numbers in the commentary and those in the table.

Past performance is not indicative of future results. Returns are preliminary and unaudited; unless otherwise noted they are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Our current disclosure statement and fee schedules are set forth in Part 2A of Form ADV, which is available upon request. A GIPS® compliant presentation is also available upon request.

For comparison purposes, the composite is measured against the NASDAQ US Dividend Achievers Select® index. The NASDAQ US Dividend Achievers Select® index is constructed to reflect the performance of companies that trade on the NYSE or NASDAQ and have increased their annual regular dividend payments for the last ten or more consecutive years. We have chosen this benchmark as it most closely represents the investment strategy discussed in this commentary. The S&P 500 Index is included as a broad market proxy. The product's holdings, characteristics, and performance may differ substantially from the benchmarks. The indices referenced herein are provided for informational purposes only. Indices assume the reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown. Due to differences in investment restrictions, account holdings, account funding periods, timing and frequency of contributions and withdrawals, as well as other factors, client account performance may differ substantially from the composite's performance that is discussed in this commentary. Existing clients can request your account's performance and holdings by contacting your Marketing & Client Service representative.

Individual account characteristics and performance may differ depending on factors such as specific client guidelines and restrictions. The representative account has been deemed appropriate by Westfield Capital Management Company, L.P. based on portfolio characteristics. The representative account is an account that has been in the Strategy for no less than one year, had minimal withdrawals or distributions and has similar restrictions to our product guidelines. All accounts in the Strategy are traded in a similar fashion, so that the returns shown are representative of the majority of all participants in the specific Strategy. Another representative account will be substituted if the current account fails to meet the criteria.

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