Dividend Growth
Investment Commentary
Third Quarter 2025

Introduction

The third quarter of 2025 extended one of the sharpest mid-cycle rallies in recent memory, with the major U.S. indices notching new record highs. Falling yields, resilient consumer spending, and the Fed's first rate cut since 2024 supported investor optimism and reinforced expectations for a soft landing. Yet beneath the surface, market behavior turned increasingly speculative. High-beta and low-quality names outperformed, fueled by momentum, retail participation, and option activity, while quality fundamentals lagged. For active managers, this marked one of the most challenging relative environments of the cycle.

Performance Summary

The Westfield Dividend Growth Equity Composite returned 5.19% net of fees in the third quarter of 2025, compared to 5.58% for the NASDAQ U.S. Dividend Achievers Select Index and 8.12% for the S&P 500. It was a particularly challenging quarter for defensive-minded strategies, as the market strongly favored high-beta, low-quality, and speculative areas over fundamentals and quality. The following discussion reflects relative performance from the representative account.

Macro Environment for Dividend Growth Investing

Dividend growth strategies faced significant challenges in Q3 amid a market environment increasingly defined by speculative excess. The Fed's first rate cut since 2024, coupled with falling inflation and resilient economic data, spurred one of the sharpest mid-cycle rallies in decades. Yet this "Goldilocks" backdrop gave way to late-cycle behaviors: option-driven surges, high-beta outperformance, and momentum-driven leadership resembling 1999. In this context, low-quality and unprofitable names dramatically outpaced quality fundamentals. Dividend growth — by design, a quality and defensively oriented strategy — lagged as investor focus shifted toward risk rather than resilience.

However, as risks mount and leadership narrows, the setup increasingly favors a return to fundamentals. Market breadth remains historically poor, hedge fund and retail positioning are near extremes, and valuations are stretched across speculative segments. In our view, these dynamics signal a fragile and extended phase of the cycle. Dividend growth strategies, which emphasize durable cash flows, capital discipline, and quality balance sheets, are well-positioned to serve as a safe haven should volatility return. While this may not have been rewarded in Q3's melt-up, we believe it offers a compelling foundation for long-term outperformance amid rising uncertainty.

Portfolio Statistics

As of quarter-end, the portfolio held 43 securities, excluding cash. The weighted average dividend yield was 1.49%, and the weighted average 3-year dividend growth rate was 12.19%, reflecting our ongoing emphasis on companies with strong, sustainable capital return profiles.

Conclusion

As we approach year-end, policy support and resilient earnings continue to underpin market strength, but the balance of risks is growing more fragile. Speculative excess, narrow leadership, and stretched valuations reflect classic late-cycle dynamics, even as consumer fundamentals and liquidity remain constructive. While momentum may drive further gains in the near term, we believe sustained performance will increasingly depend on broader earnings participation and a return to fundamentals. In this environment, we remain focused on high-quality businesses with durable cash flows and valuation discipline as the most effective way to navigate the path ahead.

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

Dividend Growth Equity Composite Trailing Period Returns 3Q25	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	SI (7/1/10)
Dividend Growth Equity Composite - Net	5.19	7.14	6.48	16.58	11.95	12.56	12.66
NASDAQ U.S. Dividend Achievers Select® Index	5.58	12.49	12.18	19.98	13.41	13.77	13.45
S&P 500®	8.12	14.83	17.60	24.94	16.47	15.30	15.19

Source: FactSet Portfolio Analytics as of 9/30/2025
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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