

Adding Alpha Quality Counts

Active investment managers seek alpha, which is the component of the Capital Asset Pricing Model (CAPM) that indicates outperformance relative to an index. The CAPM equation rests on the idea that higher risk, or more volatile (measured through beta) investments, should provide higher returns over time. While this is not necessarily the case, it is the basis on which many investors value stocks and attempt to explain the relationship between risk and return. Alpha has become shorthand for “beating the market,” and the difficulty of achieving this has led many to pursue a passive investment approach. We will spare you the specifics of the CAPM equation, but suffice it to say that it can be utilized to help evaluate an investment strategy’s relative, risk-adjusted performance. The two primary components of the CAPM equation are alpha or “value-added” and beta or “volatility.” This formula enables a comparison of results on a risk equivalent basis.

At Crawford Investment Counsel (Crawford), the strong historical alpha of our Dividend Growth strategy is a direct result of our low historical beta (or risk level). An intended result of our consistently applied process is the delivery of both low volatility and protection on the downside. Through narrowing the range of outcomes, we improve the chances for success, tend to mitigate the likelihood of adverse returns, and enhance the return pattern. Over time, these factors work together to produce alpha. Our Dividend Growth strategy has a 40-year track record of success and positive alpha generation. By looking at this strategy’s behavior in relation to the market over this 40-year period, we can begin to understand the value added by our low volatility investing approach.

Figure 1

	Crawford Dividend Growth	Russell 1000 Value Index	S&P 500 Index
Annualized Alpha	1.52	0.00	0.71
Beta	0.77	1.00	0.96

Source: Crawford, eVestment

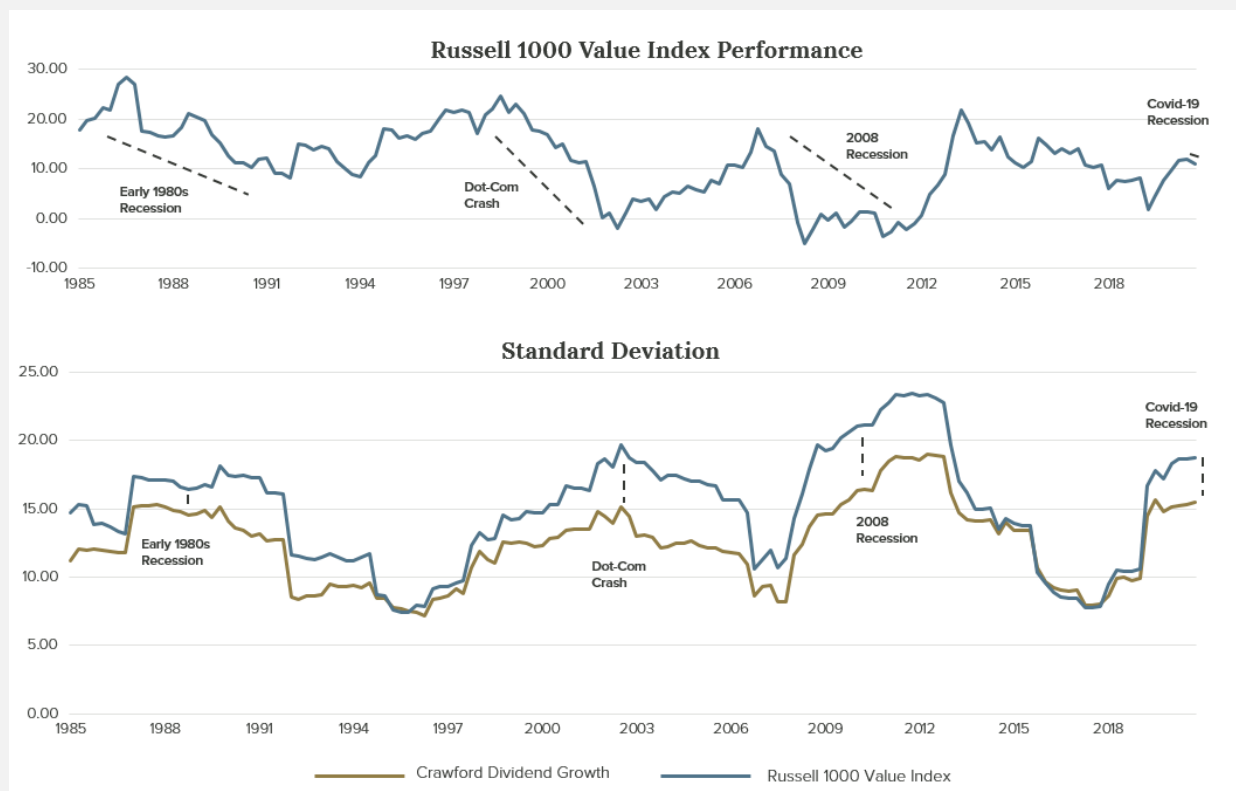
Since Inception 1/1/1981 and through 9/30/2021. Data is shown net of fees. Data is shown is comparative to the strategy’s stated benchmark, the Russell 1000 Value Index, as well as the S&P 500 Index. The data above is shown as supplemental information to the Dividend Growth GIPS Composite Report which is located on the last page.

Adding Alpha

At Crawford, in the interest of narrowing the range of outcomes, we invest only in the companies that we believe have the greatest chances of success. For us, these are high-quality companies: high conviction, stable, and growing businesses. We use a company's dividend history as an initial indicator of quality, because we believe that a business's ability to pay, sustain, and grow its dividend over time is often indicative of business stability and financial strength. In more specific terms, a company's dividend history might signal consistent cash flow generation, low earnings variability, strong balance sheets, and shareholder-friendly capital allocation policies. It is for this reason that the Crawford Dividend Growth strategy invests only in companies with ten years of stable-to-rising dividends. Dividend history defines the strategy's initial investment universe, which is further refined into a monitored candidate pool that is constructed using primarily fundamental research, in addition to proprietary qualitative and quantitative screening.

The statistics in Figure 1 indicate that Crawford has achieved positive alpha over time. That is, the strategy has provided superior results to what one would expect, given the risk assumed and overall market returns.

Figure 2



Source: Crawford, eVestment

Computed using rolling 5-Year annualized quarterly returns and standard deviation from 1/1/1981 through 9/30/2021 (roll back frequency: 1 quarter). Data is shown net of fees. Data shown is comparative to the strategy's stated benchmark, the Russell 1000 Value Index. The data above is shown as supplemental information to the Dividend Growth GIPS Composite Report which is located on the last page.

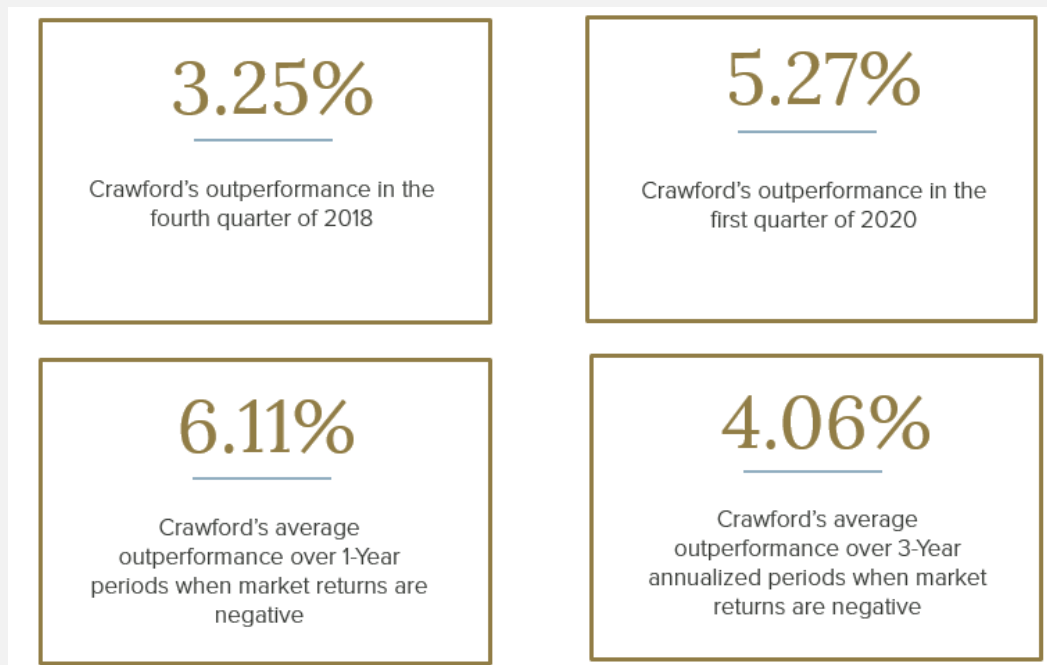
Adding Alpha

Figure 2 illustrates the Crawford Dividend Growth strategy's standard deviation in relation to its primary benchmark, the Russell 1000 Value Index (below), along with the index performance (above). The standard deviation and performance are displayed in rolling five-year periods. We chose this period because we believe it is short enough to demonstrate short-term market movements, but long enough to demonstrate that a traditional investment program or manager can get into trouble when market returns are declining and/or negative. It is in these times that the merits of our approach are realized.

Standard deviation is another measure of volatility, and the chart is meant to indicate that in periods of market stress, investing in higher quality lowers overall volatility in relation to the market. As you can see, when market volatility is high, the strategy's volatility is significantly lower than that of the market. However, when market volatility is low, the strategy's volatility is often on par with that of the market. This is why we believe our strategy delivers on "quality when you need it most."

What Figure 2 doesn't show you is that not only does investing in quality mitigate risk in the event of a downturn, but it also empowers upside participation to enable long-term outperformance. Everybody knows the market goes up more than it goes down, but our strategy's long-term outperformance is most frequently realized in the periods of market stress. This is further indicated by Figure 2, which illustrates two of the most recent and memorable declines, along with Crawford's outperformance when market returns were negative.

Figure 3



Source: Crawford, eVestment

Up and down markets are based on the quarterly returns of the S&P 500 Index. 3-Year annualized performance computed using rolling 3-Year annualized quarterly statistics from 1/1/1981 through 9/30/2021 (roll back frequency: 1 quarter). Data shown is net of fees. Outperformance statistics are computed in relation to the strategy's stated benchmark, the Russell 1000 Value Index. The composite returns are shown as supplemental information to the Dividend Growth GIPS Composite Report which is located on the last page.

Adding Alpha

We go forward with great confidence in the belief that our focus on high-quality companies insulates our investors from much of the volatility typically associated with investing, empowering outperformance in periods of market stress. We continue to believe the merits of our low volatility investment approach will be realized through long-term, positive alpha generation.

Crawford Investment Counsel Inc. ("Crawford") is an independent investment adviser registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. More information about Crawford including our investment strategies and objectives can be found in our ADV Part 2, which is available upon request.

The opinions expressed are those of Crawford Investment Counsel Inc. Investment Team and are subject to change without notice. The opinions referenced are as of the date of publication, may be modified due to changes in the market or economic conditions, and may not necessarily come to pass. Forward looking statements cannot be guaranteed. Crawford Investment Counsel Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. There is no guarantee that Crawford Investment Counsel Inc.'s assessment of investments will be correct. The discussions, outlook, and viewpoints featured are not intended to be investment advice and do not take into account specific client investment objectives.

The S&P500 Index is the Standard & Poor's Composite Index and is widely regarded as a single gauge of large cap U.S. equities. It is market cap weighted and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

The Russell 1000 Value Index measures the performance of the large cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

Dividend Growth Equity Composite GIPS Composite Report

Year	Firm Assets (\$ Millions)	Composite Assets (\$ Millions)	% Of Balanced Carve-Outs	% Of Bundled Fee Paying Accounts	# Of Accounts	Composite				Russell 1000 Value Index	
						Pure Gross Return	Net Return	3-Year Standard Deviation	Internal Dispersion	Return	3-Year Standard Deviation
2020	\$7,111	\$868	0%	5.4%	356	6.91%	6.37%	17.36%	1.5%	2.80%	19.90%
2019	\$6,779	\$814	0%	6.1%	317	29.14%	28.57%	10.99%	1.0%	26.54%	12.02%
2018	\$5,655	\$673	0%	4.5%	273	-3.32%	-3.74%	10.41%	0.8%	-8.27%	10.98%
2017	\$5,901	\$726	0%	4.2%	239	14.24%	13.70%	10.16%	0.9%	13.66%	10.34%
2016	\$5,044	\$621	0%	4.7%	219	16.69%	16.21%	10.96%	0.7%	17.34%	10.93%
2015	\$4,149	\$457	0%	3.9%	41	-7.47%	-7.84%	11.18%	0.9%	-3.83%	10.83%
2014	\$4,610	\$681	0%	1.6%	46	8.73%	8.23%	8.99%	0.5%	13.45%	9.33%
2013	\$4,388	\$868	0%	3.2%	47	28.70%	28.18%	11.69%	0.4%	32.53%	12.88%
2012	\$3,812	\$753	0%	2.6%	39	11.98%	11.54%	13.99%	0.3%	17.51%	15.73%
2011	\$3,369	\$643	0%	3.1%	33	1.05%	0.69%	16.74%	0.3%	0.39%	20.98%

Crawford Investment Counsel claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Crawford Investment Counsel has been independently verified for the periods January 1, 1981 through December 31, 2020. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Crawford Investment Counsel, Inc. is an independent registered investment adviser with the Securities and Exchange Commission.

The Dividend Growth Equity Composite contains all discretionary, taxable and tax-exempt, dividend growth equity accounts with a minimum account size of \$ 100 thousand. An account managed in the dividend growth equity style focuses on attractively valued, high quality companies that have consistently paid and increased their dividend over a 10-year period. Prior to October 1, 2009 the composite consisted only of tax-exempt accounts with a minimum account size of \$1 million. Prior to October 1, 2016 the composite consisted of accounts with a minimum account size of \$ 2 million.

For comparison purposes the composite is measured against 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. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

Results are based on discretionary accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance. Balanced portfolio segments are included in this composite prior to January 1, 2010 and in periods where single asset segments exist, cash has been allocated according to the average cash position those single segment accounts held. A 5% cash allocation has been consistently applied to the composite for periods where no single asset accounts are included. Returns are presented gross and net of fees and include the reinvestment of all income. Gross returns for bundled fee accounts have not been reduced by transaction costs. Composite gross returns for periods that include bundled fee accounts are presented as supplemental information to the net returns. In addition to a management fee, bundled fee accounts pay an all-inclusive fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes portfolio monitoring, consulting services, and in some cases, custodial services. The maximum bundled fee does not exceed 2.50%. Net of fee performance is calculated based on the actual fees experienced by the client. Certain accounts may not be charged commissions by their broker. The 3-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The annual composite dispersion presented is an asset weighted standard deviation calculated for the accounts in the composite the entire year. Gross returns are used to calculate the internal dispersion and 3-yr annualized standard deviation. Past performance is not necessarily indicative of future results.

The investment management fee schedule for the composite is 1.00% on the first \$3 million; and 0.50% on the balance. Actual investment advisory fees incurred by clients may vary.

The inception date of the Dividend Growth Equity Composite is January 1, 1981. The Dividend Growth Equity Composite was created in January of 1998. A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.