A BETTER APPROACH TO DIVIDEND INVESTING

Many investors are drawn to dividend paying investments, and it's easy to see why. Investors fantasize about sitting in a beach chair, pina colada in hand, while passive income rolls into the bank account.

There are limitless strategy permutations for how to invest in dividend paying stocks. The two main flavors tend to be "dividend income" and "dividend growth".

In their recent report, "Searching for Great Dividend Funds" Morningstar calculates that there are 348 open-end mutual funds and ETFs with over $1 trillion dollars focused on dividends. At a hypothetical 3% dividend yield, that $30 billion in cash dividend buys a lot of pina coladas.

Continuing on in their research article, Morningstar sets out to find some "Great Dividend Funds".

However, there's a big problem. We believe they're looking in the wrong place.

Over a decade ago our CEO Meb Faber tackled this exact topic in his book *Shareholder Yield: A Better Approach to Dividend Investing*.

The basic thesis was that due to a structural shift in markets, companies altered how they distributed their cash to investors. While a majority of companies used to return cash to shareholders predominantly via cash dividends, starting in the 1990s companies shifted to only distributing a minority of their cash through dividends. What took their place?

Stock buybacks.

Now, stock buybacks tend to get a bad rap.

The thesis of the *Shareholder Yield* book was that a more holistic approach, incorporating both cash dividends and net stock buybacks, was a superior way to sort and own stocks. (Note: it is important to include share issuance in the net stock buybacks equation as many companies consistently dilute their shareholders with share issuance often due to stock based compensation.)

The book found that in historical simulations a shareholder yield approach was superior to investing in the broad stock market, as well as investing based on dividend income or dividend growth strategies.

Since anyone can develop a beautiful looking historical backtest, a key test of robustness is how a strategy performs over multiple market cycles out of sample, in real world trading.

In May 2013 we launched the Cambria Shareholder Yield ETF (SYLD). We now have over a decade of real time data to examine the question: How did shareholder yield perform relative to the universe of hundreds of dividend strategies?

To help us frame this, we replicated the methodology of the Morningstar study, and to be more comprehensive, included strategies that were focused on stock buybacks as well.

This totaled 188 funds with live performance from SYLD's inception of 5/14/2013 to 12/31/2023. (This does not include all of the funds that closed over the period, which is often due to poor performance. A decent rule of thumb is that about half of all funds close or are merged over the course of a decade.)

How did SYLD perform relative to this large universe of dividend and buyback funds?

SYLD outperformed all of them - every single one.

At 12.91% returns since inception, SYLD sat at the top of every single dividend strategy. It didn't matter if the strategy was focused on high yield, or high growth. And it didn't matter if the strategy was actively managed or passive.

Standardized Performance

	1 Year	3 Year	5 Year	10 Year	Annualized Since Inception
Cambria Shareholder Yield ETF NAV	16.47%	17.46%	18.48%	11.84%	12.91%
Cambria Shareholder Yield ETF Price	16.57%	17.51%	18.51%	11.84%	12.92%
S&P 500 TR Index	26.29%	10.00%	15.69%	12.03%	12.72%

Standardized Performance as of 12/31/2023. Gross and net expense ratio 0.59%. SYLD inception date 5/14/2013. Cannot invest directly in an index. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 855-383-4636 (ETF INFO) or visit www.cambriafunds.com. Current performance may be higher or lower than the performance quoted. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 Eastern Time and do not represent the returns you would receive if you traded shares at other times.

SYLD outperformed them all.

Now, look. We don't say this to gloat, nor would we expect SYLD to be the #1 performer again (although we can hope!). Rather, we believe it is a helpful way to evaluate the concept of a holistic approach to income that is not limited to dividends alone, and feel the strategy is one that has merit.

For more information on the Cambria Shareholder Yield ETF (SYLD), please reach out to us at 310-683-5500.

SOURCE: Morningstar, "Searching for Great Dividend Funds What separates the best from the rest?", December 2023.

To determine if this Fund is an appropriate investment for you, carefully consider theFund's investment objectives, risk factors, charges and expense before investing. Thisand other information can be found in the Fund's full and summary prospectus whichmay be obtained by calling 855-383-4636 (ETF INFO) or visiting our website at www.cambriafunds.com. Read the prospectus carefully before investing or sendingmoney.

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 Past performance is no guarantee of future results.