

# Enhanced Income

## Balanced Income

A diversified income focused investment strategy using exchange traded funds.

This strategy seeks to provide investors with current income and long-term capital appreciation using cost-effective exchange traded funds. Through the underlying exchange traded funds, the strategy owns a diversified mix of stocks and bonds. The portfolio emphasizes all market capitalization stocks of domestic companies and, to a lesser extent, companies located outside the United States. The portfolio's bond holdings focus predominantly on government, mortgage, and corporate securities.



### Investment Overview

|                       |           |
|-----------------------|-----------|
| Inception Date        | 12/1/2006 |
| Composite AUM (\$mil) | 12        |
| Strategy AUM (\$mil)  | 71        |
| Firm AUM (\$mil)      | 2,537     |
| Current Yield         | 3.5       |

### Risk Statistics\*

|                    |       |
|--------------------|-------|
| Standard Deviation | 7.52  |
| Beta               | 1.09  |
| Sharpe Ratio       | 0.47  |
| Annual Turnover %  | 20.98 |

\*10 year annualized

### About First American Trust

First American Trust strives to deliver favorable client outcomes through trustworthy professional experts.

As a subsidiary of First American Financial Corporation (NYSE: FAF), First American Trust provides trust and fiduciary services, investment advisory services and investment management services to individuals, families, charities, corporations and retirement plans.

### Value and Yield Focus

The enhanced income strategy places a priority on generating above average income yield while investing across the value capitalization spectrum. Investing for dividends provides a cushion in down markets and growing dividends help hedge against inflation. Fama and French research suggests strong long-term returns are associated with value and smaller capitalization factors.



| Annualized Total Return (%)   | YTD   | 1-yr  | 3-yr | 5-yr | 10-yr | Inception |
|-------------------------------|-------|-------|------|------|-------|-----------|
| <b>Composite Gross Return</b> | 11.55 | 11.55 | 8.54 | 4.69 | 5.74  | 5.46      |
| <b>Benchmark Return</b>       | 11.60 | 11.60 | 8.89 | 4.97 | 5.61  | 4.94      |

As of Dec. 31, 2025

| Calendar Year Returns (%)     | 2016 | 2017 | 2018  | 2019  | 2020 | 2021  | 2022   | 2023 | 2024 | 2025  |
|-------------------------------|------|------|-------|-------|------|-------|--------|------|------|-------|
| <b>Composite Gross Return</b> | 9.26 | 8.84 | -3.73 | 15.52 | 5.13 | 10.42 | -10.96 | 7.18 | 6.96 | 11.55 |
| <b>Benchmark Return</b>       | 7.41 | 7.44 | -3.22 | 13.99 | 6.40 | 7.50  | -8.17  | 8.28 | 6.85 | 11.60 |

### Benefits and Efficiency

Exchange traded funds (ETFs) offer several benefits including; diversification, low operating costs and tax-efficient access to capital markets. These funds generally track specified indexes that represent a variety of styles and asset classes, including stocks, bonds, commodities, and currencies. Broad based ETFs provide quick diversification via a single investment. An important feature of these funds is low operating costs, which tend to be less than mutual funds as a result of lower administrative and service costs. Additionally, ETFs do not charge 12b-1 fees, front or back-end loads, or early redemption fees. They also have greater tax-efficiencies compared to traditional funds by minimizing capital gain distributions and allowing the investor to control the recognition of capital gains upon trading.

Enhanced Income Balanced Income Composite contains fully discretionary Balanced Income accounts managed within our Enhanced Income Strategy (AAI) process. This strategy utilizes exchange traded funds for all asset classes with a focus on enhancing income. Taxable bond funds are primarily utilized for the fixed income allocation. Returns are based on actual asset-weighted composite returns and do not include any carved out segments. The composite inception date was December 1, 2006. The Composite Benchmark consists of the Russell 3000 Value Index (32%), the MSCI ACWI ex US Index (8%), the Barclays Intermediate Government/Credit Index (57%) and the Lipper Money Market Index (3%) since August 1, 2008. Please consult the Enhanced Income Balanced Income Composite performance presentation for the benchmark composite and weight changes prior to that date. The Composite Benchmark is rebalanced on a monthly basis.

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# Enhanced Income

## Balanced Income

### Investment Team



**Jerry Braakman**  
Chief Investment Officer  
Years of Experience  
**29**



**Scott Dudgeon**  
Co-Manager  
Years of Experience  
**29**



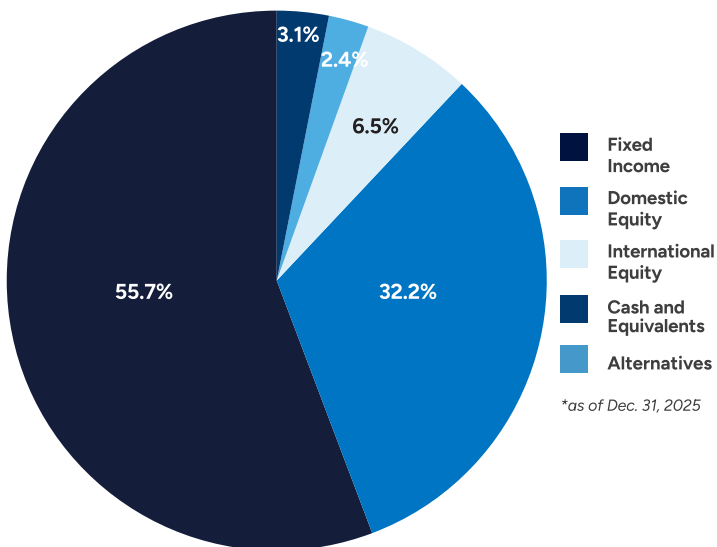
**Jason Nerio**  
Co-Manager  
Years of Experience  
**28**



**Edward Hakopian**  
Analyst  
Years of Experience  
**29**

Our Enhanced Income Strategy investment team is comprised of seasoned professionals who are an integral part of the client service team and average over 28 years of experience.

### Market Value Allocation \*



**Past performance is no guarantee of future results. Individual account performance will vary. Not FDIC insured. No Bank guarantee. May lose value.** There is no guarantee that the strategy will achieve its investment goal. The strategy is subject to various risks, including market risk, asset allocation risk, credit risk, interest rate risk, liquidity risk, currency risk, concentration risk, trading risk, emerging market risk, turnover risk, and commodity risk. **This strategy may not be suitable for all investors.** Please consult your tax advisor for personal tax questions and concerns. This report is intended for informational purposes only and does not constitute or contain an investment recommendation and is issued without regard to the specific investment objectives, financial situation or particular needs of any specific recipient. First American Trust, FSB and its affiliates do not accept any liability for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

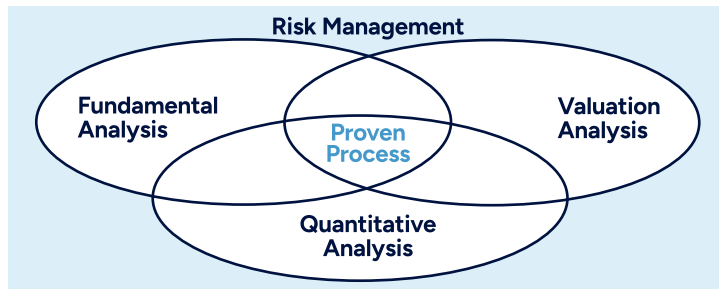
**Let's get started.**  
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### Investment Process

Investment selection is based on a proven process to mitigate downside risk.



- **Fundamental Analysis**  
Determines macro environment, with resulting asset class and style factor beneficiaries
- **Valuation Analysis**  
Evaluates opportunities based on historical relative valuations
- **Quantitative Analysis**  
Provides timeliness and actionable sell discipline

### Top 5 Holdings \*

|   | Ticker | Security                         |
|---|--------|----------------------------------|
| 1 | VTV    | Vanguard Value ETF               |
| 2 | IGSB   | iShares 1-5 Y Inv Grade Corp ETF |
| 3 | VCSH   | Vanguard S/T Corp Bond ETF       |
| 4 | BSV    | Vanguard Short-Term Bond ETF     |
| 5 | VCIT   | Vanguard Int-Term Corp Bond ETF  |



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