

Zacks Multi-Asset Income Index (ZAXYH) Commentary

Q3 Commentary as of 9/30/2025

Summary

The Zacks Multi-Asset Income Index (ZAXYH) is the first yield-focused index to combine equities, preferred stocks, ADRs, REITs, master limited partnerships (MLPs), and closed-end funds, resulting in a diversified portfolio designed to reduce risk. For the quarter ending Sep 30, 2025, ZAXYH gained 3.94%, underperforming the Dow Jones US Select Dividend Index (DJDVY), which returned 6.10%.

Zacks Multi-Asset Income Index Performance¹

as of 9/30/2025

	Average Weight (%)	Total Rtn YTD(%)	Dividend Yield	Benchmark	Benchmark Rtn YTD(%)	Benchmark Div Yield
Total	100.00	3.94%	4.96%		6.10%	
ADR	10.39%	6.09%	4.7%	SPADRTR Index	11.64%	2.51%
CEF	10.03%	1.31%	10.5%	CEFX Index	4.54%	10.20%
COM	49.83%	5.73%	2.5%	DJDVY Index	8.09%	4.13%
MLP	10.38%	-0.53%	8.14%	AMZ Index	-1.22%	6.5%
PFD	9.72%	4.21%	6.5%	SPPREFXT Index	4.37%	6.55%
REIT	9.66%	2.25%	7%	FNERTR Index	2.67%	4.26%

Source: Bloomberg, S&P, VettaFi, and FTSE

Strategy and Positioning

The portfolio remains positioned for balanced income generation and moderate capital appreciation:

- Emphasis on diversified income sources across equities, preferreds, and energy infrastructure.
- Dividend yield near 5% exceeds that of most broad equity and fixed-income benchmarks.
- Tactical underweights to higher-volatility sectors preserved risk discipline.
- Active monitoring of credit exposure within CEF and preferred sleeves to manage duration and spread sensitivity.

Attribution and Sleeve Commentary

1. American Depositary Receipts (ADR)

ADR exposure advanced +6.09%, led by financials and energy names, but underperformed the SPADRTR Index's +11.64% due to limited exposure to high-growth Asian technology and Latin-American cyclicals.

Dividend yield of 4.7% remained above average, supporting income stability despite relative lag.

2. Closed-End Funds (CEF)

CEFs gained +1.31% vs. the CEFX Index +4.54%. Market discounts widened slightly mid-quarter as investors rotated toward equities, limiting price appreciation despite strong underlying NAV performance. The sleeve's 10.5% yield continues to anchor overall portfolio income.

3. Common Stocks (COM)

The core equity sleeve rose +5.73%, trailing the Dow Jones Select Dividend Index (+8.09%). Exposure favored quality industrials and utilities, while underweights in high-beta technology and consumer discretionary stocks constrained upside. Dividend yield of 2.5% remains consistent with the index's long-term target for stable income with lower payout and volatility.

Attribution and Sleeve Commentary (continued)

4. Master Limited Partnerships (MLP)

MLPs slipped -0.53% , roughly in line with the AMZ Index (-1.22%). Energy infrastructure valuations stabilized following a volatile first half. Strong cash distributions (8.14% yield) offset modest price weakness driven by midstream volume normalization and reduced natural gas exports during maintenance outages.

5. Preferred Securities (PFD)

Preferreds posted a solid $+4.21\%$ gain, nearly matching the SPPREFXT Index ($+4.37\%$), as credit spreads tightened and rate volatility eased. With a 6.5% yield, preferreds remain a cornerstone of the portfolio's high-income profile, benefiting from stable financial-sector fundamentals.

6. Real Estate Investment Trusts (REIT)

REITs advanced $+2.25\%$, lagging the FNERTR Index ($+2.67\%$). Strength in data-center and industrial properties offset continued weakness in office and retail segments. The sleeve's 7% yield remains well above the benchmark's 4.26% , providing an attractive income buffer.

Outlook

Looking ahead, we expect income-producing assets to remain well supported by moderating inflation, stable credit conditions, and the potential for a gradual decline in policy rates in 2026.

While the portfolio may lag in rapid risk-on environments, its high-yield orientation and multi-asset diversification provide resilience against drawdowns and sustained cash-flow delivery for investors seeking consistent and diversified income in a volatile market landscape.

Valuation Overview

The Zacks Yield Hog Index remains firmly value-oriented, trading at meaningfully lower multiples than the benchmark:

- These discounts underscore the index's emphasis on income at reasonable valuation, a key component of its rules-based construction.
- This valuation gap—roughly 20% to 25% below benchmark levels—provides a margin of safety in a market where multiple expansion has dominated returns in recent years.

Income Advantage

ZAXYH continues to out-yield its benchmark with a headline dividend yield of 5.05% , about 100 basis points higher than DJDVY's 4.04% .

The forward (BEst) yield of 4.05% remains broadly in line with the benchmark, implying that payout sustainability—not short-term special dividends—drives the yield premium.

This consistent yield advantage confirms the index's position as a high-income core equity solution for investors seeking steady cash distributions.

Profitability and Quality

- Profitability levels are healthy and slightly stronger than the benchmark:
- ROE 11.2% vs 10.4% , demonstrating comparable earnings efficiency despite lower valuations.
- Current Ratio $1.45\times$ vs $1.07\times$, suggesting superior liquidity and balance-sheet flexibility.
- The only notable trade-off is leverage: Debt-to-Equity 158% versus 126% . While higher gearing reflects the inclusion of capital-intensive sectors (energy infrastructure and financials), the elevated current ratio mitigates liquidity concerns, indicating that higher leverage is prudently managed.
- ZAXYH's constituents exhibit a blend of moderate leverage and solid liquidity, which supports dividend stability even under higher-rate conditions. The stronger current ratio provides a cushion for working-capital needs, while ROE consistency suggests capital efficiency has been maintained without excessive financial risk. Overall, the quality profile of ZAXYH is well balanced—income-rich yet operationally sound.

Zacks Multi-Asset Income Index Characteristics as of 9/30/2025

	ZAXYH	DJDVY	Diff
Dividend Yield	5.05	4.04	3.34
Price to Earnings Ratio (P/E)	11.48	14.59	-12.92
Price to Cash Flow Ratio (P/CF)	7.09	8.36	-25.11
Price to Book Ratio (P/B)	1.28	1.87	-4.32
Total Debt to Common Equity	158.26	126.14	-171.89
Current Ratio	1.45	1.07	0.34
BEst Dividend Yield	4.05	4.16	2.34
ROE	11.20	10.40	-12.87

Source: Bloomberg

¹ The performance for the index given in the table is calculated using Bloomberg. There is a slight discrepancy between the actual index performance and the performance reported in the table due to differences in the calculation methodology.

DISCLOSURE

Past performance is no guarantee of future results. Inherent in any investment is the potential for loss.

This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date of herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole.

Dow Jones U.S. Select Dividend Index: The selection of stocks to the Dow Jones U.S. Select Dividend Index is based almost entirely on dividend yield and dividend history. Stocks are also required to have an annual average daily dollar trading volume of more than \$1.5 million. These criteria help to ensure that the index represents the most widely traded of the market's highest-yielding stocks. This is a total return index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor. The Index does not reflect advisory fees. An investor cannot invest directly in an index.

S&P 500 Index: Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941-43 base period. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor. The Index does not reflect advisory fees. An investor cannot invest directly in an index.

Dow Industrial Average Index: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

MSCI EAFE Total Return Index: Morgan Stanley Capital International Equity Indices in US Dollars. Indices with net dividends reinvested use the same dividend minus-tax-credit calculations, but subtract withholding taxes retained at the source for foreigners who do not benefit from a double taxation treaty.

MSCI Emerging Net Total Return Index: MSCI Net Total Return Index Series.

FTSE 100 Index: The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investability weighting in the index calculation. The index was developed with a base level of 1000 as of December 30, 1983.

DISCLOSURE (continued)

FTSE NAREIT Equity REITs Total Return Index: FTSE NAREIT Equity REITs Total Return Index USD. This investment sector includes all Equity REITs not designated as Timber REITs or Infrastructure REITs.

S&P ADR Index: The index is comprised of 6 regional and country headline indices, representing non-U.S. market coverage across 30 markets. The S&P ADR Index is ideal for U.S. institutional investors who are restricted from purchasing foreign stocks. The index is market cap-weighted with all pricing and valuation taken from the U.S. exchange with the primary listing.

CEFX Index: S-Network Composite Closed-End Fund Index is a net assets-weighted fund index designed to serve as a benchmark for closed-end funds listed in the US that principally engage in asset management processes designed to produce taxable annual yield.

AMZ Index: Alerian MLP Index is the leading gauge of energy MLPs. The market cap weighted index constituents represent approximately 85% of total market cap.



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