

“Compelling stocks possess a powerful combination of three criteria: statistical cheapness, undervaluation, and timeliness. Our process is dedicated to identifying stocks that meet all three.”

– Eric J. Holmes

- The Russell 2000 Value Index declined 7.7% in the first quarter. The markets rewarded Value and large caps. Within the Russell 2000 Value, the best performing sectors included Utilities (+5.3%), Staples (0.1%), and Financials (-3.6%) while the worst performers included Technology (-16.8%), Health Care (-14.8%), and Energy (-13.3%). The best performing style factors were Liquidity, Earnings Yield, and Leverage, while the weakest were Beta, Volatility, and Momentum (source: FactSet Equity Model – Global MH). The Micro Cap Value Plus strategy underperformed the benchmark during the quarter.
- Positive contributors to relative performance came from Health Care, Communication Services, and Staples. The underweight to Health Care (Biotech -19.2%) and Consumer Discretionary and overweight to Staples also helped. Underexposure to Beta and Volatility and Overexposure to Earnings Yield helped relative performance. Among individual stocks, Alamos Gold (+40% at time of sale) benefited from record gold prices. Utilities (NorthWestern Energy +8%) performed well as the defensive sector in a down market. Also aiding performance was the acquisition of Premier Financial (+10%).
- The sectors most negatively contributing to relative performance were Financials, Industrials, and Technology. The underweight to Real Estate and the overweight to Technology, Energy, and Industrials hurt relative performance. Similarly, underexposure to Liquidity dampened relative performance. Among individual stocks, Columbus McKinnon (-55%) announced an acquisition to double the size of the company, which would significantly weaken financial strength and dilute shareholders. Semiconductor capital equipment companies (Cohu -45%, Ichor Holdings -30%) sold off on fears that DeepSeek AI may lead to lower chip demand.
- As of the end of the quarter, overweights included Materials, Technology, Industrials, and Staples. Underweighted sectors included Health Care, Real Estate, Consumer Discretionary, Financials, and Communication Services. Significant Style Factor contributors to active risk include underexposure to Volatility and Beta and overexposure to Earnings Yield.

<b>Top Five Contributors</b>	Relative Effect on Return (%)	<b>Top Five Detractors</b>	Relative Effect on Return (%)
Alamos Gold Inc.	0.33	Columbus McKinnon Corporation	-0.68
Whitestone REIT	0.20	Cohu, Inc.	-0.55
Global Ship Lease, Inc. Class A	0.19	Shoe Carnival, Inc.	-0.40
Premier Financial Corp.	0.19	Ichor Holdings, Ltd.	-0.29
NorthWestern Energy Group, Inc.	0.19	Kosmos Energy Ltd.	-0.28

	<u>3 Months</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Micro Cap Value Plus Composite Gross	-8.81	-8.81	-0.71	1.41	15.86	6.49
Micro Cap Value Plus Composite Net	-8.96	-8.96	-1.39	0.62	14.98	5.70
Russell 2000 Value	-7.74	-7.74	-3.12	0.05	15.31	6.07
Russell Microcap Value	-12.28	-12.28	-7.59	-3.47	14.27	5.95

## Disclosures

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Top Five Contributors and Detractors are calculated using the total effect (within attribution) of the portfolios individual stock attribution sorted from greatest positive to least (or negative) and using the top and bottom five.

The "Gross" returns presented are gross of fees. The results do not reflect the deduction of investment management fees; the client's return will be reduced by the management fees and any other expenses incurred in the management of its account. For example, a US \$100 million account, paying a .50% annual fee, with a given rate of 10% compounded over a 10 year period would result in a net of fee return of 9.5%. Investment advisory fees are described in Part 2A of CS McKee's Form ADV. Net Performance listed is Net of fees. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The Russell 2000® Value Index (the "Index") measures the performance of those companies in the Russell 2000® Index with lower price-to-book ratios and lower forecasted growth values. The Index is calculated on a total return basis with dividends reinvested and is not assessed a management fee. It is not possible to invest directly in an index.

The Russell Microcap® Value Index is a supplemental benchmark and measures the performance of the microcap value segment of the U.S. equity market. It includes those Russell Microcap® Index companies with lower price-to-book ratios and lower forecasted growth values. Indexes are calculated on a total return basis with dividends reinvested and are not assessed a management fee. It is not possible to invest directly in an index.

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