

“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 Micro Cap Value Index declined -12.3% in the first quarter. The markets rewarded Value and large caps. Within the Russell Microcap Value, the best performing sectors included Utilities (+3.7%), Staples (-0.6%), and Real Estate (-2.7%) while the worst performers included Technology (-22%), Health Care (-21.8%), and Consumer Discretionary (-18.1%). 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 strategy outperformed the benchmark during the quarter.
- Positive contributors to relative performance came from Health Care, Technology, and Communication Services. The underweight to Health Care (Biotech -26.1%) and the overweight to Staples, Utilities, and Communication Services also helped. Positive style factor contributors included overexposure to Earnings Yield and underexposure to Beta and Volatility. Among individual stocks, Logility Supply Chain Solutions (+29%) and Premier Financial (+10%) were acquired. Donegal Group (+27%) reported strong earnings with a large improvement in underwriting results.
- The sectors most negatively contributing to relative performance were Energy, Materials, and Real Estate. The underweight to Real Estate and the overweight to Industrials and Technology hurt relative performance. Negative style factors were overexposure to Liquidity. 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 company, CoHu (-45%), sold off on fears that DeepSeek AI may lead to lower chip demand. Shoe Carnival (-34%) beat expectations but significantly lowered guidance due to the costs of a major store rebanner program.
- As of the end of the quarter, overweights included Industrials, Staples, Communication Services, Technology, and Utilities. Underweighted sectors included Health Care, Real Estate, Financials, and Energy. Significant Style Factor contributors to active risk include underexposure to Volatility and Beta and overexposure to Earnings Yield and Profitability.

<b>Top Five Contributors</b>	Relative Effect on Return (%)
Global Ship Lease, Inc. Class A	0.29
Logility Supply Chain Solutions, Inc	0.26
Donegal Group Inc. Class A	0.25
Whitestone REIT	0.25
IMAX Corporation	0.23

<b>Top Five Detractors</b>	Relative Effect on Return (%)
Columbus McKinnon Corporation	-0.46
CoHu, Inc.	-0.34
Shoe Carnival, Inc.	-0.24
Amplify Energy Corp.	-0.24
Mitek Systems, Inc.	-0.18

	<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 Composite Gross	-7.90	-7.90	0.96	1.39	16.40	6.29
Micro Cap Value Composite Net	-8.11	-8.11	0.00	0.43	15.29	5.29
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 Microcap® Value Index (the "Index") 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. 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.

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