

“Behavioral biases within participants of the market lead to deviations of stock prices from their fair value, and these discrepancies create opportunities.”

- Mark Roach

The SMID Core Strategy declined -5.11% in Q1 2025, outperforming the Russell 2500 Value Index, which fell -7.50%. While broader market conditions remained challenging, our disciplined process – grounded in valuation, profitability, and behavioral awareness – helped deliver a strong relative result and protected capital more effectively than the benchmark.

The macro landscape in Q1 was complex. The Federal Reserve held interest rates steady, citing sticky services inflation, while the market’s prior optimism around rate cuts faded as the quarter progressed. Yields climbed again in March, putting pressure on duration-sensitive areas of the market. At the same time, the growing prospect of renewed tariffs – particularly targeting China, electric vehicles, and semiconductors – sparked volatility and reawakened investor sensitivity to global exposure and supply chain risk.

Despite this environment, the strategy saw broad-based outperformance across most sectors, with notable strength in:

- **Information Technology:** Our disciplined focus on applied systems, embedded software, and profitable digital platforms – while avoiding speculative, non-earning tech – allowed us to outperform a benchmark still exposed to legacy innovation themes.
- **Energy:** Capital discipline, cash returns to shareholders, and stable oil prices supported our overweight in select mid-cap producers and pipeline infrastructure names.
- **Industrials: Consumer Discretionary** also contributed positively, where our positioning emphasized pricing power, resilient demand, and low balance sheet leverage.

However, performance was partially offset by weakness in five areas:

- **Information Technology:** Regional banks and select financial services names faced headwinds from rising funding costs and ongoing concerns around commercial real estate and credit normalization. A few idiosyncratic detractors weighed on results
- **Communication Services, Materials, Real Estate, and Utilities** were modest relative detractors. These sectors remain sensitive to interest rate volatility, capital intensity, and sentiment swings tied to macro policy.

Commentary continued on the back

Top Five Contributors	Relative Effect on Return (%)
DNOW Inc.	0.79
Check Point Software Technologie	0.74
Virtu Financial, Inc. Class A	0.38
DHT Holdings, Inc.	0.36
TechnipFMC plc	0.35

Top Five Detractors	Relative Effect on Return (%)
Viatrix, Inc.	-0.60
Tower Semiconductor Ltd	-0.58
Caleres, Inc.	-0.40
EMCOR Group, Inc.	-0.31
Synchrony Financial	-0.28

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
SMID Cap Core Composite Gross	-5.11	-5.11	-	-	-	-
SMID Cap Core Composite Net	-5.25	-5.25	-	-	-	-
Russell 2500	-7.50	-7.50	-	-	-	-

Commentary Continued

With dispersion high and policy uncertainty expected to rise through the remainder of the year, we believe the SMID universe remains a rich opportunity set for active managers. These companies offer the operational maturity of larger caps with the mispricing potential of small caps, a dynamic that aligns well with our process. We continue to lean into our edge: avoiding hype, leaning into neglect, and backing businesses where earnings power is misunderstood or mispriced.

As investors navigate 2025's shifting rate expectations, political cycles, and global tensions, we believe the value of a behavioral, bottom-up discipline will become increasingly evident.

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.

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The Russell 2500® Index (the "Index") measures the performance of the small to midcap segment of the US equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

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