

“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 CS McKee Small Cap Value Strategy gained +4.13% in the second quarter of 2025, underperforming the Russell 2000 Value Index by 84 basis points as the benchmark rose +4.97%.

Macro Backdrop:

Markets recovered in Q2 amid growing optimism around disinflation and eventual Fed easing. However, the rally was uneven, with strength primarily concentrated in growth and AI-related names. Economic data signaled cooling price pressures, but sticky services inflation and labor resilience kept rate cuts on hold. Tariff rhetoric and political uncertainty continued to weigh on cyclical and consumer-facing areas, reinforcing our emphasis on valuation discipline and behavioral inefficiencies.

Key Contributors to Relative Performance:

- **Industrials (+0.34%):** Outperformance driven by names tied to reshoring, infrastructure, and capital equipment.
- **Information Technology (+0.22%):** Our diversified positioning across software, electronics, and semis helped capture upside while avoiding overhyped segments.
- **Financials (+0.31%):** Regional and southern banks rebounded.
- **Gold/Precious Metals** stocks added alpha within Materials.

Primary Detractors from Relative Performance:

- **Health Care (–0.41%):** While some holdings contributed, weakness in several holdings drove the sector’s negative effect.
- **Utilities (–0.03%):** Exposure to underperforming electric names hurt attribution.
- **Consumer Discretionary (–0.80%):** Shortfall driven by underweight in benchmark winners and poor performance in a subset of names.
- **Real Estate (+0.09% effect)** was weak on an absolute basis, though our underweight helped relative results.

Commentary continued on the back

| Top Five Contributors | Relative Effect on Return (%) | Top Five Detractors | Relative Effect on Return (%) |
|---------------------------------|----------------------------------|----------------------------------|----------------------------------|
| REV Group, Inc. | 0.49 | Organon & Co. | –0.42 |
| New Gold Inc. | 0.39 | AdaptHealth Corp. | –0.36 |
| Pegasystems Inc. | 0.35 | NexPoint Residential Trust, Inc. | –0.31 |
| Healthcare Services Group, Inc. | 0.32 | ManpowerGroup Inc. | –0.31 |
| Daktronics, Inc. | 0.28 | Paysafe Ltd | –0.31 |

| | <u>3 Months</u> | <u>YTD</u> | <u>1 Year</u> | <u>3 Years</u> | <u>5 Years</u> | <u>10 Years</u> |
|---------------------------------|-----------------|------------|---------------|----------------|----------------|-----------------|
| Small Cap Value Composite Gross | 4.13 | –1.25 | –0.69 | 11.63 | 15.74 | 7.98 |
| Small Cap Value Composite Net | 4.03 | –1.55 | –1.38 | 10.75 | 14.89 | 7.20 |
| Russell 2000 Value | 4.97 | –3.16 | 5.54 | 7.45 | 12.47 | 6.72 |

Commentary Continued

Positioning & Outlook

We remain focused on normalized profitability, valuation per unit of quality, and identifying narrative extremes that distort pricing. While market volatility remains elevated due to interest rate uncertainty and global policy friction, our strategy's behavioral edge and disciplined process leave us well-positioned in a market increasingly rewarding fundamental dispersion over index concentration.

Disclosures

CS McKee is an independent registered investment adviser specializing in institutional and retail investment management. Registration does not imply a certain level of skill or training. On April 25, 2025, CS McKee acquired the assets of Foundry Partners LLC. Historical Foundry performance has been retained for all Foundry strategies that were adopted by CS McKee. A list of composite descriptions and broad distribution pooled funds are available upon request.

Effective with the acquisition of Foundry Partners LLC, CS McKee created the CS McKee Small Cap Value Composite, which includes the prior performance history of Foundry's Small Cap Value strategy and CS McKee's performance from the acquisition date forward. The legacy Foundry composites continue to be managed in a similar manner by the same portfolio managers, with no accounts excluded from the composites shown. Accordingly, the performance presented includes historical/predecessor performance.

The securities or positions shown or discussed do not represent a complete listing of portfolio holdings. Actual holdings will vary based on account size, client-imposed restrictions, cash flows, and other factors. There is no assurance that any securities discussed remain in the portfolio or that securities sold have not been repurchased. It should not be assumed that past decisions were or will be profitable. A complete list of holdings is available upon request.

Performance attribution characteristics along with the Sectors and Holdings listed are taken from a representative or model account and may not mirror performance of your account.

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.

Performance is presented in U.S. dollars and reflects total returns. "Gross" returns are shown before deduction of investment management fees, while "Net" returns are after deduction of such fees. For illustrative purposes, a \$100 million account paying a 0.50% annual management fee, with a 10% gross return compounded over 10 years, would yield a 9.5% net return. Fees are detailed in Part 2A of CS McKee's Form ADV. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.

Information shown is as of the date indicated. All data, including top holdings and characteristics, is subject to change without notice. Holdings shown are for illustrative purposes only and are not a recommendation to buy or sell any security. Holdings and characteristics may differ between client accounts managed under the same strategy. CS McKee does not guarantee the accuracy of third-party data.

Benchmark returns are shown for comparison and reflect reinvested dividends. Benchmarks are unmanaged, not investable, and do not incur fees or expenses. Strategy differences—such as risk, holdings, or asset mix—may materially affect results. Benchmark data is from sources believed reliable, but accuracy is not guaranteed.

CS McKee claims compliance with the Global Investment Performance Standards (GIPS®). Composite characteristics, including the number of accounts, assets under management, and dispersion measures, are provided in the GIPS® Composite Report. Please refer to the report for additional important information or to view a list of composite descriptions by visiting: <https://csmckee.com/gips/>

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