

"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 rallied 15.0% in the third quarter. The markets rewarded small caps over large caps with Growth besting Value minus a couple of exceptions. Within the Russell Microcap Value, the best performing sectors included Health Care (+32%), Technology (+30%), and Energy (+28%) while the worst performers included Utilities (-9%), Staples (-4%), and Communication Services (+2%). The best performing style factors were Volatility, Beta, and Earnings Yield, while the weakest were Profitability, Dividend Yield, and Growth (source: FactSet Equity Model – Global MH). The Micro Cap Value strategy underperformed the benchmark during the quarter and is matching the benchmark YTD.
- The sectors most positively contributing to relative performance came from Industrials, Staples, and Consumer Discretionary. The underweight to Real Estate and Financials and the overweight to Technology also helped. Positive style factor contributors included overexposure to Earnings Yield and Size. Among individual stocks, Gilat Satellite Networks (+84%) reported improving results with continued order and backlog growth driving strong positive earnings revisions. ZimVie (+103%) was acquired. CECO Environmental (+81%) continued reporting strong results with large order and backlog growth. We felt the stock was fully valued and eliminated from the portfolio after four years of strong returns.
- The sectors most negatively contributing to relative performance were Health Care, Technology, and Materials. The underweight to Energy and Health Care and the overweight to Communication Services and Utilities hurt relative performance. Lack of exposure to the non-earners in Health Care (Biotech +38%, 9% of the overall benchmark, and Pharmaceuticals +58%, 3% of the overall benchmark) hurt performance by about 300bp. The large underperformance in Technology was also driven by underexposure to non-earners. Negative style factors were underexposure to Volatility and Beta. Among individual stocks, Federal Agricultural Mortgage Corporation (-14%) declined due to the uncertainty around tariff impact on farm incomes. IDT Corporation (-23%) sold off as the company's earnings missed the single (unrealistically high) consensus estimate along with concerns about immigration policy impact on international remittances. Covenant Logistics Group (-10%) declined with the other trucking stocks as volumes and rates remained weak.

Commentary continued on the back

Top Five Contributors	Relative Effect on Return (%)	Top Five Detractors	Relative Effect on Return (%)
Gilat Satellite Networks Ltd.	0.97	Federal Agricultural Mortgage C	-0.41
ZimVie Inc.	0.90	IDT Corporation Class B	-0.40
CECO Environmental Corp.	0.77	Covenant Logistics Group, A	-0.32
Sally Beauty Holdings, Inc.	0.64	Unitil Corporation	-0.32
Amplify Energy Corp.	0.45	First Internet Bancorp	-0.30

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Micro Cap Value Composite Gross	13.50	13.06	13.56	15.63	17.47	9.65
Micro Cap Value Composite Net	13.24	12.36	12.59	14.57	16.37	8.62
Russell Microcap Value	14.98	13.22	16.25	12.59	14.94	9.88

Commentary Continued

- As of the end of the quarter, overweights included Industrials, Staples, Technology, Consumer Discretionary, Communication Services, Materials, 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 Profitability and Earnings Yield.

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 Micro Cap Value Composite, which includes the prior performance history of Foundry's Micro 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 reflect the deduction of actual investment management fees charged to client accounts included in the composite, which may vary. For illustrative purposes only, a \$100 million account paying a 0.50% annual management fee and earning a 10% gross return compounded over 10 years would result in an approximate 9.5% net return. This example is hypothetical and not representative of actual client performance or fee arrangements. 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.

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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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