

“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 stock market rally that began following the “Liberation lows” of the second quarter extended into the third quarter, with small caps maintaining leadership. Within the small- and mid-cap universe, value modestly outperformed growth, while in large caps, growth decisively outpaced value.
- Our SMID Cap Core strategy was roughly in line with the benchmark during the quarter, as solid stock selection helped offset the headwinds from the sharp rebound in lower-quality and unprofitable companies, particularly in biotech. Industrials and Information Technology were the weakest sectors for the portfolio, as our overweight positions were offset by softer stock selection. Healthcare also detracted from relative results, reflecting our limited exposure to biotech. Conversely, Real Estate, Communication Services, and Consumer Discretionary were strong contributors, driven by particularly effective stock selection within those areas.
- The past six months have been challenging for active managers like ourselves, as the “junkier” parts of the market tend to rally first following selloffs such as the one sparked by the tariff narrative in April. We’ve seen this pattern before and remain confident that quality and fundamentals will reassert leadership in the periods ahead. Historically, those factors not only recover the early lag but often deliver meaningful outperformance as the market’s focus returns to earnings strength and balance sheet durability.

Top Five Contributors	Relative Effect on Return (%)	Top Five Detractors	Relative Effect on Return (%)
Tower Semiconductor Ltd	1.22	Virtu Financial, Inc. Class A	-1.03
Sally Beauty Holdings, Inc.	0.83	Fluor Corporation	-0.72
Newmark Group, Inc. Class A	0.69	Lantheus Holdings Inc	-0.60
Warner Bros. Discovery, Inc. Srs A	0.62	Mattel, Inc.	-0.49
EnerSys	0.53	DocuSign, Inc.	-0.48

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
SMID Cap Core Composite Gross	8.63	6.84	4.46	-	-	-
SMID Cap Core Composite Net	8.48	6.43	3.90	-	-	-
Russell 2500	9.00	9.48	10.16	15.65	12.09	10.52

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 SMID Core Composite, which includes the prior performance history of Foundry's SMID Core 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.

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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