Kennedy Capital Management, Inc.

All Cap Value Commentary
2nd Quarter 2022

The first half of 2022 experienced some of the worst inflation in decades, resulting in a sharp increase in interest rates along with a sharp decline in stock and bond valuations. The acceleration in inflation stemmed from both **demand-pull inflation** and **cost-push inflation**. The demand-pull inflation came from excessive fiscal and monetary stimulus which helped create strong aggregate demand which exceeded the ability of the supply chain to meet the strong aggregate demand. The cost-push inflation came from underinvestment in energy (Refineries, Exploration and Production) and Industrial Commodities along with supply constraints from the Russian/Ukraine war which has curtailed the aggregate global supply of energy, industrial and food commodities. The cost-push inflation is also being created by a tight labor force which is driving higher wage inflation. The Federal Reserve has begun to aggressively deal with the higher inflation through steep increases in the Federal Funds Rate. In addition, market interest rates are also increasing with corporate borrowing rates, mortgage rates and auto loan rates increasing sharply as well. During the first half of the year the S&P® 500 declined 21% while the iShares Core U.S Aggregate Bond Exchange declined 11%. (Otani, WSJ)

The seeds of the current inflation were sown during Covid19 Pandemic and then became more elevated due to Russian/Ukraine War. During 2020 and 2021, strong stimulus was unleashed from a one-two punch by the Federal Reserve and the Federal Government to offset the negative impact on Covid-19. At the start of the Covid-19 pandemic, the Federal Reserve cut interest rates to zero and committed billions of dollars to support financial markets including the direct purchase of US treasuries, mortgage-backed securities, and municipal bonds. The Federal Government spent around $6.2 trillion during 2020 and 2021 on economic stimulus including $3.1 trillion from the Trump admin ($2.2t CARES act 3/27/2020, $900b Covid-19 relief bill 12/27/2020) and $3.1 trillion from the Biden Administration ($1.9t Covid Relief 3/11/2020, $1.2t Infrastructure 12/15/21). The large amount of federal stimulus was so large that it exceeded the total spending of $4.7 trillion spent during World War 2. (Harrington, Swenson USA Today) The strong stimulus helped push aggregate demand to exceed aggregate supply sparking inflation. Adding to the inflation was the Russian Ukraine war which disrupted the flow of energy, industrial commodities and food which further aggravated the inflation problem resulting in the highest inflation since the late 1970s. The Federal Reserve was slow to act at first but has become much more aggressive in removing the stimulus from the Covid-19 era and aggressively raising the Federal Funds rate. We are starting to see some things deflate as result including lower commodity prices and economic weakness in developing and emerging markets overseas but have yet to see a significant slowdown in the US labor market which continues to add close to 400,000 jobs per month with 380,000 jobs added in June. I expect the Federal Reserve to continue to be hawkish with more interest rate increases in store for the remainder of the year.

Stock valuations have declined sharply because of the Federal Reserve's monetary tightening and are starting to discount the eventual economic slowdown from the interest rate increases. For the first half of 2022, All Cap Value declined 12.41% (gross of fees) and 12.70% vs the Russell 3000® Value Index falling 13.15%. Positive stock selection and asset allocation has helped drive the positive relative performance for the year with good contribution from Health Care, Energy, and Financials which more than offset weakness from Consumer Discretionary, Industrials and Utilities.

Even with the recent turmoil from inflation and subsequent decline in equity values, our investment approach, which focuses on a bottom-up approach focused on improvement in returns on invested capital, continues to uncover good companies at reasonable valuations.

As always, we want to thank you for the confidence you have placed in Kennedy Capital, and we appreciate the opportunity to manage your accounts.

Sincerely,

Frank Latuda, Jr., CFA®
Chief Investment Officer & Portfolio Manager

Thomas Leritz, CFA®
Assistant Portfolio Manager

Important Disclosures

Although the statements of fact and data in this report have been obtained from, and are based upon, sources that the Firm believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the Firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. A complete list of all securities recommended by KCM in the preceding year, a fully compliant GIPS composite report, and the list of composite descriptions are available upon request from KCM at 10829 Olive Blvd., Suite 100. St. Louis, MO, 63141.

Kennedy Capital Management, Inc. ("KCM") is a Missouri corporation registered as an investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration with the SEC does not imply any level of skill or training. Clients of the Firm include U.S. corporations, pension and profit sharing funds, colleges and universities, trusts, not-for-profit organizations, foundations, and individuals. KCM claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The All Cap Value Composite contains fully discretionary all cap value accounts that are invested primarily in value securities of companies without a market capitalization constraint. The Manager generally looks for undervalued companies generating cash

flow returns on invested capital greater than industry peers. All Cap Value portfolios generally demonstrate valuations below and growth characteristics at or above those of the benchmark. The weighted average market capitalization of the Account will generally be within 50% of the average market capitalization of the Russell 3000® Value Index. The U.S. Dollar is the currency used to express performance.

Composite specific data provided within this presentation has been calculated from accounts that are discretionary as defined in this paragraph. The assets shown are derived only from discretionary accounts. Non-discretionary accounts, as defined by KCM, are accounts that are not included in the composite due to one or any combination of the following criteria: there were significant cash inflows or outflows within the account; the account's asset level did not meet the minimum requirement to remain in the composite; the account assets are managed by others using our non-discretionary model. The temporary removal of such an account occurs at the beginning of the month and the account re-enters the composite the month after the criteria has been met.

Performance returns presented Gross of Fees do not reflect the deduction of investment advisory fees and include the reinvestment of all income. A client's return will be reduced by the advisory fees and other expenses incurred by the account as described in Form ADV Part 2A. For example, an annual advisory fee of 1% compounded quarterly over 10 years will reduce a gross 14.44% annual return to a net 13.24% annual return. Form ADV Part 2A is available upon request. The GIPS® are a set of standardized, industry-wide ethical principles that provide investment firms with guidance on calculating and reporting their investment results to prospective clients to ensure fair representation and full disclosure of an investment firm's performance history.

The performance figures reported herein are unaudited, may be based upon information obtained via electronic data sources ("feeds") and may be subject to change. Data feeds from many of KCM clients' selected custodians are obtained through third party, and are used to compare custodial data to KCM's client account records as frequently as daily. Monthly, KCM reviews clients' account holdings along with cash and share quantities against the custodial statements. In some instances, variances may exist between final audited custodial information and the information KCM obtains via such data feeds. All variances are typically reconciled to the applicable account no later than each month-end. Past performance is not indicative of future results.

The information provided should not be considered a recommendation to purchase or sell any particular security. Allocations among industries, sectors and securities may vary and are subject to change without notice. It should not be assumed that any of the securities transactions or holdings discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Portfolio Sector Weightings are subject to change at any time. Sector weightings are based on the Global Industry Classification Standard ("GICS") classification scheme and are measured as a percentage of the total portfolio in terms of asset value as of the date indicated above. Individual client portfolios may be different based on variations in security purchase price and date, and individual client restrictions. Due to rounding, Sector Weighting's total percentages my not equal 100%.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by Kennedy Capital Management, Inc. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Kennedy Capital Management, Inc. Russell Investment Group is not responsible for the formatting or configuration of this material or for any inaccuracy in Kennedy Capital Management's presentation thereof.

The Russell 3000® Value Index measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000® Value Index is constructed to provide a comprehensive, unbias, and stable barometer of the broad value market. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

The Russell 3000® Value Index is used as the benchmark. The Index is unmanaged and represents total returns including reinvestment of dividends. The benchmark is used for comparative purposes only and generally reflects the comparable risk or investment style of the Firm's strategy. The investment portfolios underlying the Index are different from the investments in the portfolios managed by the Firm. Certain accounts may also use other benchmarks not listed in the GIPS composite report. The Verification and Performance Examination Report does not cover the benchmark returns included in the GIPS composite report.

2022070106{PERF}