Kennedy Capital Management LLC

All Cap Value Commentary
2nd Quarter 2023

The unprecedented stimulus by the Federal Government over the last 30 months has proved difficult to contain and continues to drive a hot economy with demand outstripping the supply chain's ability to keep up. Regarding demand, since 2020, the Federal Government has unleashed close to $5 trillion of stimulus related to the COVID19 Pandemic with the funds directly distributed to individuals ($1.8 trillion), businesses ($1.7 trillion), state and local governments ($745b), healthcare ($482b) and other ($288b) (Parlapiano, Ngo, Cowley NY Times). In addition, the Federal Government announced spending of close to $3 trillion dollars through the Infrastructure Investment and Jobs Act, the Inflation Reduction Act and the Chips Act. The federal spending is positioned to improve US-based infrastructure, transform the economy from reliance on hydrocarbon-derived energy towards cleaner renewable energy and improve domestic semiconductor production capacity and security. From a supply perspective, all this new demand has strained supply chains which have also been impacted by COVID-related lockdowns and the Russian/Ukrainian war which added fuel to the inflationary fire through commodity inflation and supply-chain disruptions/inflation. The unprecedented stimulus over the last 30 months has created a strong resilient economy that has taken time to slow down but has also resulted in some of the highest inflation in over 40 years. Supply chains are finally catching up, and the Federal Reserve's tightening is also finally starting to make an impact.

The unprecedented federal stimulus and subsequent inflation surge has also created an unprecedented response by the Federal Reserve to slow things down. The Federal Reserve has increased the Federal Funds Rate from zero in mid-March of 2022 to 5.08% by the end of the second quarter of 2023. The tightening by the Federal Reserve has created much higher short-term interest rates and has also inverted the yield curve; this has caused some high-profile bank failures but has also started to have a positive impact on inflation. June's Consumer Price Index came in at 3%, which was the smallest increase in 24 months and well below the 9.1% level experienced in June of last year.

The equity markets experienced a strong first-half performance for the year as investors anticipated an improving inflation environment with the S&P 500® and Nasdaq up 16.9% and 32.3%, respectively. The market was also helped by flattening long-term interest rates, lower energy prices and improving supply chains. The equity markets struggled in 2022 when longer-term rates surged with the 10-year treasury yield increasing from 1.5% at the start of 2022 to 4.2% by mid-October of 2022. Since the 10- year yield's peak in mid-October of 2022, yields have moved sideways to slightly lower as inflation headwinds started to improve. Energy prices also saw sharp declines with both natural gas and oil prices falling off their peaks on a strong global supply response and softer demand on a mild weather. Supply chains also improved as markets adjusted to the initial shock of the Russian/Ukraine war and have allowed some cost relief.

For the first half of 2023, most of the strong performance in equities stemmed from large-cap growth stocks which were helped by the rollout of Artificial Intelligence and a modest correction in long-term interest rates which helped drive earnings multiple expansion. We expect the market to broaden out to other sectors as the rest of the year unfolds.

For the first half of 2023, All Cap Value increased 5.65% (gross of fees) and 5.28% (net of fees). The Russell 3000® Value Index increased 4.98%. Positive stock selection has helped drive the positive performance relative to the benchmark year-to-date with positive contribution from Information Technology, Materials, and Consumer Discretionary which more than offset headwinds from Health Care, Communication Services, and Financials. Additional performance information is included in the table below.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Gross	15.06%	19.20%	10.94%	12.22%	14.46%
Net	14.27%	18.38%	10.18%	11.46%	13.69%
Index	11.22%	14.38%	7.79%	9.09%	10.96%

Data as of 6/30/2023

Even with the strong recent appreciations in equity values, our investment approach, which focuses on 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 Management, 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

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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.

The All Cap Value Composite invest 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 reflective 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 are presented gross and net of investment advisory fees and include the reinvestment of all income. Gross of fee returns reflect the deduction of transaction costs and custodian fees but do not reflect the deduction of investment advisory fees. Net of fee performance is calculated using gross returns less the actual applicable annual management fee applied monthly. ***Past performance is not indicative of future results.*** *A client's return will be reduced by the advisory fees as described in Form ADV Part 2A and other expenses incurred by the account. For example, an annual advisory fee of 1% compounded quarterly over 10 years will reduce a gross 14.44% annual return to a net 13.32% annual return. Form ADV Part 2A is available upon request.*

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Sector Weightings are subject to change at any time. Sectors are based on the Global Industry Classification Standard ("GICS") classification scheme and are measured as a percentage of the total composite 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.

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The Russell 3000® Value Index measures the performance of the broad value segment of the US equity value universe. It includes those Russell 3000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell 3000® Value Index is constructed to provide a comprehensive, unbiased 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.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. According to our Annual Survey of Assets, an estimated USD 15.6 trillion is indexed or benchmarked to the index, with indexed assets comprising approximately USD 7.1 trillion of this total (as of Dec. 31, 2021). The index includes 500 leading companies and covers approximately 80% of available market capitalization.

The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing). The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

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