

Kennedy Capital Management, Inc.

ESG SMID Cap Commentary 2nd Quarter 2022

The Russell 2500™ index declined nearly 17% in the second quarter of 2022, as inflation worries, higher interest rates, and investor anticipation of a pending recession all weighed on equity prices. Our intra-quarter conversations with portfolio companies and prospective holdings indicate that the primary area of demand weakness resides only in certain consumer-oriented industries at this time. However, we are cognizant of building risks across sectors as government stimulus wanes and plans to combat inflation are implemented. One bright spot in the quarter was a return to some degree of post-COVID normalcy, with many in-person meetings with company management teams and prospective new clients.

During the first quarter, the portfolio was most overweight the Industrials and Information Technology sectors, while our largest underweights remained Energy and Materials. It's worth noting that the Energy sector's weighting in the Russell 2500™ – which increased significantly in the first half of 2022 – dropped meaningfully at the end of the quarter due to the annual index reconstitution.

Performance & Characteristics

The ESG SMID Cap portfolio returned (13.95)% in Q2 2022 (gross of fees) and (14.11)% (net of fees), outperforming the benchmark by 303 bps on a gross basis and 287 bps on a net basis. Over the trailing 12-months, the portfolio has outperformed its benchmark by 722 bps (gross of fees) and 661 bps (net). Our best performing sector this quarter was Consumer Discretionary, with stock selection adding to relative performance. The worst performing sector vs. the benchmark was Energy, detracting from relative portfolio performance.

Regarding portfolio characteristics, as of 6/30/22 the ESG SMID Cap portfolio had weighted average carbon emissions (Scope 1, reported and estimated) of 94,413 metric tons, an 85% reduction from the weighted average emissions of the benchmark. The portfolio had zero carbon reserves, while the benchmark had reserves that equate to over 638 million metric tons of potential future emissions. The weighted average governance score of the portfolio (based on Institutional Shareholder Services' Quality Score metric) was 3.42 compared with 4.15 for the Russell 2500™, or 18% more attractive (lower score is better).

We remain confident in our ability to construct a portfolio with attractive Environmental, Social, and Governance characteristics that delivers relative investment outperformance over the long-term. As always, we appreciate the confidence you place in our team. Please don't hesitate to contact us with any questions regarding Kennedy Capital Management or our investment process.

Sincerely,

Christian J. McDonald, CFA®
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 full compliant composite disclosure presentation, 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®).

The ESG Impact Composite contains fully discretionary securities of value and growth companies that have a market capitalization ranging from small cap to midcap. The Investment Manager places an additional emphasis on Environmental, Social, and Governance criteria as part of the portfolio construction and stock selection process. For comparison purposes the composite is measured against the Russell 2500™ 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 may not equal 100%.

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The Russell 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as “smid” cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set.

The Russell 2500™ Index are used as the benchmarks. The Indexes are unmanaged and represents total returns including reinvestment of dividends. The benchmarks are used for comparative purposes only and generally reflects the comparable risk or investment style of the Firm’s strategy. The investment portfolios underlying the Indexes are different from the investments in the portfolios managed by the Firm. Certain accounts may also use other benchmarks not listed in the Annual Disclosure Presentation. The Composite Disclosure Presentation does not cover the benchmark returns included in the Annual Disclosure Presentation.

Source: FactSet Research Systems, Inc. Characteristics are provided as supplemental information. The portfolio characteristics described herein are derived from the composite and are representative of accounts without constraints. To the extent that a KCM client imposes reasonable restrictions (which clients are allowed to do), the portfolio characteristics of that client’s account may vary.

Carbon Emissions (Scope1 Wtd Avg, mt) is a weighted average of companies reported or estimated Scope 1 greenhouse gas emissions measured in metric tons. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Exposure to Fossil Fuels is a measurement of how much of a company’s business model is invested in or tied to fossil fuels. The Governance Score is the ISS Governance QualityScore, which is derived from publicly disclosed data on a company’s governance practices and for which a lower score is preferable and a score 10 is considered high risk. Source: MSCI, Inc.

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