

Kennedy Capital Management LLC

ESG SMID Cap Commentary 2nd Quarter 2023

The Russell 2500™ index returned 5.2% in the second quarter of 2023, as the potential downside risks associated with the regional bank crisis experienced in March decreased in likelihood as the quarter progressed. The theme of the quarter was the accelerating pace of investment in semiconductors that serve as the backbone of artificial intelligence (A.I.). We anticipate significant (but likely nonlinear) growth in A.I. investment in the coming months and years, as technological precision improves, and new-use cases are discovered and implemented.

During the second quarter, the portfolio was most overweight the Industrials, Health Care, and Consumer Discretionary sectors, while the largest underweights were Energy, Communication Services and Materials. As a reminder, we view the Industrials overweight, and Materials & Energy underweights as largely offsetting due to the similarities in the underlying economic drivers of these sectors. It's also worth highlighting the diversity of companies that are now classified as "Industrials," including those with software, IT services, and consumer products as the primary areas of focus.

Performance & Characteristics

In Q2 2023, the ESG SMID Cap portfolio returned 4.61% gross of fees and 4.44% net of fees, underperforming the benchmark by 61 bps on a gross basis and 78 bps on a net basis. The portfolio underperformed during April and May, with outperformance in June. Additional performance information is included in the table below.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Gross	11.96%	15.35%	10.22%	-	11.72%
Net	11.17%	14.56%	9.51%	-	10.97%
Index	13.58%	12.29%	6.55%	-	8.43%

Data as of 6/30/2023

Our best-performing sectors this quarter were Industrials and Materials, which added 54 bps and 43 bps, respectively, to relative performance. The worst-performing sectors vs. the benchmark were Information Technology, which detracted 107 bps, and Financials, which detracted 26 bps.

Regarding portfolio characteristics, as of 6/30/23 the ESG SMID Cap portfolio had weighted average carbon emissions (Scope 1, reported and estimated) of 85,982 metric tons, an 87% reduction from the weighted average emissions of the benchmark. The portfolio had zero carbon reserves, while the benchmark had reserves that equate to over 643 million metric tons of potential future emissions. The weighted average governance score of the portfolio (based on Institutional Shareholder Services' Quality Score metric) was 3.48 compared with 4.25 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

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ESG SMID Cap Composite is invested in securities of value and growth companies that have a market capitalization ranging from small cap to midcap, generally reflective of the Russell 2500™ Index. The Investment Manager places an additional emphasis on Environmental, Social, and Governance criteria as part of the portfolio construction and stock selection process. We generally look for value companies that trade at an attractive relative valuation on a price-to-earnings and price-to-cash flow

basis, and growth companies that have opportunities to grow assets at returns above the cost of capital. 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.

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 sources, 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. Generally, any such variances are researched and reconciled within thirty days of the period end.

The information provided should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in a KCM portfolio at the time you receive this letter or that securities sold have not been repurchased. Allocations among industries, sectors and securities may vary and are subject to change without notice. Any securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the industry or sector allocation decisions mentioned, or 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.

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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Allocations to various assets classes change over time and deviate from any stated or targeted percentages of a total portfolio as a result of market conditions and reallocation decisions. Therefore, nothing herein reflects a static portfolio allocation that will remain the same or match stated target allocations of asset classes.

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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 GIPS composite report. The Verification and Performance Examination Report does not cover the benchmark returns included in the GIPS composite report.

Source: FactSet Research Systems, Inc. The 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. The Score is calculated as a weighted average for the fund and compared to the weighted average score for the Russell 2500™ index. Companies not included in the ISS Governance QualityScore database are not included in the weighted average calculation for the portfolio or the benchmark. The QualityScore provides an indication of relative governance quality supported by factor-level data. The fund's weighted average QualityScore will be at least 15% lower (better) than that of the index. Companies receive an overall QualityScore and a score for each of four categories: Board Structure, Compensation/ Remuneration, Shareholder Rights, and Audit & Risk Oversight. A score in the 1st decile indicates relatively higher quality governance practices and relatively lower governance risk, and, conversely, a score in the 10th decile indicates relatively higher governance risk.

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