Kennedy Capital Management®

ESG SMID CAP

2023 Impact Report

CONTENTS

3 Introduction

4 Our ESG Approach

5 Kennedy Capital Sustainability Efforts

6 Measurable Impact

7 Portfolio Examples

14 Disclosures

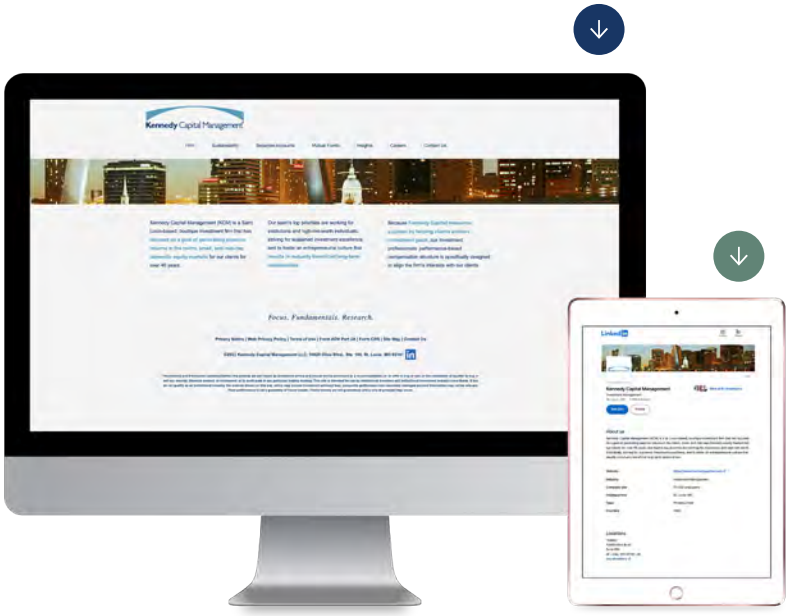
INTRODUCTION

About Kennedy Capital

Kennedy Capital Management LLC ("KCM") is a boutique investment firm that seeks to generate attractive returns in the micro, small and mid-cap domestic equity markets for our clients.

Our team's top priorities are working for institutions and high-net-worth individuals, striving for sustained investment excellence, and to foster an entrepreneurial culture that results in mutually beneficial long-term relationships.

KCM has over 20 years of experience managing socially responsible client accounts.



Visit our website at **www.kennedycapital.com** and follow us on **LinkedIn** to see our latest updates and insights

OUR ESG REPORT

The Kennedy Capital ESG SMID Cap strategy takes an inclusionary and exclusionary approach to ESG investing. As part of our research process, we frequently identify companies that compete in their markets by leveraging an environmental advantage or by developing a solution to a societal problem. The strategy is fossil fuel free (no constituents hold carbon reserves), seeks differentiated governance performance vs. the Russell 2500™ benchmark, and avoids companies that produce tobacco, civil firearms, or controversial weapons.

The purpose of the annual impact report is three-fold:

1. To showcase Kennedy Capital's efforts at the firm level to promote sustainability and ESG alignment
2. To highlight the impact of our framework on portfolio characteristics in comparison to the Russell 2500™ benchmark
3. To provide examples of portfolio constituents across sectors that represent our inclusionary approach

Exposure to compelling ESG themes:

Portfolio constituents, tied to KCM's inclusionary approach, frequently align with one of the following themes:

- Emissions Reduction
- Energy Efficiency & Renewables
- Leadership Diversity & Governance
- Water Conservation
- Waste Management & Reduction
- Workplace & Consumer Safety
- Healthcare Advancement

KENNEDY CAPITAL SUSTAINABILITY EFFORTS

At KCM, we are committed to pursuing sustainable outcomes for economies, the environment, and society. In 2023, the firm continued to:

Offset 100% of paper consumption with tree planting in reforestation projects, **planting**

357

trees since the program's inception.

Work with a local union print vendor for custom stationery orders which is one of approximately 50 U.S. printing companies to have earned a **Sustainability Green Partner (SGP) Certification**.

Continue to seek ways to lower our carbon footprint by having an ASHRAE Level II Energy Audit conducted on our building and plans to implement suggestions in 2024.

Increase the number of electric charging stations to support the growth of electric vehicle adoption.

Utilize **energy-efficient lighting and motion sensors** to reduce power consumption.

Offer **battery recycling stations** to promote the ease of recycling for employees.

Prioritize philanthropy and giving back to the community through corporate charitable donations to local organizations and maintaining a company match program for employee charitable contributions.

Advance D.E.I. efforts and employee training through our Diversity, Equity, & Inclusion Task Force (DE&I Task Force).

Promote DE&I in the workplace by refreshing our Employee Handbook with input from the DE&I Task Force.

Recruit diverse talent; 10 of the last 15 full-time hires added to our diversity progress.

Encourage volunteerism through both firm-organized and individually selected opportunities.

Educate female high school students about financial literacy and pursuing career paths in the finance industry.

Promote employee health and wellness by offering programs such as 'Wellness Bucks' and organized group physical activities.

MEASURABLE IMPACT

Greenhouse Gas Emissions

(Scope 1, weighted average metric tons)*

ISS's Overall Governance Score

(weighted average, lower is better)*

Source: FactSet Research Systems, Inc. Data as of 12/31/2023

Christian McDonald, CFA
Portfolio Manager
Kennedy Capital Management

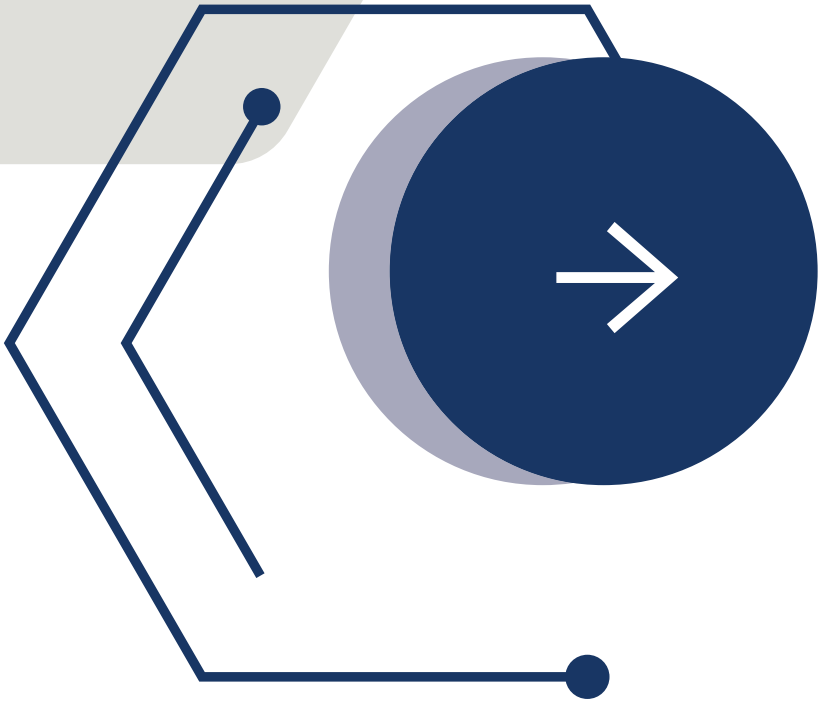
"We are pleased to share the 2023 annual Kennedy Capital Management ESG SMID Cap Impact Report. In 2016 - when the overarching philosophy for this investment strategy was finalized - a core tenant of our thesis was that financially material sustainability considerations would become increasingly important to the decisions made by consumers, regulators, investors, and corporate leaders. We believe the portfolio examples shared in this report highlight the validity of this thesis. Globally, both private and publicly traded companies are leveraging sustainable products and services to compete and win in their markets. These sustainability-linked advantages offer the potential to drive revenue growth, profit margin expansion, improved market share, higher cash flows, and frequently, differentiated share price performance."

As compared to the Russell 2500™ benchmark, ESG SMID Cap has:

- 80%+* reduction in emissions
- No tobacco exposure
- No civil firearms exposure
- No fossil fuel exposure
- 15%+* better governance score

*Please refer to page 14 for more details. Data as of 12/31/2023

Portfolio Examples



INFORMATION TECHNOLOGY

DESCARTES

The Descartes Systems Group Inc.

The Descartes Systems Group Inc. (Ticker: DSGX) is a software company focused on improving the productivity, performance, and security of logistics-intensive businesses. More than 24,000 customers globally utilize Descartes' software to manage supply chains, comply with regulations, file customs and security documents, and pay transportation invoices. The company has grown measurably over the past decade-plus via organic investment and thoughtful acquisitions.

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Consumers place significant emphasis on sustainability in the home delivery portion of the logistics chain. A Descartes-conducted survey in North America and Europe indicates that 30% of consumers always/regularly make online purchasing decisions based on environmental impact (this rises to 42% for respondents aged 25-34). And while 50% of consumers are quite/very interested in environmentally friendly delivery methods, only 38% felt retailers were doing a good job in this domain.

The core of DSGX's value proposition is centered on enabling productivity for the company's customers: logistics service providers, manufacturers, retailers, and distributors. Route optimization software helps to maximize fleet productivity, resulting in less fuel consumption and fewer vehicles used. GPS-based fleet tracking yields shorter vehicle turnaround and idle time at distribution centers and depots. Solutions such as these enabled Descartes' customers to save over 690,000 tons of CO_2 emissions and over 900,000 liters of fuel in 2022. Electronic record keeping and invoicing solutions – such as mobile applications and electronic regulatory filings – contributed to a savings of 2.4 billion sheets of paper through the utilization of DSGX's solutions.

Note: The above is an example of select investment themes KCM pursues when making investment decisions. There can be no assurance that any KCM fund or investment will achieve its objectives or avoid substantial losses.
Source: **https://www.descartes.com/who-we-are/environmental-social-and-governance-esg**[1]

HEALTH CARE

Halozyme Therapeutics, Inc.

Halozyme Therapeutics, Inc. (Ticker: HALO) is a biopharmaceutical company focused on enzyme-based drug delivery technology. HALO's primary product – branded ENHANZE® – is an enzyme that is co-formulated with other pharmaceuticals to significantly reduce the treatment burden for patients. By incorporating HALO's technology, drug companies and providers have the potential to reduce treatment from hours-long intravenous (IV) administration sessions to injections delivered in minutes. Seven products currently utilize the HALO solution for optimized drug delivery and the company has another 13 partner products in various stages of the commercialization process. Over 700,000 patients have already been treated with ENHANZE®-enabled products.

The utilization of ENHANZE® offers significant benefits to patients, healthcare providers, and pharmaceutical companies. By reducing or eliminating IV administration timeframes, hospitals and other providers are able to free up nursing staff to focus on other patients. HALO's solution results in less use of costly hospital/infusion center space for treatment and enables greater patient throughput for clinics. Fixed (vs. weight-based) dosing in oncology drugs is another cost-savings associated with ENHANZE®, as wastage is reduced. Finally, patients benefit from lower infusion-related reactions and a better overall experience associated with the decreased treatment burden.

Attracting and retaining high-performance individuals is critical in the biotechnology industry. To this end, HALO has adopted the Biotechnology Innovation Organization's principles on workforce development, diversity, and inclusion. 50% of the company's executive team is female, including the CEO and the CFO.

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Source: **https://ir.halozyme.com/overview/default.aspx** [1]

CONSUMER

LKQ Corporation

LKQ Corporation (Ticker: LKQ) is a leading provider of automotive replacement parts in North America and Europe and the world's largest recycler of vehicles. Recycling is embedded in the company's roots. In fact, "LKQ" refers to the phrase "like kind & quality" in reference to the condition of a recycled or remanufactured automotive part in comparison to a new part. LKQ acquires and dismantles total loss and end-of-life vehicles, repurposing those parts that are salvageable, recovering fluids that can be reused, and recycling the remaining materials.

The magnitude of LKQ's recycling operations is significant. In 2022, the company processed 770,000 vehicles, which resulted in the recycling of 2.2 million gallons of waste oil and 96.2 million pounds of aluminum. LKQ's remanufacturing operations – which transform used parts into a functional state – also deliver significant benefits. The Environmental Protection Agency estimates that remanufacturing has up to an 85% reduction in energy consumption and a 70% reduction in carbon emissions when compared to original equipment manufacturing processes. In 2022, it is estimated that LKQ's remanufacturing operations diverted 28,000 tons of materials from landfills and saved 223,000 megawatt hours of electricity.

=

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Source: **https://investor.lkqcorp.com/overview/**[1]

MATERIALS

Avient Corporation

Avient Corporation (Ticker: AVNT) is a specialty chemicals company focused on a broad range of industries across North America, Europe, and Asia. Key end markets include packaging, consumer, industrial, healthcare, and transportation. AVNT provides customers with custom products and formulations, with specific expertise in colorants, additives, modifiers, and reinforcements.

Avient's portfolio of sustainable solutions has grown to

$1,120 million

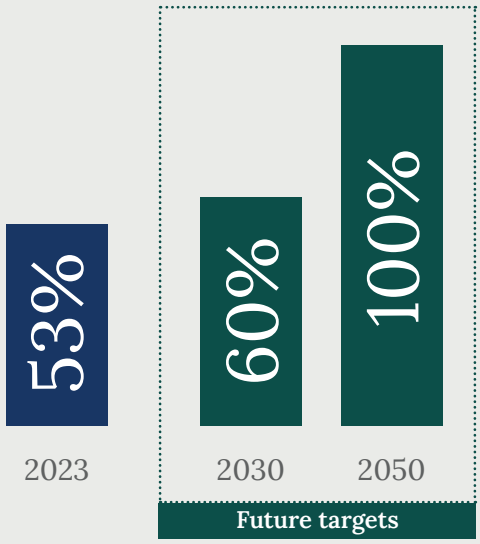
in revenue in 2022

Avient's portfolio of sustainable solutions has grown from $340 million in 2016 revenue to $1,120 million in 2022. Examples of AVNT's products that help customers meet their sustainability targets include the following:

- Lightweighting of automotive components and aircraft seating for improved operating cost and fuel efficiency
- Enhancing capabilities of biopolymers – enabling bio-based materials to perform at a level comparable to conventional products
- Enabling utilization of post-consumer recycled materials content via integration of colorants – improving the ability of materials to be recycled with desired performance levels

From an internal operations perspective, Avient has made considerable progress toward the sustainability goals that were established in 2020. The company currently sources 53% of its electricity usage from renewable sources (2030 goal: 60%, 2050 goal: 100%). 41 of AVNT's manufacturing sites sent no waste to landfills in 2022, and the company has reduced greenhouse gas emissions by 35% from its 2019 baseline. 60% of direct reports to the CEO contribute to the diversity profile of Avient, and the company maintains several diversity-oriented employee resource groups.

Electricity usage from renewable sources



Note: The above is an example of select investment themes KCM pursues when making investment decisions. There can be no assurance that any KCM fund or investment will achieve its objectives or avoid substantial losses.
Source: **https://www.avient.com/company/sustainability**[1]

CONSUMER STAPLES

Darling Ingredients Inc.

Darling Ingredients Inc. (Ticker: DAR) is focused on converting the world's food waste into sustainable products and renewable energy. The three primary markets served by the company are nutrients, health, and bioenergy. In addition, the company provides a valuable service to restaurants, supermarkets, protein production plants, and bakeries by collecting waste products and providing recycling solutions for cooking oil.

DAR's Diamond Green Diesel (DGD) joint venture produces renewable diesel fuel from sustainable low-carbon feedstocks such as used cooking oil and inedible animal fats. DGD's product reduces greenhouse gas emissions by up to 80% in comparison to traditional diesel. With a production capacity of 1.2 billion gallons, DGD is the largest renewable fuel producer in North America and the 2nd largest globally. In 2023, the company announced plans to upgrade DGD's capability to produce sustainable aviation fuel (SAF), which is expected to result in DGD becoming one of the largest SAF producers in the world.

DAR's nutrients- and health-oriented businesses serve a variety of end markets, including organic fertilizer, pet food, and gelatin-based products. Medical-grade gelatin is used in applications such as pharmaceutical capsules, blood plasma substitution, and as a stabilizer for vaccines. The company's collagen-based products promote health and recovery. Each of these markets is an example of the creative repurposing and reuse of materials in a value-added manner.

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Source: **https://ir.darlingii.com/**[1]

INDUSTRIALS

Carlisle Companies Incorporated

Carlisle Companies Incorporated (Ticker: CSL) is a building products company focused on commercial roofing, insulation, and waterproofing. Greater than 30% of global annual greenhouse gas emissions come from buildings, and the core of CSL's strategy is leveraging the megatrend of improving the energy efficiency in new and existing structures. The International Energy Agency projects that construction of Green commercial buildings is expected to grow at a low-to-mid double-digit rate through 2030, and 65% of CSL building product revenues come from LEED (Leadership in Energy and Environmental Design) qualified products.

Carlisle provides a range of products that make buildings more energy efficient. The company's polyiso roofing and wall insulation sold in 2022 alone will save building owners 88 million megawatt hours of energy associated with avoided heating and cooling demand. CSL's roofing membranes are reflective of heat and UV resistant, providing long term energy efficiency, particularly in warm climates. The company's roof coatings reflect heat from the sun and can last for decades, resulting in customer savings of up to 15% on energy bills. Finally, Carlisle also provides a line of roof gardens, which serve as a natural air and water purifier and reduce the urban "heat island" effect.

CSL also prioritizes sustainability in its operations. The company has reduced its own power consumption and emissions by electrifying its vehicle fleet, upgrading facilities with LED lighting, and deploying solar power at multiple facilities. Its polyiso insulation is composed of up to 36% post-consumer recycled content and CSL has implemented a process to convert production waste into briquettes used at water treatment plants as part of the filtration process. This approach enabled the diversion of over 550 tons of waste from landfills in 2022.

Greater than 30% of global annual greenhouse gas emissions come from buildings, and the core of CSL's strategy is leveraging the megatrend of improving the energy efficiency in new and existing structures.

The company's polyiso roofing and wall insulation sold in 2022 alone will save building owners

88 million

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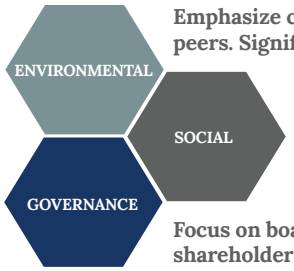
Source: **https://www.carlisle.com/sustainability/Home/default.aspx**[1]

IMPORTANT DISCLOSURE INFORMATION

HOW WE DEFINE ESG



Emphasize companies that leverage a key environmental advantage vs. their peers. Significantly lower carbon footprint vs. benchmark.

Emphasize companies that promote societal benefits. Restrictions on producers of tobacco, civil firearms, and controversial weapons.

Focus on board structure and diversity, compensation, shareholder rights, audit & accounting risk.

Data as of 12/31/2023

For the ESG SMID Cap Fund investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information is contained in the Fund's full Prospectus and Summary Prospectus, which can be obtained by calling (833) 737-7788. Please read carefully before investing.

[1] *Clicking some links in this article will take you to websites independent of and unaffiliated with KCM. The information and services provided on these independent sites are not reviewed, guaranteed, or endorsed by KCM or its affiliates. Please keep in mind that these independent sites' terms and conditions, privacy and security policies, or other legal information may be different.*

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Top ten company holdings as a percentage of assets in the Fund as of 12/31/2023 (the top ten holdings are subject to change at any time): (1) Teledyne Technologies, Inc., 2.0%; (2) Axonics, Inc., 1.7%; (3) Reliance Steel & Aluminum Company, 1.5%; (4) Regal Rexnord Corporation, 1.5%; (5) Thermon Group Holdings, Inc., 1.5%; (6) Descartes Systems Group, Inc., 1.5%; (7) CyberArk Software Ltd., 1.4%; (8) Albany International Corporation, 1.4%; (9) TopBuild Corporation, 1.4%; (10) Evolent Health, Inc., 1.3%. Please visit **www.kennedycapital.com** for the ESG SMID Cap Fund holdings.

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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. You cannot invest directly into an index.

The Russell 2500™ 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.

Alpha is the excess return of an investment relative to the return of a benchmark index is the investment's alpha. Alpha may be positive or negative and is the result of active investing.

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. The assessment is sourced from MSCI's Carbon Metrics database. Companies not included in the MSCI Carbon Metrics database are not included in the weighted average calculation for the portfolio or the benchmark. The Fund is assessed quarterly compared to the weighted average emissions (reported or estimated as sourced from the MSCI Carbon Metrics database) of the Russell 2500™ index. The Fund's weighted average emissions aims to be at least 80% lower than that of the index.

The Governance Score refers to 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 aims to 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.

The ESG SMID Cap Fund is distributed by IMST Distributors, LLC. IMST Distributor, LLC is not affiliated and does not distribute the ESG strategy offered by Kennedy Capital.

ESG criteria may affect the Fund's exposure to risks associated with certain issuers, industries and sectors, which may impact the Fund's investment performance. The Fund may forgo some market opportunities available to funds that do not use these criteria. Small to mid-capitalization companies generally have a greater risk of failure, and their stocks generally have greater volatility than large companies.

Mutual fund investing involves risk; including loss of principal.

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