Kennedy Capital Management, Inc.

Mid Cap Value Commentary
3rd Quarter 2022

US equity market performance was mixed in the third quarter of 2022, with most major market indices down low single digits on a percentage basis over the three-month period. The Russell Midcap® Value (RMV) Index declined -4.93%, and the S&P® 500 Index fell -4.88%. The quarter was a tale of two halves: From June 30th to August 16th, the RMV increased 13.7%, and from August 16th to September 30th, the RMV fell -16.8%.

The Kennedy Capital MidCap Value (MCV) composite declined 1.7% (gross of fees) and 1.8% (net of fees) during the quarter, outperforming the RMV by 3.3% (gross of fees) and 3.1% (net of fees). For the rolling 12-month period, the MCV composite declined 13.5% (gross of fees) and 14.1% (net of fees), compared to the RMV's decline of13.6%. Additional performance information is included in the table below.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Gross	-13.51%	7.60%	6.48%	10.54%	11.12%
Net	-14.12%	6.84%	5.72%	9.78%	10.33%
Index	-13.56%	4.50%	4.76%	9.44%	8.92%

Data as of 9/30/2022

Within the RMV, Real Estate and Communication Services were the two worst-performing sectors, down -9.4%, and -9.1%, respectively. Industrials and Energy were the top-performing sectors in the index, down -0.5% and -0.8%, respectively. In the composite, the sectors that contributed the most to relative performance were Industrials and Materials, while the biggest detractors were Information Technology and Utilities.

Tightening financial conditions, coupled with an increasingly macroeconomic uncertainty, drove higher levels of equity market volatility during the quarter. The Federal Reserve raised the target discount rate to 3.25% (from 1.75%) over the three-month period and maintained its stance that more rate increases will likely be needed to control inflation. The Fed's messaging quelled hopes of a potential easing in financial conditions over the near term, and bolstered fears of a possible sharp downturn in the US economy. In Europe, the economic picture is decidedly gloomier. Energy shortages stemming from the war in Ukraine, high levels of inflation, and a contraction in manufacturing activity is putting downward pressure on the Eurozone economy and equity markets.

Experience tells us the most attractive long term investment opportunities present themselves during times of heightened uncertainty and bearish market sentiment. As we've said before, we are not macroeconomic forecasters. The goal of our process is to create a diversified portfolio with a high probability of compounding returns above the benchmark over a market cycle. In good times or bad, when evaluating potential investments for the portfolio, we always ask ourselves the same questions:

1. Does this business typically generate returns above its cost of capital over a market cycle, and are there opportunities to reinvest back into the business at attractive rates of return?

2. Based on our fundamental research and interactions with company management, what impacts do we see to the business that could alter its returns trajectory and reinvestment opportunity set (for better, or for worse) over the next 3-4 years?

3. What is currently priced into the stock, and does it differ from our fundamental outlook for the business?

By staying disciplined to our process, we can construct a portfolio of companies that in aggregate have superior fundamental attributes relative to the overall market, but at valuation levels that give us an adequate margin of safety. We believe this is a winning recipe for portfolio returns over the long term.

We welcome the opportunity to discuss any questions or concerns you may have, and we thank you for the opportunity you have given us to manage your account.

Sincerely,

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

Gary Kauppila, CFA®
Portfolio Manager

Important Disclosures

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The Mid Cap Value Composite contains fully discretionary mid cap value accounts that are invested in US equity securities and ADRs with market capitalizations that are reflective of the Russell Midcap® Value Index. The portfolio manager focuses on companies with a demonstrated ability to generate above-average returns on invested capital. Within that universe, the manager seeks to identify undervalued companies with opportunities to reinvest cash flows at rates of return in excess of their cost of capital. For comparison purposes the composite is measured against the Russell Midcap® 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.

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 donot 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.

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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.

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The Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap® Index 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 year). The Russell Midcap® Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market.

The Russell Midcap® 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 13.5 trillion is indexed or benchmarked to the index, with indexed assets comprising approximately USD 5.4 trillion of this total (as of Dec. 31, 2020). The index includes 500 leading companies and covers approximately 80% of available market capitalization.

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