Kennedy Capital Management LLC

SMID Cap Value Commentary
4th Quarter 2022

Fourth quarter 2022 equity market performance was a lone bright spot in what was a challenging year for returns across all major asset classes. For the quarter, the Russell 2500 ™ Value (R25V) Index rose 9.21%, the Russell 2500 ™ Growth (R25G) Index was up 4.72%, and the S&P® 500 Index (S&P) increased 7.56%. In contrast, for the year, the R25V declined 13.08%, the R25G declined 26.21%, and the S&P declined 18.11%.

The Kennedy Capital SMID Cap Value (SMCV) composite rose 7.95% (net of fees) during the quarter, underperforming the R25V by 1.26%. For the rolling 12-month period, the SMCV composite declined 15.39% (net of fees), compared to the R25V's decline of 13.08%, underperforming by 2.31%. Additional performance information is included in the table below.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Gross	-14.74%	8.91%	6.10%	11.49%	11.77%
Net	-15.39%	8.08%	5.31%	10.69%	10.96%
Index	-13.08%	5.22%	4.75%	8.93%	9.78%

Data as of 12/31/2022

Within the R25V, Materials and Consumer Discretionary were the two best-performing sectors during the 4th quarter, up 18.94% and 14.47%, respectively. Information Technology and Communications Services were the worst performing sectors during the quarter, up 3.39% and 4.29%, respectively. Within the SMCV composite, stock selection in the Consumer Staples and Financials sectors was the biggest headwind to relative returns (vs. the R25V). Both sectors negatively impacted 4th quarter relative performance by 22 basis points. These headwinds were partially offset by positive stock selection in the Materials and Communication Services sectors, which added 23 basis points, and 9 basis points to 4th quarter relative returns.

2022 experienced a number of significant shifts in the macro environment, which created a difficult backdrop for equity market performance. To summarize:

- The Russian invasion of Ukraine, which caused oil prices to spike over 60% from year-end 2021 levels.

- Inflation, as measured by the CPI, increased at a high single digit percentage rate. This is the highest inflation reading we've seen since the early 1980s.

- In response to the higher inflation readings, the Federal Reserve shifted quickly to monetary tightening, raising the Federal Funds Target Rate by over 400 basis points. The Fed has signaled that further rate increases will be needed to quell inflationary pressures, which will have a slowing effect on economic growth.

- Longer-term interest rate measures – such as the 10 year treasury yield and the 30 year mortgage rate – rose sharply to multi-year highs in response to the higher inflation readings.

One of the consequences of higher interest rates is an increase in the discount rate that's used to value financial assets. The arithmetic is straight forward: Rising discount rates means the value of future cash flows generated by an asset are worth less in today's dollars. We believe this sharp rise in discount rates was the predominate factor driving negative equity market returns in 2022. While no sectors were immune from the compression in equity valuations, the impact was most acutely felt in historically expensive areas of the market, such as biotech and software. These industry groups dramatically underperformed the broader market in 2022, posting declines of 30%, and 39%, respectively, within the R25V.

The intermediate macroeconomic picture is decidedly cloudy. Financial conditions are tightening, economic growth is slowing, and markets have responded with increased volatility. Experience tells us the most attractive long-term investment opportunities present themselves during such times of heightened uncertainty and bearish market sentiment. Capturing these opportunities requires a deep focus on company and industry fundamentals, and the ability to recognize situations where market prices inadequately reflect the long-term value creation potential of the underlying 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 a sufficient 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

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Portfolio Manager, Research Analyst

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The SMID Cap Value Composite will be invested in value securities of predominately small and mid cap companies that generally have a market capitalization that is reflective of the Russell 2500™ Value Index. The Investment Manager generally looks for undervalued companies generating cash flow returns on invested capital greater than industry peers. SMID Cap Value portfolios generally demonstrate valuations below and growth characteristics at or above those of the benchmark. The weighted average market capitalization of the Portfolio will generally be reflective of the average market capitalization of the Russell 2500™ 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.*

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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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™ Value Index measures the performance of small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500™ 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). and lower forecasted growth values. The Russell 2500™ Value Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap growth market. 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 and that the represented companies continue to reflect value characteristics.

The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500™ companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 year) The Russell 2500 Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. 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 and that the represented companies continue to reflect growth characteristics.

The Russell 2500™ 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.

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