Kennedy Capital Management LLC

Small Cap Growth Commentary
1st Quarter 2023

As anticipated entering the year, macro-economic news continues to dominate the headlines and is driving a high level of equity market volatility. The year started off strong, extending the rebound that started in Q4 . . . until the strains from the record pace of interest rate increases finally caused something to "break": two regional banks, Silicon Valley Bank (SIVB) and Signature Bank (SBNY), declared bankruptcy following a run on their deposits, forcing regulators to step in to protect depositors. While it appears that these actions have prevented further systemic contagion, the resulting increased tightening of credit cannot be avoided and adds to the list of items pressuring the near-term outlook for economic growth and company earnings. The bond market is signaling that a recession is on the horizon (e.g., long rates declining and interest rate curve inverted), with the debate now moving to the magnitude and duration. Despite this, the strongest stock performances in Q1, within the small-cap growth universe, were in the more cyclical areas of Information Technology, Consumer Discretionary, and Industrials. The big laggards were Banks, Energy, and Biotechnology.

Performance:

The KCM Small Cap Growth (SCG) composite increased +7.16% (gross of fees) and +6.94%% (net of fees) for the 1st quarter of 2023, outperforming the Russell 2000® Growth (R2G) Index, which increased +6.07%, by +109 bps (gross of fees) and +87 bps (net of fees). Additional performance information is included in the table below.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Gross	-9.03%	18.21%	9.46%	11.91%	14.31%
Net	-9.75%	17.33%	8.69%	11.12%	13.49%
Index	-10.60%	13.36%	4.26%	8.49%	10.09%

Data as of 3/31/2023

On a relative basis, Consumer Staples and Energy were the best-performing sectors versus the benchmark. The strength in Consumer Staples was again led by a provider of branded, affordable cosmetic and skin-care products. The company has continued to demonstrate strong sales momentum primarily due to the launch of new products and brands. The company has also been successful in increasing prices, which should aid margins in the future, particularly as supply chain cost pressures ease. The Energy attribution was due to our lack of ownership in the sector during a period of underperformance. Our investment strategy does not invest in commodities or companies whose returns are highly dependent solely on those price movements (and lack opportunities to

invest behind long-term structural growth). As a result, we currently have a large underweight in Energy which we expect to result in more volatile short-term results vs. the Index.

Our largest detractors to relative performance for the quarter were Information Technology and Real Estate. While our combined Information Technology holdings provided reasonably good, double-digit returns in the quarter, they underperformed the even more robust returns of the index constituents, and we were also under-weight the sector. We do not own any semi-cap equipment companies, which had an extremely strong quarter (up +33%) and our semiconductor holdings have skewed more defensive, serving less cyclical end markets. Real Estate was impacted by a decline in a provider of industrial properties to the medical cannabis market that is experiencing an increased level of rent delinquencies and deferrals as their customers struggle in certain states with price competition. We continue to hold the position as we believe these issues are contained, manageable and over-discounted in the price at these levels vs. the ongoing double-digit structural end-market demand growth.

Outlook:

We expect the market will continue to experience heightened volatility in the first half of 2023 as every new data point is scrutinized by market participants in an attempt to predict the *near* future levels of inflation, interest rates, and demand. While not comfortable, this volatility should continue to provide opportunities for longer-term individual stock investment decisions. We believe that valuations in the small-cap universe have largely adjusted to the new higher cost of capital (higher interest rates) and that from here performance will largely be driven by the realization of individual company earnings. Against that backdrop we remain focused on identifying companies with good business models that can invest into secular multi-year growth opportunities and will balance any near-term macro and market risks by diversifying across industry sectors, cyclicality, and growth life cycle. The execution of this can be seen in the portfolio's characteristics: in aggregate we are invested in companies with higher CFROIs (cash flow return on investment), higher asset growth (i.e., re-investment opportunities), and trading at a roughly similar valuation as the benchmark (based on current & next year P/Es). Assuming our companies can execute against these growth opportunities, we believe this should be a recipe for longer term outperformance.

Thank you for your continued confidence in the Kennedy Capital team. Should you have any additional questions, please do not hesitate to contact us.

Sincerely,

Jean Barnard, CFA®
Portfolio Manager

Ryan Dunnegan, CPA
Portfolio Manager

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The Small Cap Growth Composite invests in growth securities of predominately small companies that generally have a market capitalization that is reflective of the Russell 2000® Growth Index. The Manager seeks companies with durable business models able to deploy assets into growing sets of opportunities providing superior rates of return. For comparison purposes the composite is measured against the Russell 2000® Growth 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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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 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® 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 2000® Growth Index is constructed to provide comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

The Russell 2000® Growth 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.

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