Kennedy Capital Management LLC

Small 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 2000® Value (R2V) Index rose 8.42%, the Russell 2000® Growth (R2G) Index was up 4.13%, and the S&P® 500 Index (S&P) increased 7.56%. In contrast, for the year, the R2V declined 14.48%, the R2G declined 26.36%, and the S&P declined 18.11%.

The Kennedy Capital Small Cap Value (SCV) composite rose 10.43% (net of fees) during the quarter, outperforming the R2V by 2.01%. For the rolling 12-month period, the SCV composite declined 13.33% (net of fees), compared to the R2V's decline of 14.48%, outperforming by 1.15%. Additional performance information is included in the table below.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Gross	-12.57%	9.58%	6.56%	11.09%	14.99%
Net	-13.33%	8.62%	5.62%	10.11%	13.96%
Index	-14.48%	4.70%	4.13%	8.48%	9.28%

Data as of 12/31/2022

Within the R2V, Materials and Energy were the two best-performing sectors during the 4th quarter, up 18.69% and 17.65%, respectively. Health Care was the worst-performing sector during the quarter, down 4.78%. Within the SCV composite, stock selection in the Health Care and Consumer Discretionary sectors was the biggest driver of positive relative returns (vs. the R2V). These sectors added 123 basis points, and 34 basis points, respectively, to 4th quarter relative performance. On the downside, Financials and Materials were the two worst-performing sectors on a relative basis. These sectors negatively impacted 4th quarter relative returns by 9 basis points, and 8 basis points, respectively.

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 38%, and 51%, respectively, within the R2V.

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

McAfee Burke, CFA®
Portfolio Manager, Research Analyst

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The Small Cap Value Composite invests in small cap companies that have favorable cash flow values relative to their current market value. For comparison purposes the composite is measured against the Russell 2000® 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 2000® Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 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 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure new and growing equites are included and that the represented companies continue to reflect value characteristics.

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® 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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