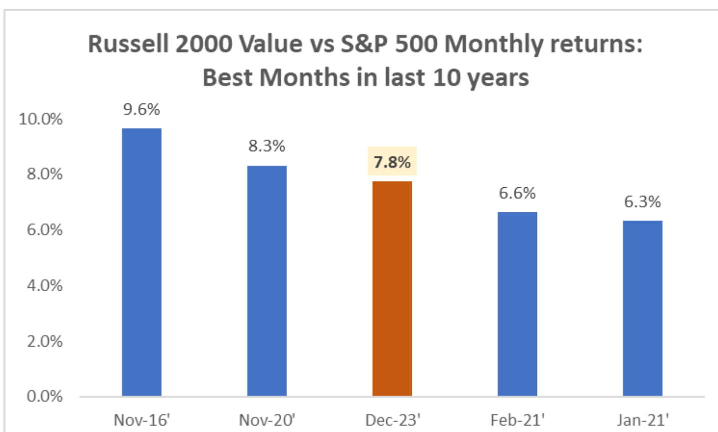
Kennedy Capital Management LLC

Small Cap Value Commentary
4th Quarter 2023

Equity markets rose sharply during the 4th quarter of 2023. The Russell 2000® Value (R2V) Index increased 15.26%, the Russell 2000® Growth (R2G) Index was up 12.75%, and the S&P 500® Index (S&P) rose 11.69%. Markets reacted positively to the Federal Reserve's decision to hold its policy rate in the 5.25-5.50% range, as well as commentary from Fed Chair Jerome Powell suggesting we have seen the peak for rate hikes this cycle. The 10-year treasury yield fell below 4.0% from a peak of 5.0% in October, reflecting easing inflationary pressures and expectations of less restrictive financial conditions.

Within the R2V, every sector (with the exception of Energy) generated positive returns during the quarter. Financials (+23.80%), Consumer Discretionary (+20.49%), and Health Care (+18.29%) were notable standouts. Within these sectors, falling interest rates provided a substantial tailwind to subindustries such as banks, homebuilders, and biotechnology.

Relative to the S&P 500®, December was the 3rd best-performing month for the Russell 2000® Value in the last 10 years. The extremity of the move highlights small cap equities' sensitivity to changes in interest rates, and underscores our view that small caps, as an asset class, are undervalued.



Source: FactSet *Research Systems, Inc.*

Q4 23' Small Cap Value Portfolio Review

The Kennedy Capital Small Cap Value (SCV) composite increased 13.26% (net of fees) during the quarter, underperforming the R2V, which returned 15.26%, by 2.00% (net of fees). For the rolling 12-month period, the SCV composite returned 16.98% (net of fees), compared to the R2V's return of 14.65%, outperforming by 2.33% (net of fees). Additional performance information included in the table below.

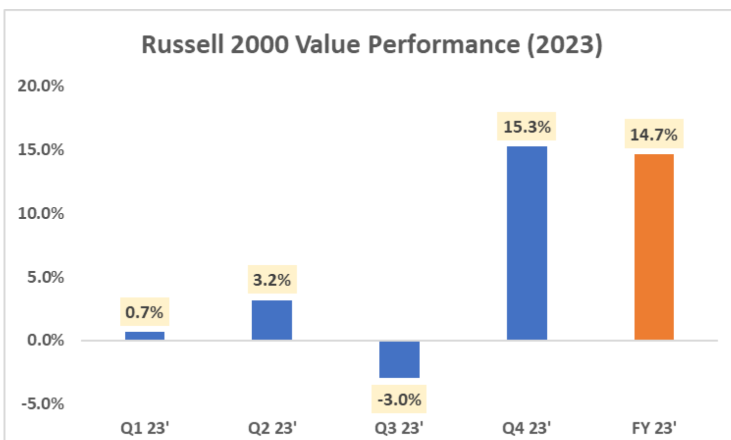
	1 Year	3 Years	5 Years	10 Years	Since Inception
Gross	18.00%	13.71%	14.50%	9.25%	15.07%
Net	16.98%	12.72%	13.50%	8.29%	14.03%
Index	14.65%	7.94%	10.00%	6.76%	9.46%

Data as of 12/31/2023

Within the SCV composite, stock selection in the Health Care, Financials, and Industrials sectors were the largest drag on relative 4th quarter performance. These sectors had a performance drag of 114 basis points, 37 basis points, and 31 basis points, respectively. Within Health Care, biotechnology and pharmaceuticals accounted for most of the underperformance. Conversely, stock selection in the Materials and Consumer Staples sectors positively impacted performance, adding 45 basis points and 26 basis points, respectively.

Over the 12-month period, stock selection in the Materials, Consumer Discretionary, and Industrials sectors were the largest positive contributors to SCV relative performance. These sectors contributed 202 basis points, 171 basis points, and 169 basis points, respectively, to performance. The Health Care, Energy, and Real Estate sectors were negative contributors for the year, impacting performance by 78 basis points, 67 basis points, and 64 basis points, respectively.

<u>2023 Market Review</u>



Source: FactSet *Research Systems, Inc.*

2023 ended much differently than it started. A quick rehash of key market events/themes in 2023:

- **Rising interest rates**: To combat inflation, the Federal Reserve further raised the Federal Funds rate to 5.25 – 5.50% from 4.50% at the start of the year (and from 0.25% at the beginning of 2022). The yield on the 10-year treasury rose from 3.50% to a peak of 5.0% in October. As discussed in prior commentaries, rising interest rates are a headwind to equity valuations, which helps explain subdued market performance in the first three quarters of 2023.

- **Turbulence in the Regional Banking sector**: The sharp rise in interest rates created an asset/liability mismatch issue within the banking sector, prompting the failure of three large regional banks: Silicon Valley Bank (SIVB), Signature Bank (SBNY), and First Republic (FRCB). Fears of a widespread banking "crisis" sent regional Bank equities (within the Russell 2000® Value Index) down over 18% in the month of March.

- **(Generally) Stable economic environment**: All things considered – rising interest rates, problems in the banking sector, inflationary pressures -- US economic performance was *generally* steady in 2023. A healthy labor market has been a key factor, with the unemployment rate hovering near multi-decade lows.

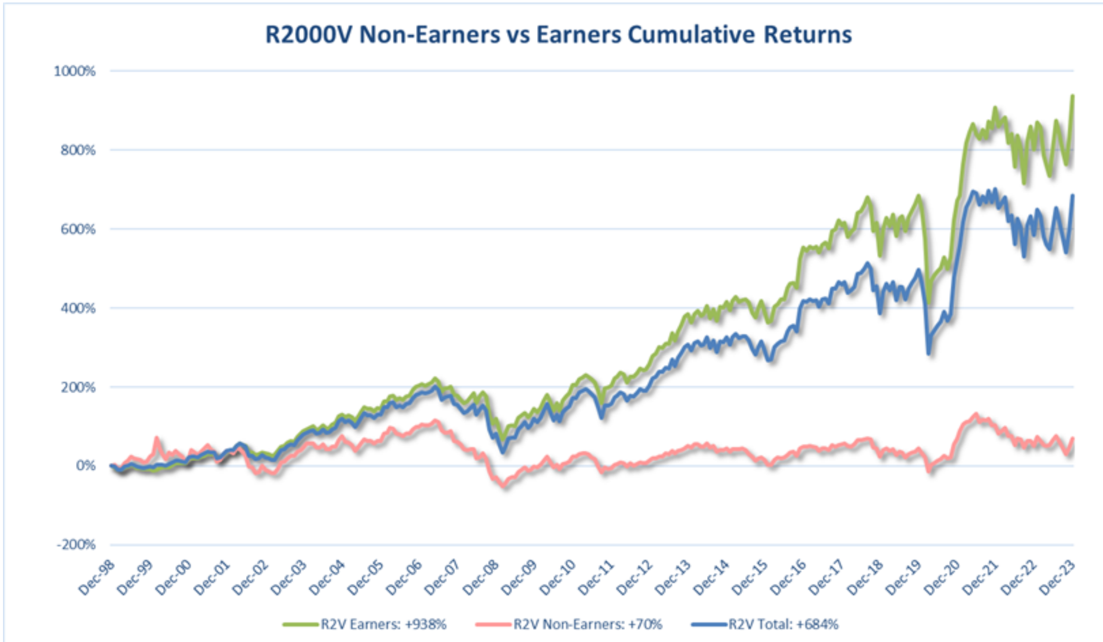
- **Growing Expectations of a Fed Pivot**: Equity markets rose sharply in the fourth quarter as softer inflation data, falling treasury yields, and more favorable commentary from the Federal Reserve points to a less restrictive monetary backdrop in 2024.

Thoughts on the year ahead (and beyond)

"The world will ask you who you are, and if you don't know, the world will tell you." – Carl Jung

The volatility experienced in 2023 (and for the last 4 years!) reinforces the advantages of being a fundamentals-based, process-oriented investor in an increasingly uncertain world. Our greatest strength lies in our ability to adhere to a consistent process that emphasizes corporate performance and valuation discipline. This sounds simple, but it's not easy. Short-term fluctuations in securities prices – caused by excitement around new technologies and themes, changes in financial conditions, etc. --creates misleading narratives and distorts true underlying business value. Anchoring our investment process to proven value creation drivers, as well as maintaining a long-term investment horizon, is paramount to distinguishing between winners and losers.

Compounding franchise value over the long-term requires the combination of two key elements: 1) The ability to generate above-average returns on capital through an economic cycle, and 2) Opportunities to reinvest cash flows back into the business at attractive rates of return. In our opinion, companies that consistently generate substandard (or negative) returns – regardless of narratives and short-term price movements -- are destined to destroy shareholder value over time. The poor share price performance of money-losing companies over the last 20+ years – as shown in the chart below – confirms this view.



Source: FactSet *Research Systems, Inc.*

By staying disciplined to our process, we srtive to construct a portfolio of companies that in aggregate have favorable fundamental attributes relative to the overall market, but at valuation levels that give us a sufficient margin of confidence. 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

Important Disclosures

Kennedy Capital Management LLC ("KCM") is a Delaware limited liability company headquartered in Missouri. KCM is registered as an investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration with the SEC does not imply any level of skill or training. Clients of the Firm include U.S. corporations, pension and profit sharing funds, colleges and universities, trusts, not-for-profit organizations, foundations, and individuals. KCM claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. GIPS® are a set of standardized, industry-wide ethical principles that provide investment firms with guidance on calculating and reporting their investment results to prospective clients to ensure fair representation and full disclosure of an investment firm's performance history.

Although the statements of fact and data in this report have been obtained from, and are based upon, sources that the Firm believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the Firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. A complete list of all securities recommended by KCM in the preceding year, a fully compliant GIPS composite report, and the list of composite descriptions are available upon request from KCM at 10829 Olive Blvd., Suite 100. St. Louis, MO, 63141.
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.

The information provided should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in a KCM portfolio at the time you receive this letter or that securities sold have not been repurchased. Allocations among industries, sectors and securities may vary and are subject to change without notice. Any securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the industry or sector allocation decisions 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.

GICS was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International, Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for the use by KCM. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability, and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, *indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.*

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.

Russell Investment Group is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a presentation of Kennedy Capital Management. Russell Investment Group is not responsible for the formatting or configuration of this material or for any inaccuracy in Kennedy Capital Management's presentation thereof.

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 a 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® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 7% of the total market capitalization of that index, as of the most recent reconstitution. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® represents approximately 93% of the U.S. market. The Russell 1000® Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

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 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.

2024010059*[Perf}*