

# Kennedy Capital Management LLC

## Small/Mid Cap Core Commentary

### 1st Quarter 2024

The Russell 2500™ index returned 6.92% in the first quarter of 2024, with the Industrials (+11.76%) and Energy (+11.09%) sectors leading the way. Strength in small and midcap equities was rather broad-based, with 9 out of 11 sectors delivering positive returns (Communications Services and Real Estate were the only sectors that declined in the quarter).

While the key theme of the fourth quarter of 2023 was the anticipation of interest rate cuts in 2024, it has become apparent that such actions by the U.S. Federal Reserve are unlikely in the near term. With inflation still stubbornly above the Fed's target and unemployment still relatively low, the urgency to reduce interest rates simply isn't present at this time.

Talk of the impact of artificial intelligence on virtually every industry remains pervasive. There are numerous indirect ways to gain portfolio exposure to this theme, and several of our investments are aligned in some way with the growth of AI. Applications span from datacenter subsystem suppliers to distributors of new "AI-enabled" personal computers to production of steel towers used in electrical transmission. We are cognizant of valuation in each situation and our analysis of fair value is grounded in what we view as reasonable growth assumptions.

During the first quarter, the portfolio remained overweight the Industrials and Health Care sectors, while the largest underweights were Energy and Consumer Discretionary. The portfolio's overweight position in Industrials is partially offset by the underweight in Energy and Materials, as portions of these three sectors often experience similarities in underlying economic drivers.

#### Performance & Characteristics

In Q1 2024, the Small/Midcap Core portfolio returned 7.57% gross of fees and 7.41% net of fees, outperforming the Russell 2500™ benchmark by 65bps on a gross basis and 49 bps on a net basis. Additional performance information can be found in the table below.

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Gross</b>	22.87%	6.43%	13.46%	-	12.92%
<b>Net</b>	22.14%	5.71%	12.72%	-	12.17%
<b>Index</b>	21.43%	2.97%	9.90%	-	9.67%

Data as of 3/31/24

The best performing sectors this quarter were Health Care and Financials, which added 64 bps and 51 bps, respectively, to relative performance. The worst performing sectors vs. the benchmark were Consumer Discretionary, which detracted 57 bps and Utilities, which detracted 33 bps.

We remain confident in our ability to construct a portfolio of attractive small and midcap U.S. equities that delivers relative investment outperformance over the long term. As always, we appreciate the confidence you place in our team. Please don't hesitate to contact us with any questions regarding Kennedy Capital Management or our investment process.

Sincerely,

Christian J. McDonald, CFA®  
Portfolio Manager

#### **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.

Small/Mid Cap Core Composite is invested in securities of value and growth companies that have a market capitalization ranging from small cap to midcap, generally reflective of the Russell 2500™ Index. We generally look for value companies that trade at an attractive relative valuation on a price-to-earnings and price-to-cash flow basis, and growth companies that have opportunities to grow assets at returns above the cost of capital. 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 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500™ Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500™ Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. 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.

The Russell 2500™ Index are used as the benchmarks. The Indexes are unmanaged and represents total returns including reinvestment of dividends. The benchmarks are used for comparative purposes only and generally reflects the comparable risk or investment style of the Firm's strategy. The investment portfolios underlying the Indexes 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.  
**Investors cannot invest directly in an index.**

2024040086{PERF}