Select Strategy

MISSION STATEMENT

At QSV Equity Investors we strive to deliver a smoother ride in good markets and bad, seeking to help our clients reach their long-term investment goals by setting clear expectations and through investment in high-quality small and mid cap value stocks.

QSV Quality Bias: Invest in companies exhibiting strong balance sheets, stable and growing cash flows and returns on invested capital (ROIC) well in excess of their cost of capital (WACC).

Strong financial characteristics are sustained through the presence of a durable competitive advantage allowing the companies to drive economic profits well into the future.

QUALITY — QSV SELECT STRATEGY — VALUE

QSV purposefully acts like business owners, focusing on a company's intrinsic value and blocking out day-to-day price moves.

QSV believes that buying wealth-creating businesses at discounts to intrinsic value will offer our clients stability, with less volatility and lower drawdowns, pursuing our goal to create long-term wealth.
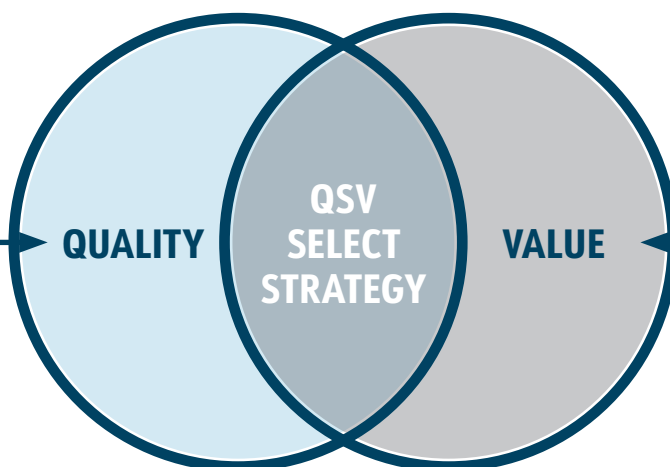
INVESTMENT TEAM

QSV's investment team has navigated markets together for more than 25 years. Jeff Kautz and Randy Hughes founded QSV (formerly Ballast Equity Management) in 2016 and worked together previously at Perkins Investment Management, a subsidiary of Janus Henderson. While there, Jeff held roles including Portfolio Manager, CEO and Chief Investment Officer and Randy held the roles of Director of Research and Analytics and Equity Analyst. QSV is 100% employee owned and fosters a culture that marries independent thought with collaboration. Employee-owners invest alongside the clients of the firm in each of its strategies.
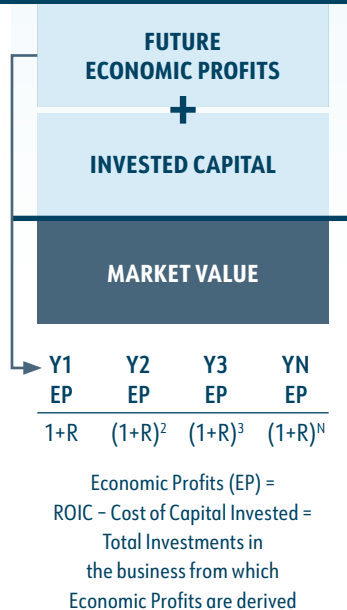
STRATEGY

OBJECTIVE QSV Equity Investors (QSV) Select Strategy strives to deliver a smoother ride in good markets and bad, seeking to outperform the Russell 2500 Value Index and Russell 2500 Index with less risk over a full market cycle.

OVERVIEW QSV Select Strategy is a high conviction portfolio holding the best ideas from the firm's Small Cap and Mid Cap strategies. The Strategy invests with conviction in 30-50 high quality companies which can deliver high returns on invested capital, well in excess of their cost of capital, sustained through strong, durable competitive advantages. Identification and selection of these companies is supported by proprietary Quality Scores and fundamental research. QSV is patient and will only add a company to the Select Strategy when its stock can be purchased at a reasonable valuation.

PROCESS QSV employs a research and screening process that includes four distinct steps:

SCREENING

QSV screens a universe of over 3000 small and mid cap stocks by charting the ratio of Enterprise Value to Invested Capital relative to the Return on Invested Capital for the companies. Investors should be willing to pay more for a business that earns high returns on capital; QSV only considers those that appear undervalued.

QUANTITATIVE ANALYSIS

QSV ranks stocks in its universe according to its proprietary Quality Rankings Model, using factors that identify companies with strong financial flexibility, stable and growing cash flow and stable and improving profitability metrics. QSV focuses on stocks with Quality Rankings in the top two quintiles of its universe.

QUALITATIVE ANALYSIS

QSV believes strongly that high returns on capital are maintained and defended through proven, durable competitive advantages, such as economies of scale, strong intangible assets, high switching costs, network effects and cost advantages. QSV professionals carefully assess the durability of each business's competitive advantages.

VALUATION

QSV strongly believes that valuation plays a vital role in successful investing. Forecasting future economic profits and capital allocation decisions allows QSV to answer its primary question: "Does the company create wealth for investors over time?"

EARNINGS STABILITY

LEVERAGE

EARNINGS PERSISTENCE

QUALITY

INTEREST COVERAGE

ROIC STABILITY

ROIC PERSISTENCE

FUTURE ECONOMIC PROFITS

+

INVESTED CAPITAL

MARKET VALUE

Y1 EP	Y2 EP	Y3 EP	YN EP
$1+R$	$(1+R)^2$	$(1+R)^3$	$(1+R)^N$

Economic Profits (EP) =
ROIC − Cost of Capital Invested =
Total Investments in
the business from which
Economic Profits are derived

1Q:24 COMMENTARY

Stocks marched higher in Q1 2024 with participation broadening from the mega cap winners of 2023 to mid-cap and smaller capitalization companies. U.S. economic growth, a steady consumer, and high expectations for interest rate cuts by the Federal Reserve promoted continued risk taking by investors. Gains in equity markets were largely multiple driven as earnings gains were modest and the stocks of lower quality small cap companies outpaced the returns of higher quality companies during the quarter. Using the Russell Stability indexes as proxies for high and low quality, the Russell 2000 Defensive index, containing businesses with higher Returns on Assets, lower leverage, and lower volatility underperformed low-quality businesses, as measured by the Russell 2000 Dynamic indexes, by 375 basis points for the quarter.

QSV Select returned 3.61% and 3.39%, gross and net of fees, lagging returns of the Russell 2500 Value and Russell 2500 Indexes of 6.07% and 6.92%, respectively. Select is a high conviction strategy that holds QSV's best ideas from our Small Cap and Mid Cap strategies. Security selection was positive in Healthcare and Real Estate holdings. Selection detracted from returns in Industrials holdings while company selection and an underweight to Energy companies hurt performance.

SELECT TOP CONTRIBUTORS

PRIMERICA INC. (PRI) was the leading contributor to performance during the quarter. PRI provides financial services to middle-income households in the United States and Canada, offering life insurance, mutual funds, annuities, and other financial products. While earnings from life insurance were down for the quarter, asset-based revenues from annuities and mutual funds rose with the markets and PRI successfully grew its sales force. PRI's shares continue to sell at a discount to our measure of intrinsic value.

BOOZ ALLEN HAMILTON (BAH) rose on continued strong business performance and its reputation, as one analyst coined, as "AI at a Reasonable Price." BAH has scale advantages as a provider of cybersecurity, data analytics, augmented reality, and artificial intelligence projects for the Department of Defense that, like all U.S. government contracts, are subject to elevated levels of scrutiny that serve as barriers to entry for competitors. The company has earned a position as the leader in artificial intelligence solutions and support for modernizing the U.S. military.

TOP 10 HOLDINGS[1]	
	% Weighting
Booz Allen Hamilton Holding Corporation Class A	4.11%
Primerica, Inc.	3.26%
NAPCO Security Technologies, Inc.	2.94%
Dorman Products, Inc.	2.82%
Corpay, Inc.	2.75%
Tyler Technologies, Inc.	2.67%
Cohen & Steers, Inc.	2.62%
EPAM Systems, Inc.	2.62%
Medpace Holdings, Inc.	2.58%
EastGroup Properties, Inc.	2.52%
TOTAL	**28.89%**

PERFORMANCE

	2Q:23	3Q:23	4Q:23	1Q:24	1 Year	3 Year (Ann)	5 Year (Ann)	Annual Total Return (since inception) 7/31/17
QSV Select Value (Gross)[3]	4.03%	-6.25%	13.98%	3.61%	15.17%	6.64%	11.74%	10.71%
QSV Select Value (Net)[3]	3.80%	-6.45%	13.74%	3.39%	14.20%	5.73%	10.75%	9.71%
Russell 2500 Value[2]	4.37%	-3.66%	13.76%	6.07%	21.33%	5.35%	9.36%	7.96%
Russell 2500[2]	5.22%	-4.78%	13.35%	6.92%	21.43%	2.97%	9.90%	9.43%

SELECT TOP DETRACTORS

MARKETAXESS HOLDINGS (MKTX) was the leading detractor to performance during the quarter despite earnings results that exceeded analysts' expectations and strong forward guidance. MKTX is the leading platform for trading fixed income securities, where it continues to grow market share due to the growing adoption of electronic execution. Greater adoption by retail and institutional investors and by the company's network of dealers improves liquidity and the effectiveness of the platform for its clients. MKTX produces returns on invested capital of 27% on average and its shares are at a discount to QSV's measure of intrinsic value.

Storage REIT **NATIONAL STORAGE AFFILIATES (NSA)** detracted from performance during the quarter. Funds from operations in the trailing quarter were below analysts' estimates and NSA's guidance for 2024 revenues and net operating income were down on lower occupancy. In the long term, we remain positive on NSA as a REIT that has seen strong occupancy rates, the ability to pass along single to low double-digit rate increases, and the financial flexibility to pay down debt with an eye toward future acquisitions.
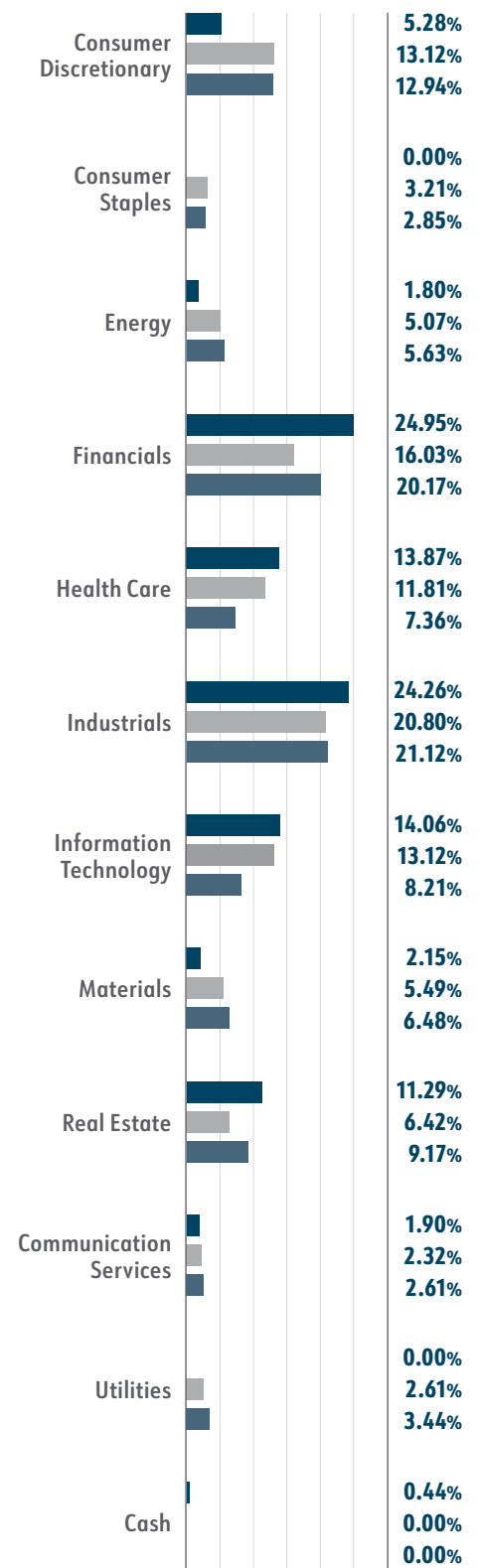
SELECT PORTFOLIO ACTIVITY

QSV continued to prune and add to Select to upgrade quality and address valuations. Freight broker **LANDSTAR SYSTEM (LSTR),** pool supply provider **POOL CORPORATION (POOL),** and **TORO (TORO),** an operator of oil tankers, were sold for holdings in which we have more conviction. New positions were initiated in **DOXIMITY (DOX),** a digital platform for U.S. medical professionals, dating platform **MATCH (MTCH),** elevator and escalator provider **OTIS WORLDWIDE (OTIS),** and **PROGRESS SOFTWARE (PRGS),** a provider of cloud-based security solutions.

OUR FOCUS ON THE LONG TERM

We believe a good deal of 2024's potential returns were pulled forward in Q4 2023. We also feel that market prices reflect near perfection in the economic and geopolitical outcomes of the coming quarters. Unfortunately, the world is imperfect and uncertain. At QSV, we do not invest in markets, but focus on building portfolios of quality businesses with durable competitive advantages purchased at reasonable valuations. We anticipate that 2024 will bring both surprises and the consequential market volatility. To prepare for this we recommend that long term investors focus on businesses with solid balance sheets, strong free cash flows, and high returns on invested capital. We continue to find these traits in the small and mid-capitalization businesses in each of the QSV portfolios and invite you to join us as we invest alongside our clients.

SECTOR EXPOSURE^

Sector	QSV Select[1]	Russell 2500[2]	Russell 2500 Value[2]
Consumer Discretionary	5.28%	13.12%	12.94%
Consumer Staples	0.00%	3.21%	2.85%
Energy	1.80%	5.07%	5.63%
Financials	24.95%	16.03%	20.17%
Health Care	13.87%	11.81%	7.36%
Industrials	24.26%	20.80%	21.12%
Information Technology	14.06%	13.12%	8.21%
Materials	2.15%	5.49%	6.48%
Real Estate	11.29%	6.42%	9.17%
Communication Services	1.90%	2.32%	2.61%
Utilities	0.00%	2.61%	3.44%
Cash	0.44%	0.00%	0.00%

PORTFOLIO CHARACTERISTICS

	QSV Select	Russell 2500	Russell 2500 Value
Active Share		97.31	97.81
Number of Securities	44	2,439	1,851
Weighted Average Market Cap (MM)	10,075.22	8,325.06	8,070.94
Median Market Cap	8,286.18	1,460.85	1,382.55
Dividend Yield	1.52	1.57	2.01
ROIC	15.06	4.24	4.08
Debt/Capitalization	44.27	47.69	50.31
EV/EBITDA	19.81	11.26	9.98

RISK METRICS

	QSV Select	Relative to Russell 2500	Relative to Russell 2500 Value
Annualized Alpha (RF=10-year Treasury)		0.25	0.35
Beta		0.77	0.74
Up Capture		70.43	69.29
Down Capture		87.12	85.21
Standard Deviation*	17.30	21.39	22.04
Information Ratio		0.18	0.33
Sharpe Ratio	0.50	—	—

*Standard Deviation is shown for the QSV Strategy and each respective Index.

QSV
EQUITY INVESTORS
QUALITY · STABILITY · VALUE

For more information, please call
844.322.5527 or visit **qsvequity.com**

WE THANK OUR CLIENTS AND INVITE OTHER LIKE-MINDED INVESTORS TO CONTACT US IF WE MAY BE OF SERVICE.

DISCLOSURES

No client or potential client should assume that any information presented should be construed as personalized investment advice. Personalized investment advice can only be rendered after engagement of the firm for services, execution of the required documentation, and receipt of required disclosures. Investing carries risk of loss. You should consider the strategy's investment objectives, risks, charges and expenses carefully before investing.

^ Sector classifications are generally determined by referencing the Global Industry Classification Standard (GICS®) and exclude cash. GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor's Financial Services LLC (S&P). GICS is a service mark of MSCI and S&P.

[1] Top ten holdings, sector weights and portfolio characteristics for the QSV Select Strategy are taken from the model portfolio.

[2] The QSV Select Strategy is compared to the Russell 2500 Indices as they are widely used benchmarks for small and mid capitalization securities. An investment with QSV Equity Investors (QSV) should not be construed as an investment in a program that seeks to replicate, or correlate with, these indices. Market conditions vary between the QSV products and these indices. Furthermore, these indices do not include any transaction costs, management fees and other expenses, as do the QSV products. Lastly, QSV may invest in strategies and positions that are not included in these indices.

[3] QSV Select returns are for the QSV Select Composite. Net returns are calculated assuming the maximum advisory fee of 100bps is deducted from the quarterly gross composite return from inception through June 30, 2020. Starting July 1, 2020, actual fees charged are used to calculate net performance. Returns are net of both advisory fees and transaction costs. All dividends are assumed to be reinvested. The reporting currency is USD.

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