

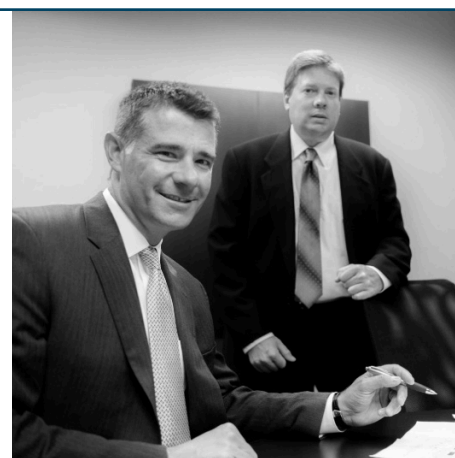
Small Cap Strategy



4Q:24

MISSION STATEMENT

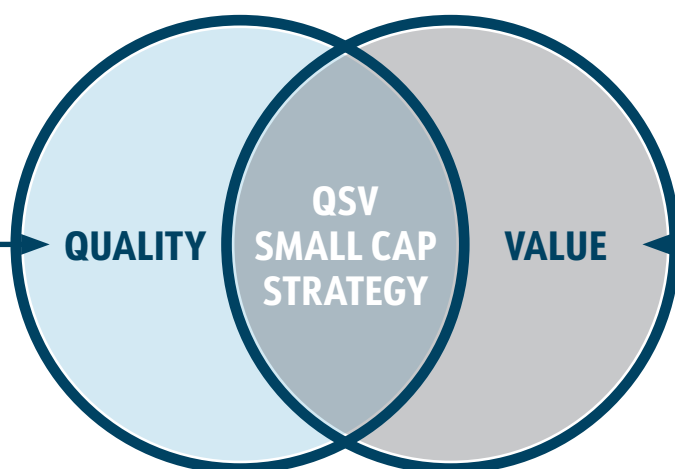
At QSV Equity Investors we strive to deliver a smoother ride in good markets and bad, seeking to help our clients reach their long-term investment goals by setting clear expectations and through investment in high-quality small and mid cap value stocks.



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.

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.



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.

STRATEGY

OBJECTIVE QSV Equity Investors (QSV) Small Cap Strategy strives to deliver a smoother ride in good markets and bad, seeking to outperform the Russell 2000 Value Index and Russell 2000 Index with less risk over a full market cycle.

OVERVIEW QSV Small Cap Strategy invests with conviction in 50-70 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 Small Cap 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	 QUANTITATIVE ANALYSIS	 QUALITATIVE ANALYSIS	 VALUATION
<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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?"</p>



FUTURE ECONOMIC PROFITS			
+			
INVESTED CAPITAL			
MARKET VALUE			
Y1	Y2	Y3	YN
EP	EP	EP	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

4Q:24 COMMENTARY

The fourth quarter capped a second consecutive calendar year of leadership by large cap technology stocks, with the “Magnificent 7” companies being joined by Broadcom to become the “BATMMAAN” confederation of stocks that have dominated market performance. The Russell 2000 Value Index ended in negative territory for the quarter as markets pulled back during a dismal December that reflected expectations for fewer interest rate cuts from the Federal Reserve in 2025 and rising bond yields. Lower quality stocks, as represented by the Russell Dynamic Indexes, outperformed higher quality stocks, as represented by the Russell Defensive Indexes, presenting headwinds to QSV’s quality-biased process.

QSV Small Cap trailed both the Russell 2000 Value and the Russell 2000 Indexes during the quarter. Security selection in Healthcare and Consumer Discretionary companies helped performance. An overweight to Healthcare, along with security selection in Information Technology and Consumer Staples companies detracted from returns.

QSV SMALL CAP TOP CONTRIBUTORS

DOXIMITY, INC. (DOCS) was the leading contributor to performance, supported by continued strong revenue and earnings, highlighted by a 24% increase in revenues from the company's top twenty clients on a trailing 12-month basis. DOCS offers a suite of tools that support an online community for physicians, nurse practitioners and physicians’ assistants, enabling them to coordinate patient care, conduct patient visits and manage their careers. DOCS benefits from strong network effects with over 80% of U.S. physicians using the platform. The company has returns on invested capital of 18%.

Automotive parts producer **DORMAN PRODUCTS INC. (DORM)** rose more than 15%, as revenue and earnings growth exceeded expectations, and the company updated its full year guidance to reflect higher expected earnings. DORM is a supplier of original equipment parts and has a unique competitive advantage in the development of products where it gets feedback from its network of repair technicians that identify failure prone parts. Management's growth plans and the rising average age of vehicles in the U.S. supports a positive long-term outlook for Dorman’s products. DORM has returns on invested capital of 11%.

TOP 10 HOLDINGS¹

	% Weighting
Innoviva, Inc.	2.42%
NAPCO Security Technologies, Inc.	2.33%
Medpace Holdings, Inc.	2.19%
Insperty, Inc.	2.16%
Innospec Inc.	2.12%
Alamo Group Inc.	2.11%
Walker & Dunlop, Inc.	2.09%
National Storage Affiliates Trust	2.08%
Simulations Plus, Inc.	2.07%
Kadant Inc.	2.02%
TOTAL	21.58%

PERFORMANCE

	1Q:24	2Q:24	3Q:24	4Q:24	1 Year	3 Year (Ann)	5 Year (Ann)	Annual Total Return (since inception) 6/30/17
QSV Small Cap (Gross) ³	0.78%	-3.76%	10.30%	-1.51%	5.36%	3.02%	7.09%	8.24%
QSV Small Cap (Net) ³	0.72%	-3.84%	10.21%	-1.60%	5.03%	2.65%	6.53%	7.51%
Russell 2000 Value ²	2.90%	-3.64%	10.15%	-1.06%	8.05%	1.94%	7.28%	6.69%
Russell 2000 ²	5.18%	-3.28%	9.27%	0.33%	11.54%	1.24%	7.40%	7.69%

4Q:24 COMMENTARY – CONTINUED

QSV SMALL CAP TOP DETRACTORS

MGP INGREDIENTS INC. (MGPI) was the leading detractor during the quarter as sales slowed in both its branded spirits and ingredients businesses and management lowered guidance. Management noted weakening conditions in the American Whiskey category, with elevated inventories and slower growth leading to lower demand. MGPI is one of the five largest distilleries in the United States and has grown sales and profits through its acquisitions of branded portfolios. MGPI has plans to optimize its cost structure in response to lower production volumes. The company produces returns on invested capital of 13%.

Value-based care provider **ASTRANA HEALTH INC. (ASTH)** detracted from performance during the quarter as shares dropped on decreased utilization and the news of its largest acquisition to-date, Prospect Health. We see the purchase as accretive to earnings and believe there will be synergies beyond the market’s expectations. ASTH works directly with physicians to deliver patient-centered care while using their feedback to lower costs. The company delivers 8% returns on invested capital and shares sell at a significant discount to QSV’s estimate of intrinsic value.

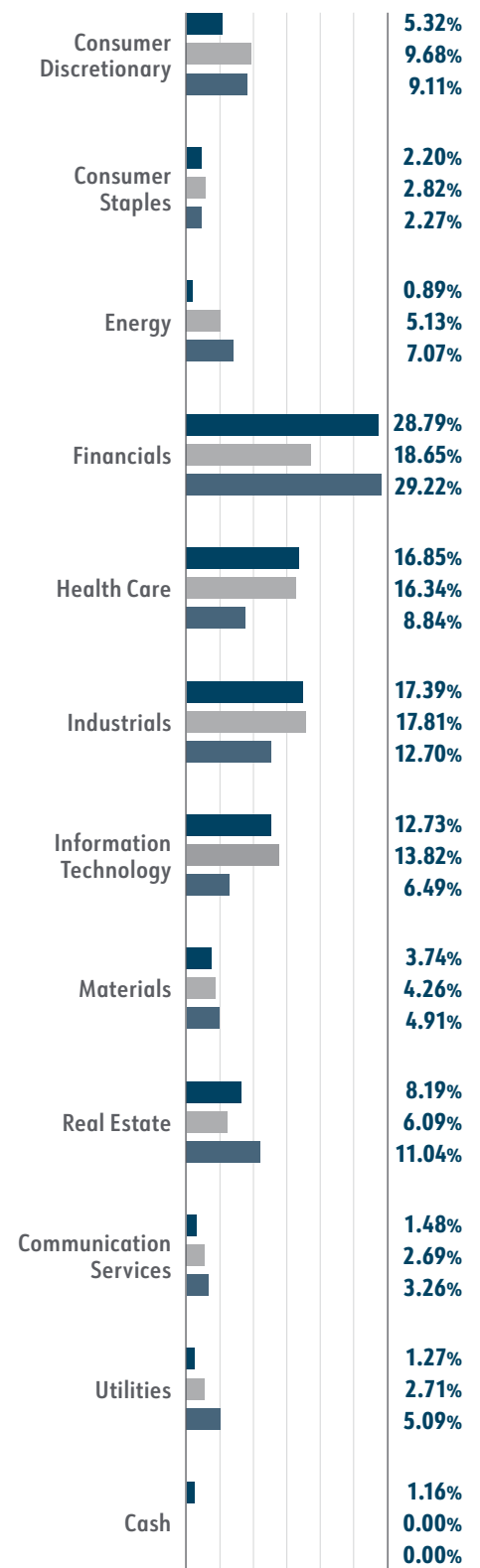
QSV SMALL CAP PORTFOLIO NEW BUYS AND SELLS

Shares of **CARETRUST REIT INC. (CTRE)**, an operator of skilled nursing, seniors housing and other healthcare-related properties, were purchased, as were shares of **COGNEX CORPORATION (CGNX)**, a provider of machine vision technologies that improve efficiency and quality in industrial end markets. **GENERAC HOLDINGS (GNRC)** was sold for valuation reasons and retail commercial real estate operator **NETSTREIT CORPORATION (NTST)** was sold in favor of better ideas.

OUR FOCUS ON THE LONG TERM

We begin 2025 with cautious optimism for the markets and for the stocks of quality small cap companies, in particular. Risks exist, as always, and we go about our company analysis and portfolio construction with our eyes wide open. The new administration brings uncertainty, with the potential positives of lowered regulation, reduced corporate tax rates, and the renewed animal spirits that could increase IPO and merger and acquisition activity. Tariffs offer a mixed bag of potential positives – reshoring of business, increased revenues for the government – and the potential negative impact of inflationary cost increases for consumers and a challenging global trade environment.

SECTOR EXPOSURE[^]



QSV Small Cap¹

Russell 2000²

Russell 2000 Value²

0 5 10 15 20 25 30 %

4Q:24 COMMENTARY – CONTINUED

One risk that gives us less concern is the refrain of “unforgiving valuations” cited about our stock markets. As investors in quality small and mid-cap stocks, analyzed and valued one by one, we see opportunities that stand in contrast to the high valuations of the market indexes that have become momentum driven. Smaller companies’ valuations are meaningfully lower than U.S. large caps. Some of this is justified due to the lack of profitability of many smaller companies and the higher borrowing costs they incur, yet we continue to find companies with strong balance sheets, free cash flows, and high returns on invested capital that have been overlooked while investors have been infatuated with big tech.

PORTFOLIO CHARACTERISTICS

	QSV Small Cap	Russell 2000	Russell 2000 Value
Active Share		96.08	96.99
Number of Securities	60	1,967	1,435
Weighted Average Market Cap (MM)	3,736.49	3,600.52	2,818.85
Median Market Cap	2,567.60	961.90	785.79
Dividend Yield	1.75	1.61	2.56
ROIC	9.87	1.50	1.48
Debt/Capitalization	30.69	40.32	41.12
EV/EBITDA	15.36	11.58	9.33

RISK METRICS

	QSV Small Cap	Relative to Russell 2000	Relative to Russell 2000 Value
Annualized Alpha (RF=10-year Treasury)		0.15	0.22
Beta		0.79	0.76
Up Capture		68.96	64.41
Down Capture		92.69	90.80
Standard Deviation*	18.29	22.27	22.95
Information Ratio		0.08	0.20
Sharpe Ratio	0.32	–	–

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



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 Small Cap Strategy are taken from the model portfolio.

² The QSV Small Cap Strategy is compared to the Russell 2000 Indices as they are widely used benchmarks for small 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 Small Cap returns are for the QSV Small Cap 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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