CornerCap
Institutional

LARGE CAP

Fundametrics® Large Cap Equity

3Q 2023 Performance Summary and Observations

	3Q 2023	YTD	1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Inception to Date (9/30/06)
Fundametrics® Large Cap Equity	-2.01	2.74	16.65	12.71	7.78	9.89	9.53	7.84
Net of Fees Returns	-2.13	2.33	16.09	12.14	7.01	9.02	8.59	7.03
Russell 1000 Value Total Return	-3.16	1.79	14.44	11.05	6.23	7.92	8.45	6.70
Russell 1000 Total Return	-3.15	13.01	21.19	9.53	9.63	12.00	11.63	9.27

Performance is as of 9/30/2023. All time periods over 1 year are annualized. See attached disclosure for important information regarding returns.

- The Fundametrics Large Cap Equity strategy outperformed the Russell 1000 Value Index by over 100 bps for the latest quarter.
- The idea of higher interest rates for longer seems to be the new consensus for investors. The longer-term 10-year rate continued to rise throughout the quarter, starting at 3.8% and finishing at 4.6%. With interest rates, bank lending standards and the price of oil all becoming more restrictive to the economy, investors sold risk assets.
- Higher interest rates and rising real yields hit high valuation and longer duration growth factors hardest while lower valuation and high dividend yield were at the top of the Fundametrics factor leaderboard for the quarter. The Fundametrics Alpha Composite performed well in this environment with Buy-ranked (deciles 1 – 3) stocks beating the sell-rated (deciles 8 – 10) by 400 bps.
- The outperformance by high beta over low beta remains significant year-to-date at almost 1500 bps. As of the end of the quarter, the portfolio is overweight low beta stocks relative to high beta. High beta is generally overweight energy and consumer discretionary and low beta dominates healthcare, staples and utilities.
- The valuation spread for Large Cap Value stocks vs. the Top 100 biggest companies remains wide.

3Q 2023 Performance Analysis

Relative to the benchmark, selection and allocation effect were positive.

The strategy's selection effect is traditionally a strength and it accounted for 80% of the alpha this quarter.

This quarter experienced a significant return dispersion between energy (+12.3%) and all other sectors. Outside of the energy sector, all other sector returns in the Russell 1000 Value index were negative.

Table 1: Portfolio Attribution

Selection Effect	Impact	Company Contributors	Owned
Consumer Discretionary	+54 bps	Booking Holdings	Y
		Caesars Entertainment	Y
		Home Depot	Y
Industrials	+38 bps	RTX Corp	N
		Textron Inc	Y
		Caterpillar Inc	Y
Information Technology	+32 bps	Oracle Corp	N
		Epam Systems	Y
		Vmware Inc	Y

Allocation Effect	Impact	Portfolio Over / Under Weight
Energy	-41 bps	UnderWeight
Information Technology	+23 bps	OverWeight
Financials	+9 bps	OverWeight

The table below summarizes the biggest sector changes to the portfolio. These changes are a product of the Alpha Composite rankings and Financial Warnings screen and represent where the Fundametrics research model detects increased value. It should be noted that during a quarter of high sector return deviations, relative performance can also play a role in portfolio positioning.

Table 2: Portfolio Highlights and Sample Trades

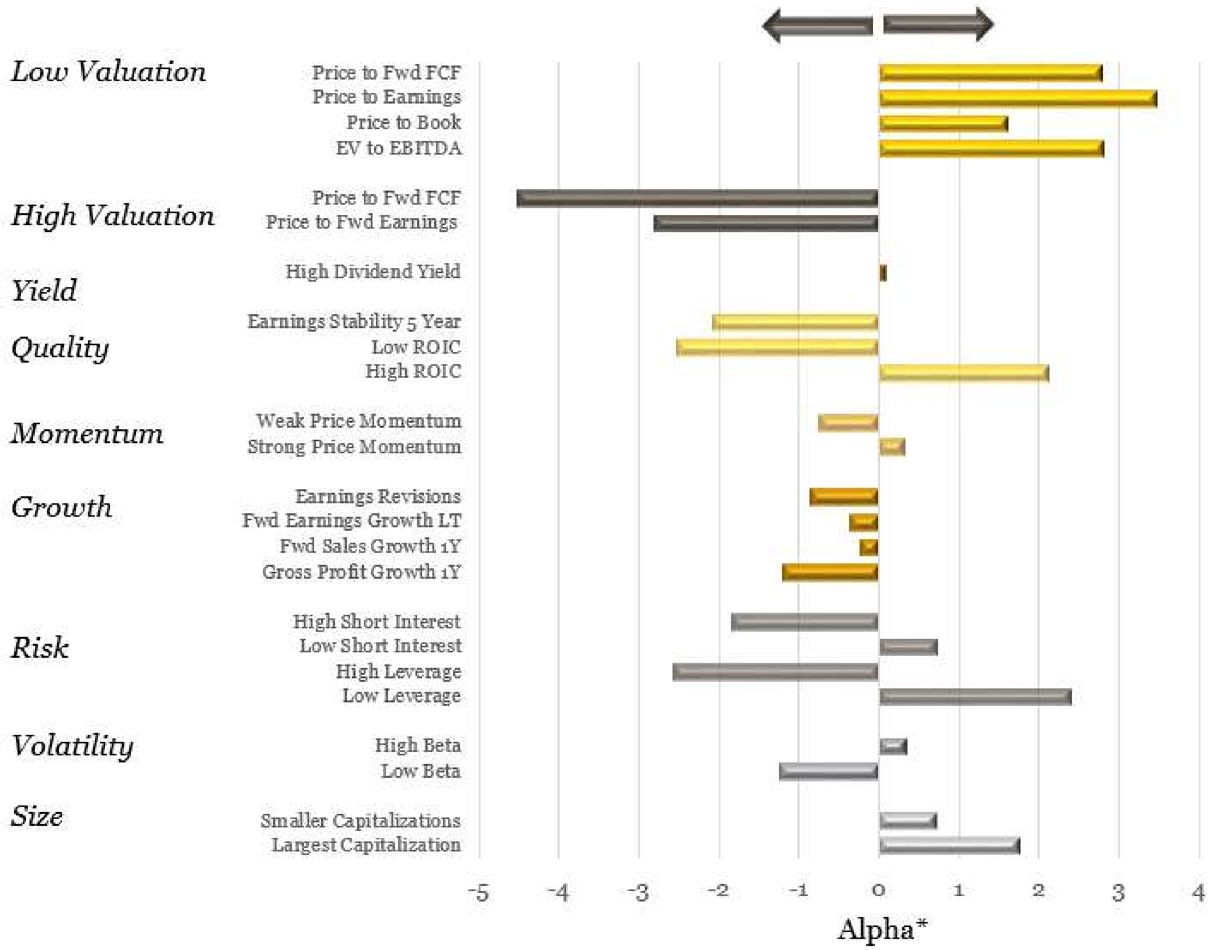
Sector	Change Q to Q	Sample Trades
		Buys
Consumer Staples	+168 bps	Kraft Heinz Hershey Clorox
Healthcare	+147 bps	HCA Holdings Hologic Inc Idexx Labs
		Sales
Industrials	-202 bps	Wabtec Norfolk Southern Corp Automatic Data Processing
Consumer Discretionary	-.56 bps	Caesars Entertainment Lowes Cos

For a complete list of holdings CLICK HERE.

Factor Performance

The economy continues to be resilient, but the idea of higher interest rates for longer has become the new consensus. The longer-term 10-year rate continued to rise throughout the quarter, starting at 3.8% and finishing at 4.6%. With higher interest rates, tighter bank lending standards and higher oil prices all becoming more restrictive to the economy, investors sold risk assets. Higher interest rates traditionally impact longer duration growth and higher valuation companies more than lower valuation companies because more of their profitability is in the future. That was the case this quarter with the spread between low and high valuation factors topping 700bps.

Exhibit 1: 3rd Quarter Style Points

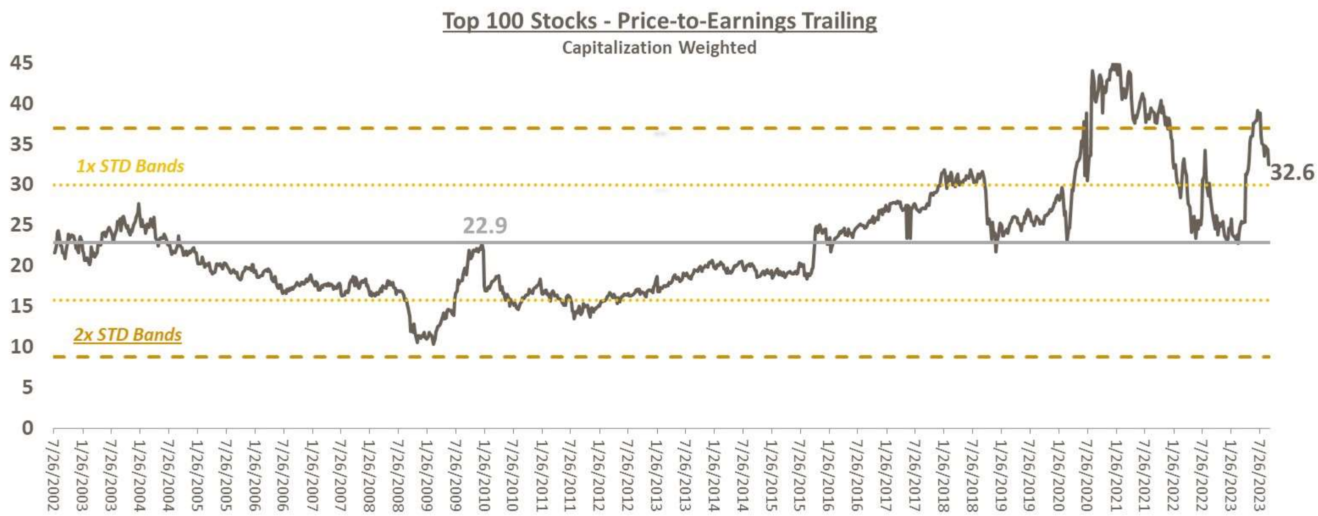


Source: CornerCap Fundametrics® Research
Data: Large Cap Investable Universe = Approximately 500 of largest market capitalization domestic stocks trading on US exchanges. *TOP 30% ranked stocks within each factor relative to the return of the equal weight investable universe of US Large Cap Stocks.

Low valuation made a strong showing this quarter, but it still trails high valuation year-to-date. For example, low price-to-earnings (trailing) is underperforming high by 500 bps. Within the Fundametrics factor library, the investment team has observed the highest performance spreads are between high and low dividend yields at -1600 and between low and high beta at -1500 bps. This is a result of the significant return dispersion between sectors overweight high beta like energy, technology and consumer discretionary and low beta utilities, healthcare, and staples. In fact, the average year-to-date performance of the three high beta sectors is 1870 bps higher than the low beta average.

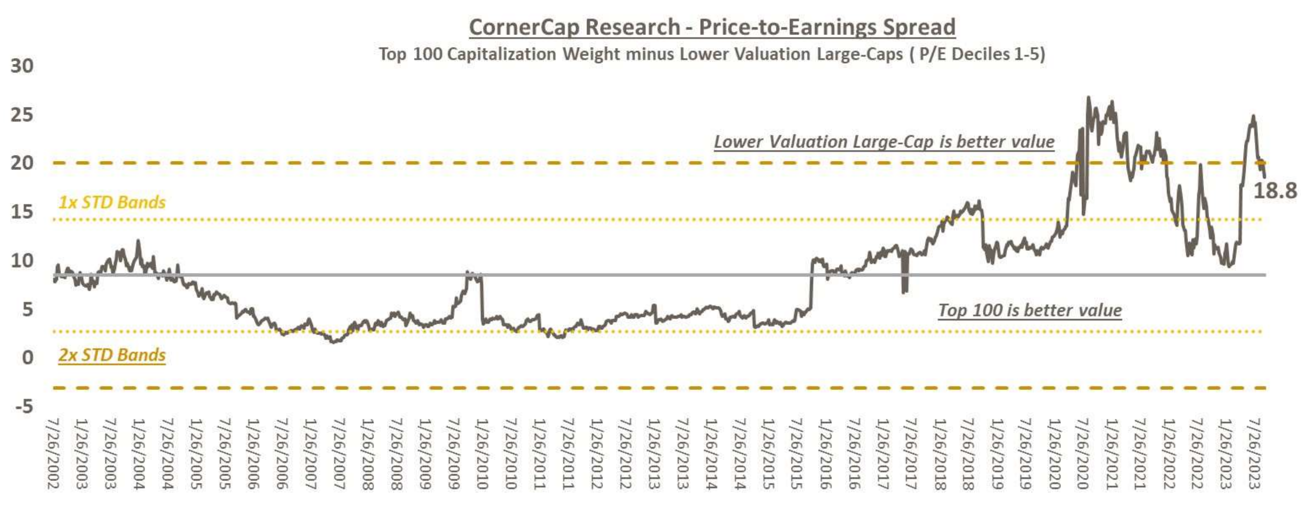
Valuations for the Top 100 biggest companies improved throughout the quarter but remain expensive relative to other parts of the market. There are opportunities with attractive valuations, as evidenced by the valuation spread between the Top 100 and lower valuation (P/E Deciles 1-5) Large Caps, just not within most of the biggest stocks.

Exhibit 2: P/E of Top 100 Largest Stocks



Source: CornerCap Fundametrics® Research System,
Data: Excludes REITs and Unprofitable Companies

Exhibit 3: P/E Spread of Top 100 Stocks minus Lower 50% Valuation



Source: CornerCap Fundametrics® Research System, Excludes REITs, Excludes Unprofitable Companies
Data: Excludes REITs and Unprofitable Companies
Lower Valuation Large-Caps Trimmed Mean bottom 5%

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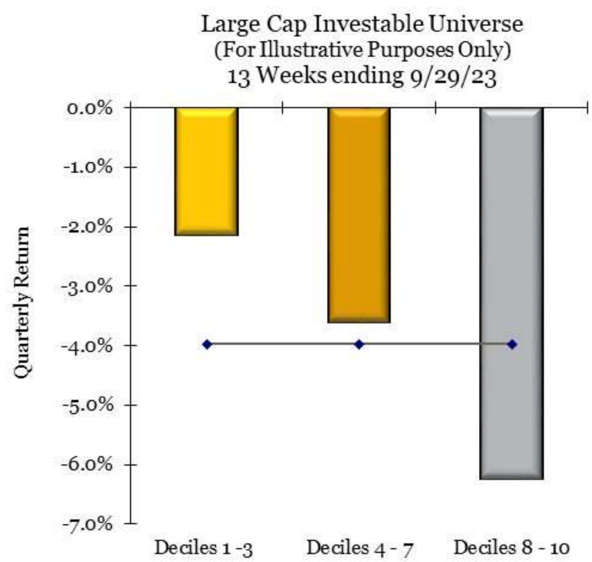
Performance within the Model: Alpha Composite and Financial Warnings

The Alpha Composite buy-rated stocks provided discrimination this quarter in a difficult environment. (Exhibit 4).

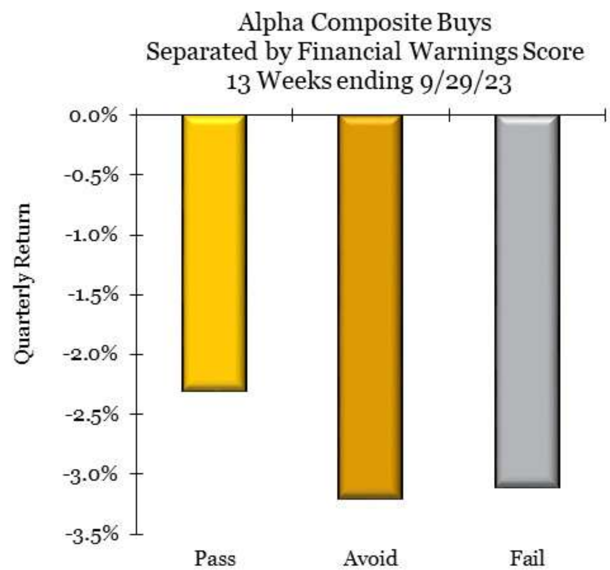
The Financial Warnings Overlay was effective higher risk names underperforming this quarter (Exhibit 5).

Exhibit 4: Large Cap Investable Universe: Returns by Decile Rank



Source: CornerCap Fundametrics® Research System
Excludes REITs

Exhibit 5: Deciles 1 – 3 Relative Return by Financial Warnings Grade



Source: CornerCap Fundametrics® Research System
Excludes REITs

Large Cap Investable Universe = Approximately 500 of largest market capitalization domestic stocks trading on US exchanges. *For illustrative purposes only. Past Performance is no guarantee of future results. This is not meant to represent actual results.*

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Bottom Line

The market is range bound, oscillating between fears of a hard landing and belief of achieving a soft landing. This quarter started with optimism but ended in pessimism as longer-term interest rates and mortgage rates rose, oil prices increased, government disfunction remains and the labor market is not cooling fast enough. The consensus is now for higher rates for longer. Pricing in these risks, valuations continue to be compressed across the broad market with the majority of returns narrowly focused with Artificial Intelligence and Mega Tech

There are glimmers of hope that could broaden market participation: the economy is proving to be resilient with strong employment; inflation, while still elevated, is trending in the right direction; and banks have also appeared to stabilize, at least for the time being. This could all signal that the Fed is in the final innings of raising rates and, possibly, negotiating a soft landing.

However, history shows the risk of recession remains, leading us to continue to expect volatility in equity markets. This presents opportunity, outside the largest names for active managers. The combination of the CornerCap approach to diversified portfolios to mitigate some of the broader market volatility and continued attractive relative valuations in value stocks gives the investment team confidence for the remainder of 2023.

The Alpha Composite Model, Peer Group Composites, Financial Warnings Models, and individual attributes are components of the Fundametrics investment process. They are not a substitute for performance of the Fund and do not represent related performance. Model returns are not back tested and include an annual management fee of 1% and commission costs of 0.25%.