Fundametrics® Smid Cap Equity

3Q 2023 Performance Summary and Observations

	3Q 2023	YTD	1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Inception to Date (12/31/13)
Fundametrics® Smid Cap Equity	-3.25	3.00	13.54	15.06	6.93	9.30	8.50
Net of Fees Returns	-3.25	3.00	13.54	15.06	6.91	9.28	8.49
Russell 2500 Value Total Return	-3.66	1.95	11.34	13.32	3.99	6.48	6.21
Russell 2000 Value Total Return	-2.96	-0.53	7.84	13.32	2.59	5.94	5.39

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® Smid Cap Value strategy returned -3.25% slightly outperforming the Russell 2500 Value Index's return of -3.66%.
- 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.
- High beta stocks underperformed low beta this quarter, but the outperformance by high beta over low beta remains significant year-to-date at almost 1300 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 and utilities.
- The market environment for long term investors appears favorable for Small Cap Value stocks. The Fed is close to peak rates and the broad market, outside of the largest capitalization names, contains attractive valuations. Small-cap P/E multiples suggest investors continue to price in significant recession risk.

3Q 2023 Performance Analysis

The CornerCap Fundametrics® Smid Cap Equity Composite returned -3.25% (Gross), slightly outperforming the Russell 2500 Value Index return of -3.66% during the 3rd quarter ending September 30, 2023.

Relative to the benchmark, positive stock selection was slightly offset by a negative allocation effect. The positive contributors to the strategy's performance were stock selection in Health Care, Consumer Discretionary and Financials while Utilities and Industrials were headwinds. Negative allocation was driven by an underweight to Energy and overweight to Health Care. This was partially offset by an overweight to Information Technology.

Table 1: Portfolio Attribution

Selection Effect	Impact	Company Contributors	Owned
Health Care	+43 bps	Molina Healthcare Inc.	Y
		Haemonetics Corp.	Y
		Neurocrine Biosciences Inc.	Y
Consumer Discretionary	+37 bps	American Eagle Outfitters	Y
		Laureate Education Inc.	Y
		Grand Canyon Education Inc.	Y
Utilities	-25 bps	Hawaiin Electric Industries	Y
		Vistra Corp.	N
		AES Corp.	Y

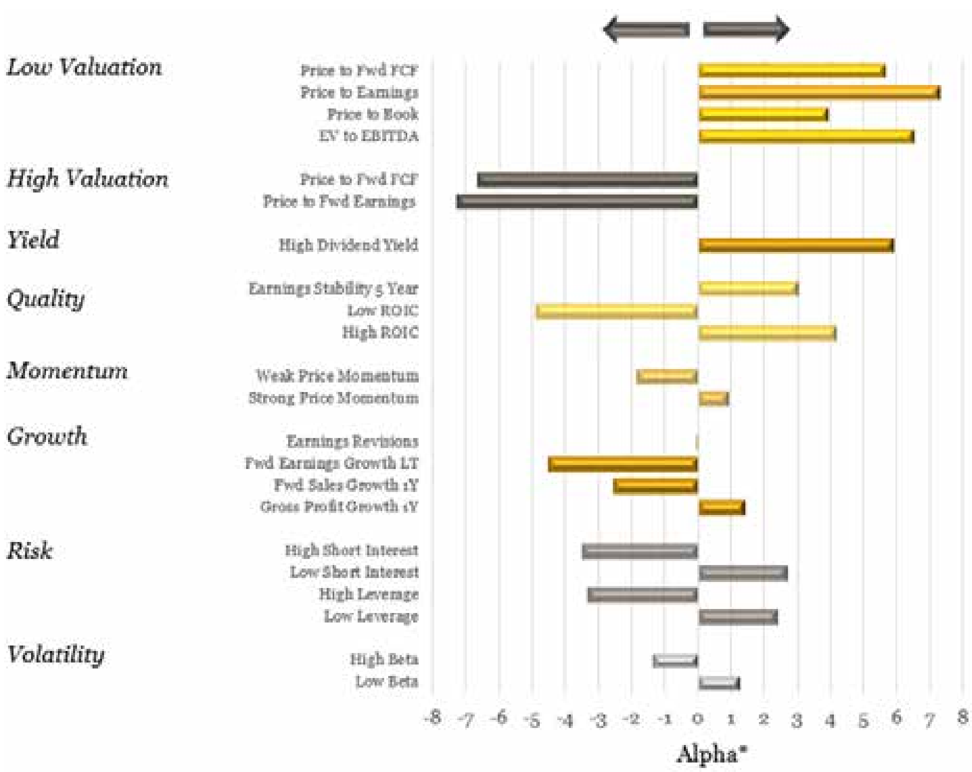
Allocation Effect	Impact	Portfolio Over / Under Weight
Information Technology	+44 bps	OverWeight
Energy	-42 bps	UnderWeight
Health Care	-24 bps	OverWeight

The portfolio did not experience any large sector changes during the quarter. The biggest shifts occurred in Real Estate (+147 bps) and Information Technology (+143 bps). The largest decreases were in Energy (-183 bps) and Consumer Discretionary (-101 bps). These overall shifts are a product of the Alpha Composite rankings and Financial Warnings screen and represent where the Fundametrics research model sees 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.

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 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 1500bps.

Exhibit 1: 3rd Quarter Style Points



Source: CornerCap Fundametrics® Research System, Excludes REITs
*Factor top 30% return relative to the equal weight International Developed Small Cap universe

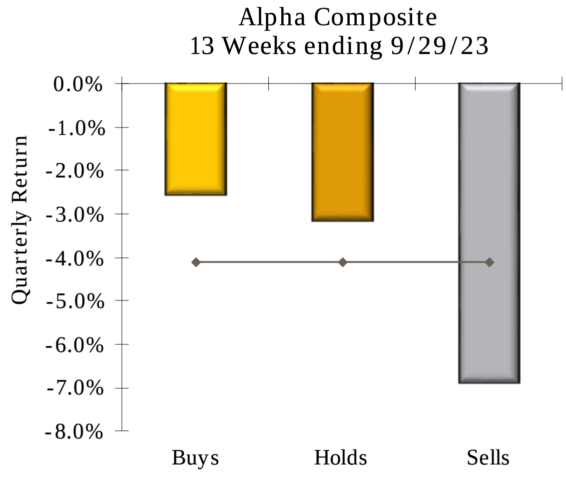
Low valuation made a strong showing this quarter, but it still trails high valuation year-to-date. For example, low price-to-earnings (trailing) is underperforming high by 300 bps. Within the Fundametrics factor library, the investment team has observed the highest performance spread between low and high beta at -1300 bps. This is a result of the significant return dispersion between sectors overweight high beta like energy, industrials and consumer discretionary and low beta utilities, healthcare, and financials. In fact, the average year-to-date performance of the three high beta sectors is 2300 bps higher than the low beta average.

Performance within the Model: Alpha Composite and Financial Warnings

The Alpha Composite buy-rated stocks provided discrimination this quarter in a difficult environment (Exhibit 2).

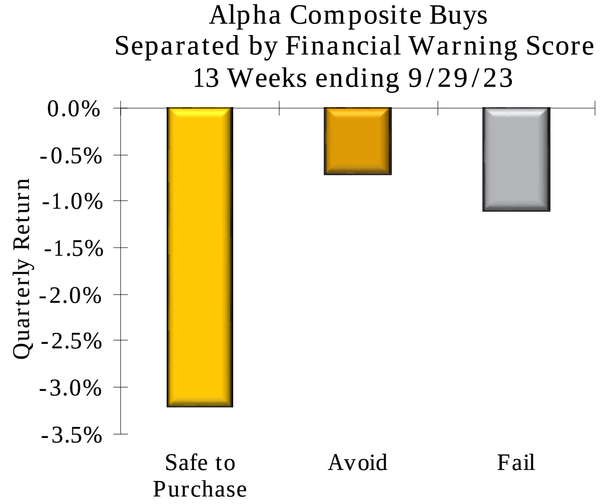
However, the Financial Warnings Overlay Fail rated stocks did outperform, detracting some value from those stocks rated safe to purchase (Exhibit 3). Fail ranked healthcare and consumer discretionary stocks hurt selection vs. safe stocks and an overweight to energy hurt allocation

Exhibit 2: Alpha Composite Performance for 3Q 2023



Source: CornerCap Fundametrics® Research System
Excludes REITs

Exhibit 3: Financial Warnings Performance for 3Q 2023



Source: CornerCap Fundametrics® Research System
Excludes REITs

When tracking market valuations, the investment team segments companies into two halves. The top half are those stocks that include non-earners and the most expensive stocks, which tend to get screened out from consideration for portfolios. The bottom half are those stocks that are more attractively valued and most relevant to the Fundametrics research process and model.

Price-to-Earnings valuations in the bottom half contracted by 29% in 2022 and after rebounding slightly to start the year, reverted to two standard deviations to the downside (Exhibit 4). Not much has changed from 1Q to 3Q in terms of these valuations. Trading at close to two standard deviations below the average, the small-cap P/E multiple suggests investors continue to price in significant recession risk. This has occurred three times since 2006: 2008, 2009 and 2020. Median one-year returns for the small cap investable universe and Russell 2000 Value Index following these events were over 50% with no negative results. Of course, valuation multiples could contract further before finding a bottom.

Exhibit 4: Significant Recession Risk is Already Priced In

Source: CornerCap Fundametrics® Research System, Excludes REITs
Trimmed Mean bottom 5%

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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, particularly in more inefficient parts of the market and for active managers. The combination of the CornerCap approach to diversified portfolios to mitigate some of the broader market volatility and continued attractive valuations within small cap 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%.

Past performance is no guarantee of future results, and CornerCap's strategies, like most investment strategies, involve the risk of loss. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable. All investors are advised to fully understand the risks associated with any kind of investing they engage in.

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