



## Fundametrics® Large Cap Equity

### 4Q 2023 Performance Summary and Observations

	4Q 2023	YTD	1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Inception to Date (9/30/06)
<b>Fundametrics® Large Cap Equity</b>	11.36	14.42	14.42	11.15	13.62	10.52	9.44	8.40
<b>Net of Fees Returns</b>	11.23	13.82	13.82	10.61	12.85	9.67	8.50	7.59
<b>Russell 1000 Value Total Return</b>	9.50	11.46	11.46	8.86	10.91	8.32	8.40	7.16
<b>Russell 1000 Total Return</b>	11.96	26.53	26.53	8.97	15.52	13.21	11.81	9.85

Performance is as of 12/31/2023. All time periods over 1 year are annualized. See attached disclosure for important information regarding returns.

- The Fundametrics Large Cap strategy finished the quarter and the year with attractive relative returns, beating the Russell 1000 Value Index by 186 bps for the latest quarter and 296 bps for the year.
- The 10-year treasury yield started the quarter at a 15-year high. Lower inflation statistics in November helped fuel the yield reversal and subsequent rally in stocks. The party continued in December after the FED communicated a change to looser monetary policy along with expectations of three rate cuts in 2024.
- The Fundametrics factor leaderboard was heavily influenced for the year and quarter by artificial intelligence going mainstream. This was evident from the outperformance of long duration growth, high valuation and R&D valuation factors, while dividend yield and low valuation detracted value.
- The valuation spread for Large Cap Value stocks vs. the Top 100 biggest companies remains wide.

## 4Q 2023 Performance Analysis

The Fundametrics Large Cap strategy finished the quarter and the year with attractive relative returns, beating the Russell 1000 Value Index by 186 bps for the latest quarter and 296 bps for the year.

Relative to the benchmark, selection and allocation effect were both positive. The strategy's selection effect is traditionally a strength and it accounted for 81% of the alpha this quarter, with selection positive in 9 of 11 sectors.

All sector returns in the Russell 1000 Value index were positive for the quarter except for Energy.

**Table 1: Portfolio Attribution**

<b>Selection Effect</b>	<b>Impact</b>	<b>Company Contributors</b>	<b>Owned</b>
Financials	+46 bps	Fidelity National Financial	Y
		Berkshire Hathaway	N
		Block Inc	Y
Communication Services	+26 bps	Meta Platforms	Y
		Comcast Corp	N
		Electronic Arts	Y
Industrials	-46 bps	Boeing	N
		Textron Inc	Y
		Paycom Software	Y

<b>Allocation Effect</b>	<b>Impact</b>	<b>Portfolio Over / Under Weight</b>
Energy	+52 bps	UnderWeight
Healthcare (Pharma)	+14 bps	UnderWeight
Financials	-28 bps	UnderWeight

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**

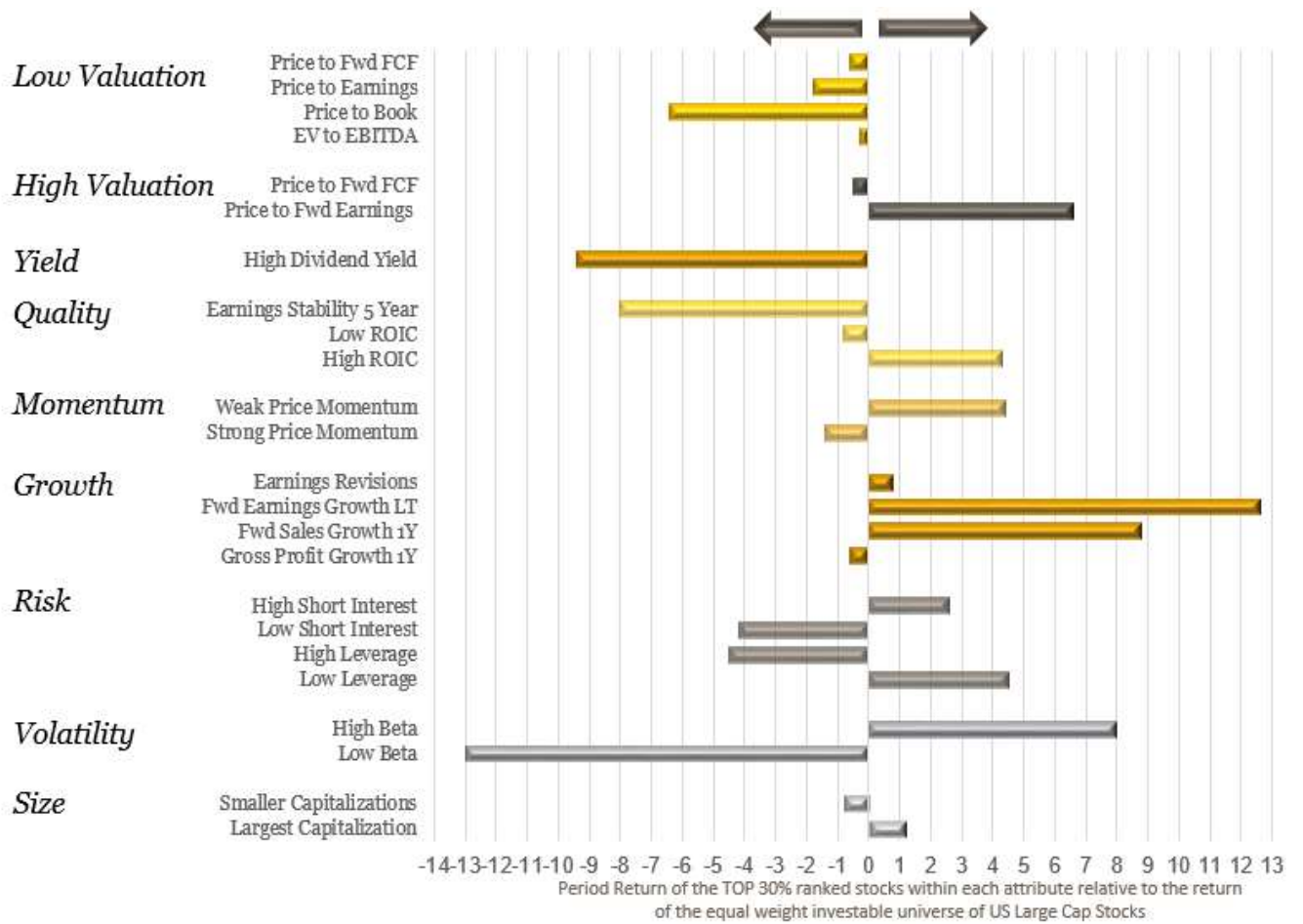
Sector	Change Q to Q	Sample Trades
<b>Buys</b>		
Industrials	+102 bps	Johnson Controls Stanley Black & Decker Jacobs Solutions
Technology	+110 bps	Atlassian Corp Zoom Video Workday Inc
<b>Sales</b>		
Consumer Staples	-148 bps	Walmart Inc Walgreens Boots Alliance
Communication Services	-127 bps	Activision Blizzard Walt Disney

### Factor Performance

Factor performance in 2023 (Exhibit 1) reflects the influence of artificial intelligence on stock performance. Longer duration growth factors, high valuation factors and R&D valuation metrics were the leadership for the year and for the 4<sup>th</sup> quarter (Exhibit 2). For most of the year stock returns were heavily influenced by seven mega-cap growth stocks while the average stock return was flat. The rally did broaden out in the 4<sup>th</sup> quarter, but the S&P 500 equal weight index still trailed the capitalization weight S&P 500 by almost 1,100 bps.

Within the Fundametrics factor library, the investment team also observed high performance spreads (2370 bps) between low and high beta stocks. This is a result of the significant return dispersion between sectors overweight high beta like technology and consumer discretionary and low beta utilities, healthcare, and staples.

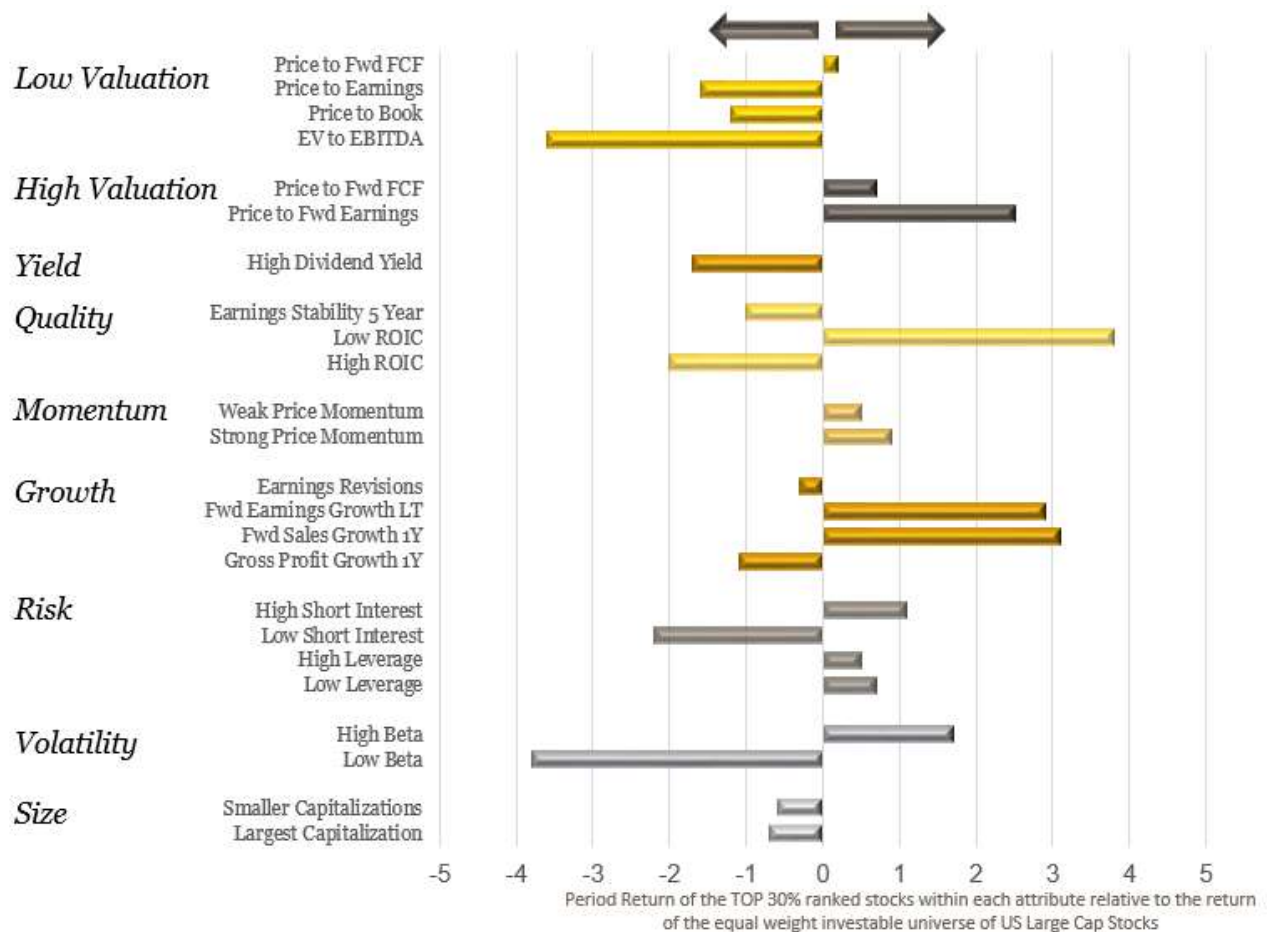
## Exhibit 1: Full Year 2023 Style Points



**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.

## Exhibit 2: 4<sup>th</sup> 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.

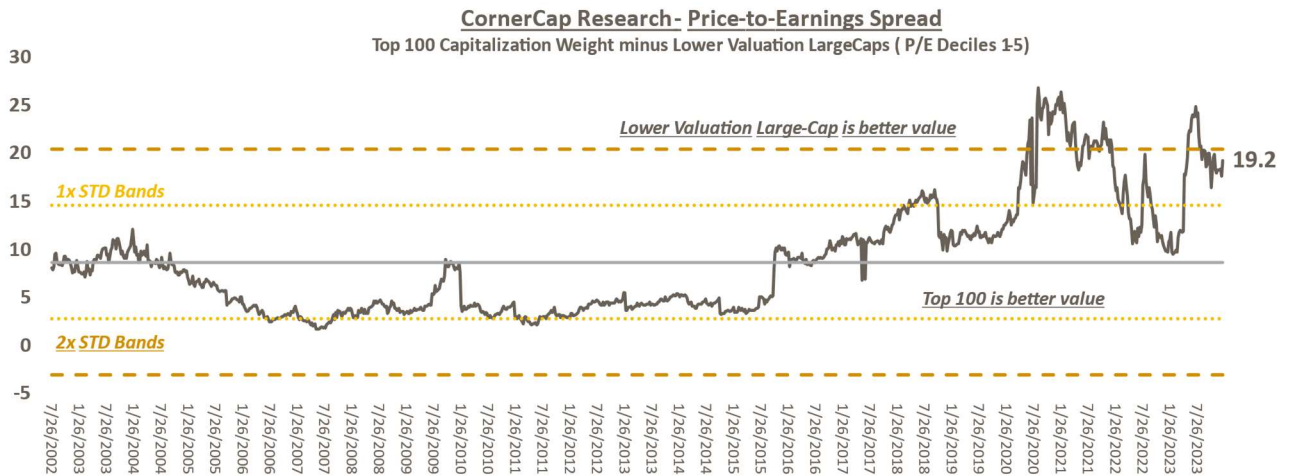
Valuations for the Top 100 biggest companies remain expensive relative to other parts of the market. There are opportunities with attractive valuations, as evidenced by the valuation spread between the Top 100 and lower valuation (P/E Deciles 1-5) Large Caps, just not within most of the biggest stocks.

### Exhibit 3: P/E of Top 100 Largest Stocks



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

### Exhibit 4: P/E Spread of Top 100 Stocks minus Lower 50% Valuation



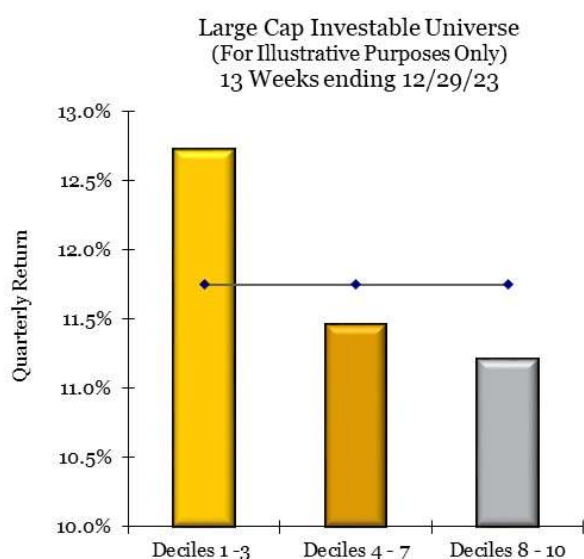
**Source:** CornerCap Fundametrics® Research System, Excludes REITs, Excludes Unprofitable Companies  
**Data:** Excludes REITs and Unprofitable Companies  
Lower Valuation Large-Caps Trimmed Mean bottom 5%

## Performance within the Model: Alpha Composite and Financial Warnings

The Alpha Composite buy-rated stocks provided discrimination this quarter (Exhibit 5).

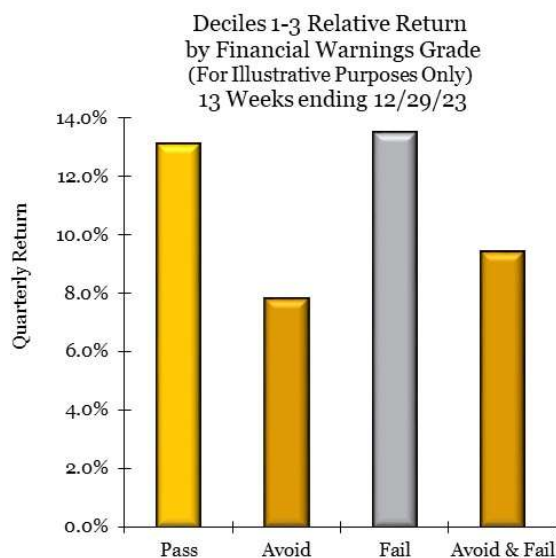
Overall, the Financial Warnings Overlay pass-rated stocks outperformed the higher risk combined avoid / fail group (Exhibit 6).

### Exhibit 5: Large Cap Investable Universe: Returns by Decile Rank



Source: CornerCap Fundametrics® Research System  
Excludes REITs

### Exhibit 6: 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.*

## Bottom Line

The narrative of a recession did not come to pass in 2023. A steady dose of good news came in the 4th quarter: lower inflation prints in November and FED commentary of loosening monetary policy in December. Since the release of lower inflation numbers in mid-November, the Russell 1000 value and equal weighted S&P 500 have outperformed the S&P 500.

The market appears to be pricing in six rate cuts where the FED has communicated three. Unfortunately, “the market” has not accurately forecasted the path of interest rates or inflation recently and could prove to be too opportunistic. This will likely lead to volatility in equity markets and can present opportunity for active management. The combination of the CornerCap approach to diversified portfolios to mitigate some of the broader market volatility and continued attractive valuations outside the largest companies gives the investment team confidence in the fund’s investment approach for 2024.

*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.*