



Fundametrics® Smid Cap Equity

1Q 2024 Performance Summary and Observations

	1Q 2024	1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Inception to Date (12/31/13)
Fundametrics® Smid Cap Equity	6.63	22.79	8.20	12.30	10.20	10.08	9.99
Net of Fees Returns	6.63	21.85	7.23	11.27	9.19	9.00	8.92
Russell 2500 Value Total Return	6.07	21.33	5.36	9.38	7.74	7.68	7.86
Russell 2000 Value Total Return	2.90	18.75	2.22	8.17	6.55	6.87	6.88

Performance is as of 3/31/2024. All time periods over 1 year are annualized. See attached disclosure for important information regarding returns.

- The Fundametrics® SMID Cap Value strategy exceeded its benchmark, the Russell 2500 Value Index, by 56 bps for the quarter.
- The fate of small-cap stocks has been tied to the path of interest rates as investors penalize them for having more floating-rate debt than large-cap stocks. This was a headwind for small caps during the first quarter as the Fed futures curve went from pricing in six cuts to three and the 10-year U.S. Treasury yield increased by over 30 bps. With rate expectations now in line with the Fed, focus could return to small-cap fundamentals.
- The Fundametrics investment process emphasizes picking the best stocks within each of our peer groups. The model's effectiveness is shown in the returns of the Alpha Composite throughout the quarter where the Alpha Composite buys beat the sell-rated stocks by over 700 bps.
- The momentum factor played a significant role in first quarter returns. Strong price momentum was an investor favorite, where winners kept winning. Just as important was avoiding bad price momentum. The return spread between high and low momentum was 1250 bps.
- The ability to analyze companies in peer groups allows us to invest in *unprofitable* biotech / pharma stocks, which is rare in active management. This group returned 19.7%, while traditional healthcare returned -0.07% for the 13-week period ending 3/29/24. Healthcare was the strongest source of the stock selection effect for the portfolio in traditional attribution analysis.

1Q 2024 Performance Analysis

The CornerCap Fundametrics® Smid Cap Equity Composite returned 6.63% (Gross), slightly outperforming the Russell 2500 Value Index return of 6.07% during the first quarter ending March 31, 2024.

Relative to the benchmark, selection effect provided the alpha, with sector allocation producing a headwind.

The strategy's selection effect is traditionally a strength, and it was in the first quarter with 7 of 11 sectors positive.

Within healthcare, unprofitable biotech / pharma companies have demonstrated strong returns. In the first quarter, our

peer-group universe of these stocks returned 19.7%, while the traditional healthcare group returned 6.49%. The unprofitable group generally does not have sales or products outside their drug pipeline and has recently looked attractive based on historical R&D valuations. With CornerCap's distinct peer-group models, the investment team can use peer-group specific attributes like drug pipelines, R&D and patents to help rank these stocks. As of the end of the quarter, the weight for this unprofitable group was 5.4% in the Russell 2000 Value index, which is more than half the total healthcare weight. By comparison, it is 7.1% in the Russell 2000.

Table 1: Portfolio Attribution

Selection Effect	Impact	Company Contributors	Owned
Health Care	+64 bps	R1 RCM Inc.	Y
		Select Medical Holdings Corp.	Y
		Davita Inc.	Y
Financials	+58 bps	New York Community Bancorp	N
		Corebridge Financial Inc.	Y
		Regions Financial Corp.	Y
Consumer Discretionary	-44 bps	Expedia Group Inc.	Y
		The ODP Corp.	Y
		Yeti Holdings Inc.	Y

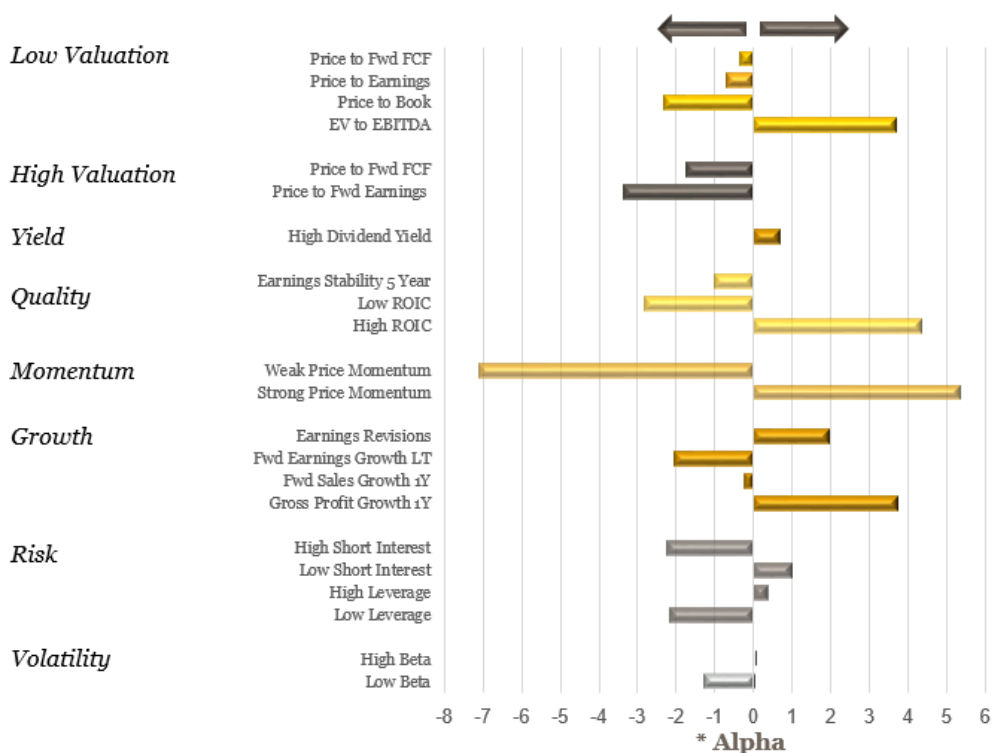
Allocation Effect	Impact	Portfolio Over / Under Weight
Industrials	-48 bps	UnderWeight
Financials	-15 bps	UnderWeight
Real Estate	+12 bps	UnderWeight

The makeup of the portfolio was stable with no sector change of greater than 3% during the quarter. The biggest positive sector changes occurred in consumer discretionary (+255 bps), financials (+179 bps) and health care (+106 bps). Decreases occurred in technology (-247 bps), real estate (-163 bps), and industrials (-131 bps). These overall shifts 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.

Factor Performance

Factor performance in the first quarter of 2024 (Exhibit 1) was dominated by price momentum. A strategy of letting the winners ride and selling poor momentum worked well. Neither high nor low valuation was positive outside enterprise value to EBITDA, which benefited from an overweight bias to energy. Positive changes in earnings revisions and gross profit growth also provided upside, but longer duration growth did not.

Exhibit 1: 1st Quarter Style Points



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

Exhibit 2: Alpha Composite Performance for 1Q 2024

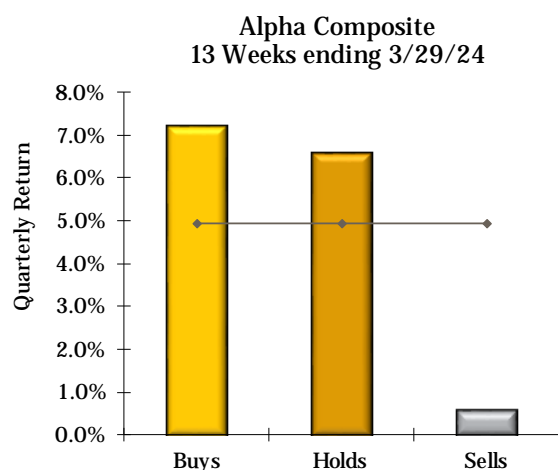
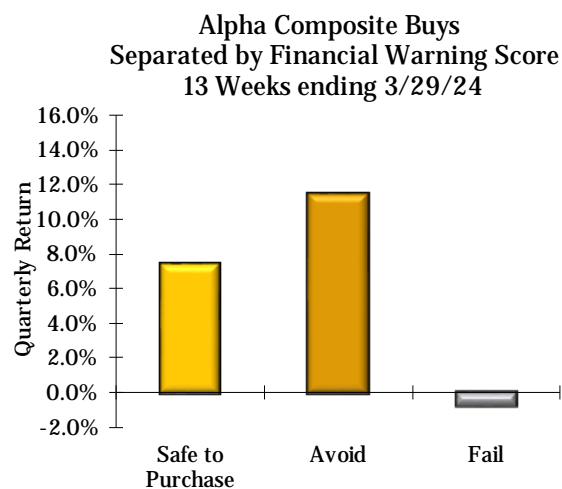


Exhibit 3: Financial Warnings Performance for 1Q 2024



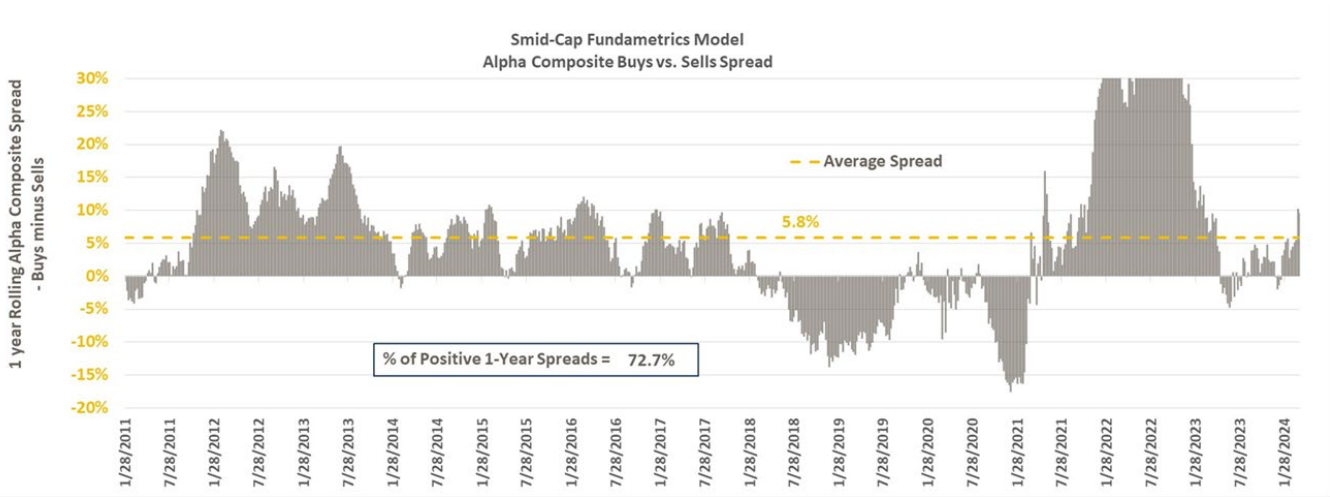
Source: CornerCap Fundametrics® Research System
Excludes REITs

Performance within the Model: Alpha Composite and Financial Warnings

The Alpha Composite buy-rated stocks outperformed our sell-rated stocks this quarter by over 670 bps (Exhibit 2). The Financial Warnings Overlay identified stocks with the highest risk profile. During the quarter, the safe-to-purchase stocks beat the fail group by over 800 bps, although it lagged the combined avoid / fail group (Exhibit 3).

The performance of the Alpha Composite this quarter is consistent with the broader history of the Alpha Composite model presented in Exhibit 4. The buy-rated stocks have outperformed nearly 73% of rolling 1-year periods, measured weekly, since 2011.

Exhibit 4: Historical Alpha Composite Performance



Source: CornerCap Fundametrics® Research System; Excludes REITs

Exhibit 5: Small-Cap Valuations Remain Attractive



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

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 (Exhibit 5).

Bottom Line

Equity markets have gotten off to a good start so far in 2024, introducing a level of worry for investors who wonder if they are ahead of themselves. Inflation is being closely watched for signs of trending higher and economic data needs to be good, but not too good, to keep the Fed on target for rate cuts in the second half of the year. Interest rate expectations were reset higher in the first quarter, and small caps suffered. If the next move in rates is down, smaller caps should benefit more than large caps.

We do not expect a smooth path as the market's opinion oscillates. This will likely lead to volatility in equity markets and can present 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 smaller-cap stocks gives the investment team continued confidence for the remainder of 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.