



Fundametrics® Small Cap Equity

2Q 2024 Performance Summary and Observations

	2Q 2024	1 Year	Latest 3 Years	Latest 5 Years	Latest 10 Years	Inception to Date (8/31/06)
Fundametrics® Small Cap Equity	-3.84	13.38	4.53	10.53	9.57	10.51
Net of Fees Returns	-4.01	12.58	3.69	9.59	8.51	9.64
Russell 2000 Value Total Return	-3.64	10.90	-0.53	7.07	6.23	6.42
Russell 2000 Total Return	-3.11	8.66	-0.26	8.06	8.24	8.78

Performance is as of 6/30/2024. All time periods over 1 year are annualized. See attached disclosure for important information regarding returns.

- The Fundametrics® Small Cap Value strategy trailed its benchmark, the Russell 2000 Value Index, by 20 bps for the quarter.
- Interest rate expectations held steady in June, anticipating nearly two rate cuts. Meanwhile, inflation figures have been lower than consensus estimates, reducing the likelihood of interest rate increases. This could free the FED to start cutting in the second half of the year, which should be a positive for small-cap stocks.
- The Fundametrics investment process emphasizes picking the best stocks within each of the CornerCap defined 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 300 bps.
- During the second quarter, lower-risk factors provided the primary benefit to investors while other factors saw limited gains. Lower-risk factors that stood out included low beta, low short interest, low leverage and earnings stability.
- The market environment for long-term investors still appears favorable for Small Cap Value stocks, which offer attractive absolute and relative valuations vs. large caps.

2Q 2024 Performance Analysis

The CornerCap Fundametrics® Small Cap Equity Composite returned -3.84% (Gross), trailing the Russell 2000 Value Index return of -3.64% by 20 bps during the 2nd quarter.

The makeup of the portfolio was relatively stable with no sector change of greater than 2% during the quarter. The biggest positive sector changes occurred in energy (+98 bps) and communication services (+98 bps). Decreases occurred in healthcare (-168 bps), and consumer

Relative to the benchmark, selection effect was positive, with sector allocation decisions detracting from performance. Attribution factors that had the greatest impact on the quarter are detailed in Table 1.

discretionary (-103 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 return

Table 1: Portfolio Attribution

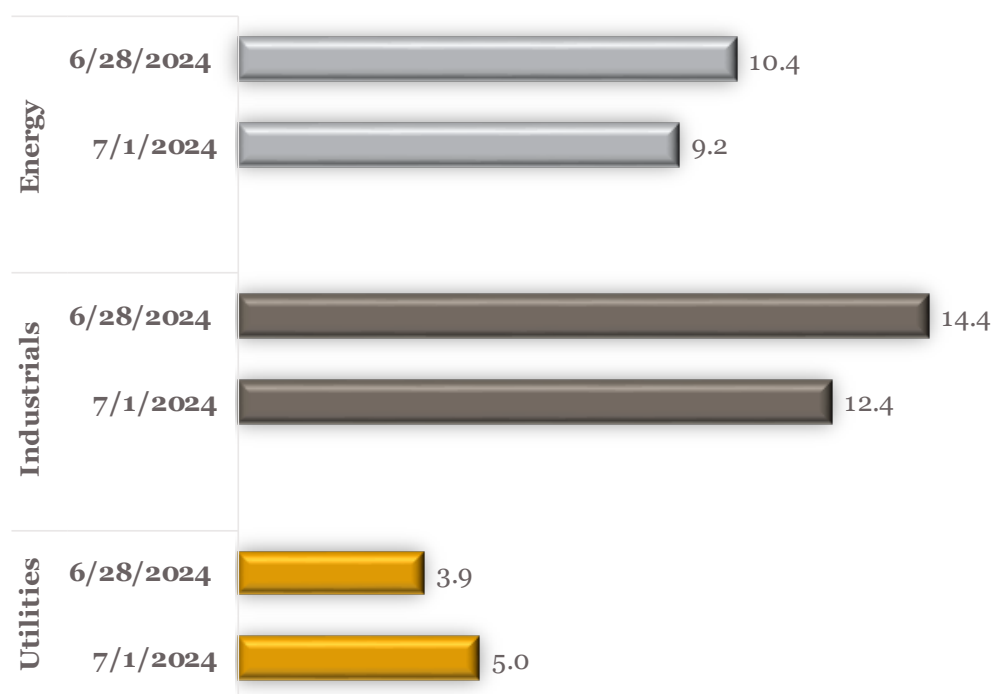
Selection Effect	Impact	Company Contributors	Owned
Healthcare	+45 bps	United Therapeutics	Y
		Halozyme Therapeutics	Y
		PetIQ Inc	Y
Industrials	+23 bps	Blue Bird Corp	Y
		Tutor Perini Corp	Y
		Boise Cascade	N
Consumer Discretionary	-45 bps	Carvana	N
		Abercrombie & Fitch	N
		ODP Corp	Y

Allocation Effect	Impact	Portfolio Over / Under Weight
Healthcare	-26 bps	OverWeight
Financials	-13 bps	UnderWeight
Information Technology	+11 bps	OverWeight

deviations, relative performance can also play a role in portfolio positioning.

The Russell index reconstitutions occur every year at the end of June. In the past it has not been uncommon to see 500-bps changes in sector weights. The largest sector change in the Russell 2000 Value occurred in industrials with just over a 200-bps weight decrease. Exhibit 1 shows the largest sector weight changes.

Exhibit 1: Russell 2000 Value Reconstitution

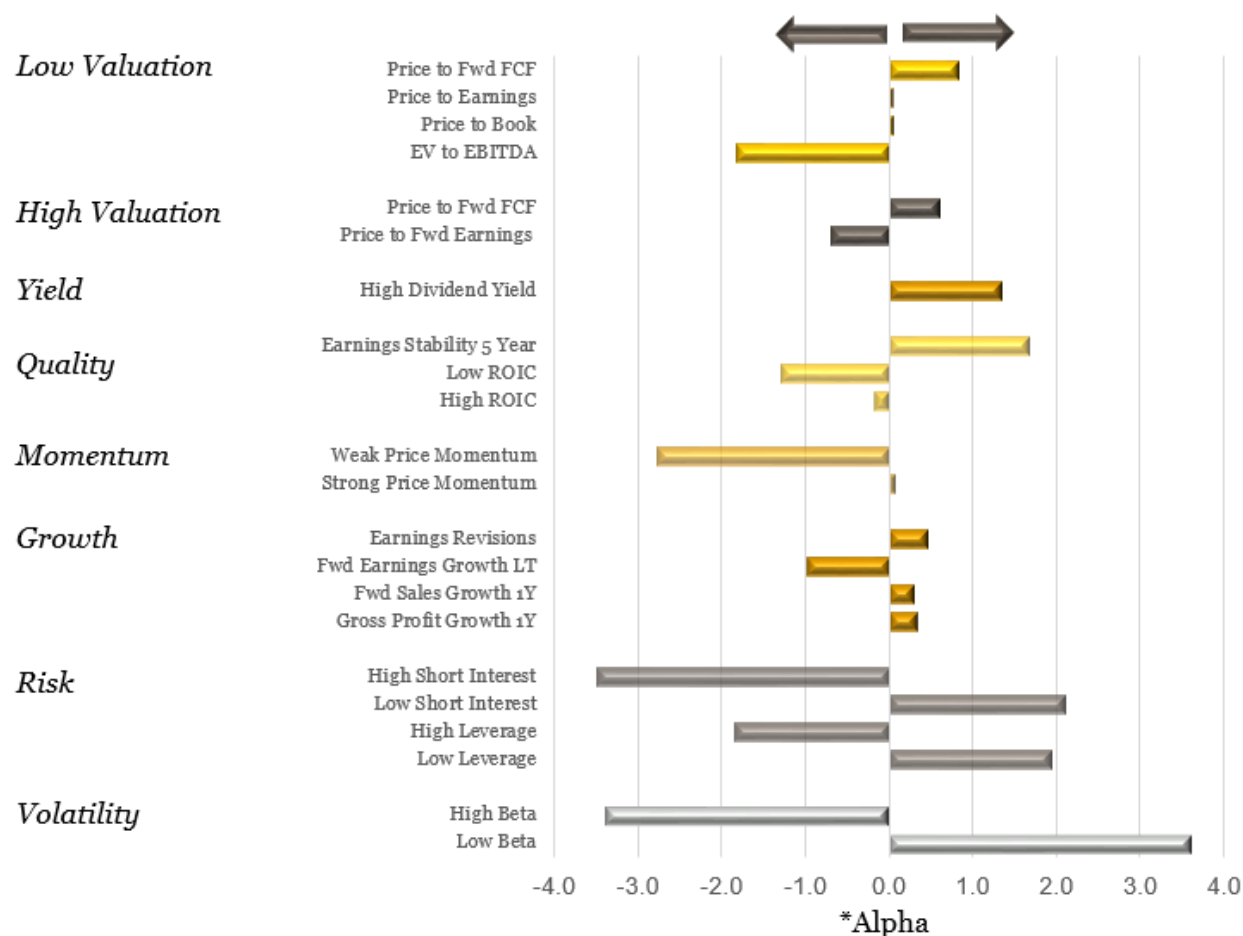


Source: Russell Index data

Factor Performance

In the second quarter of 2024 (Exhibit 2) lower-risk factors provided the primary benefits to investors while other factors saw limited gains. Lower-risk factors that stood out were low beta, low short interest, low leverage and earnings stability. Avoiding negative price momentum continued to be a good strategy even as strong price momentum was neutral.

Exhibit 2: 2nd Quarter Style Points



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

Performance within the Model: Alpha Composite and Financial Warnings

The Alpha Composite buy-rated stocks outperformed our sell-rated stocks this quarter by over 300bps (Exhibit 3). This is consistent with the broader history of the Alpha Composite model presented in Exhibit 5. The buy-rated stocks have outperformed in nearly 87% of rolling 1-year periods, measured weekly, since 2002.

The Financial Warnings Overlay identified stocks with the highest risk profile but the dispersion was relatively neutral. During the quarter there was minimal difference between the risk groups, the safe to purchase stocks beat the fail group by 24 bps and the combined avoid / fail group by 19 bps (Exhibit 4).

Exhibit 3: Alpha Composite Performance for 2Q 2024

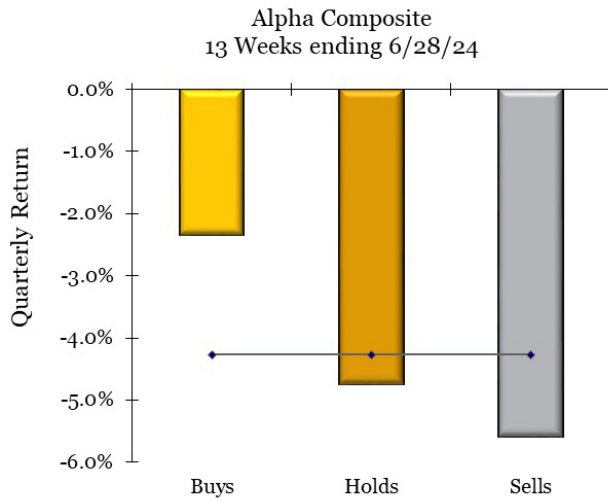
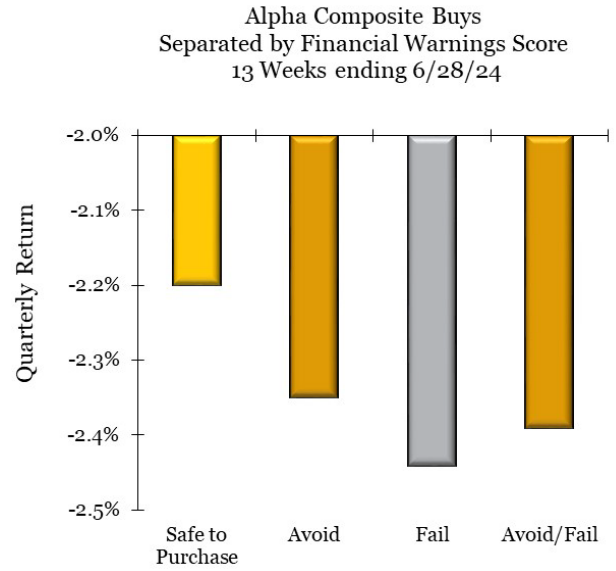
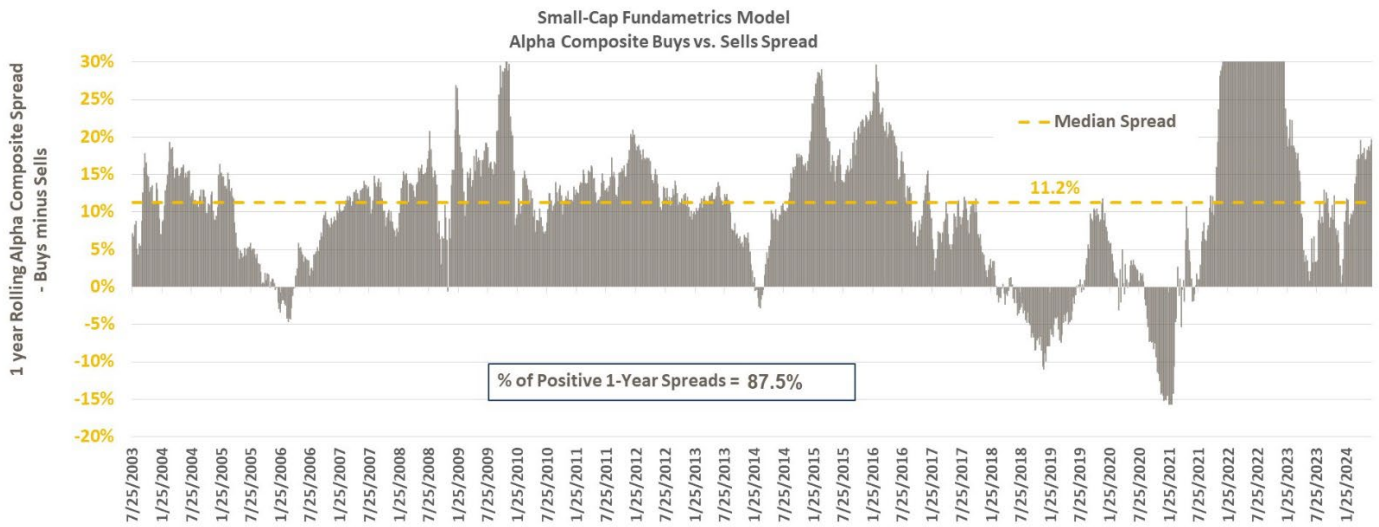


Exhibit 4: Financial Warnings Performance for 2Q 2024



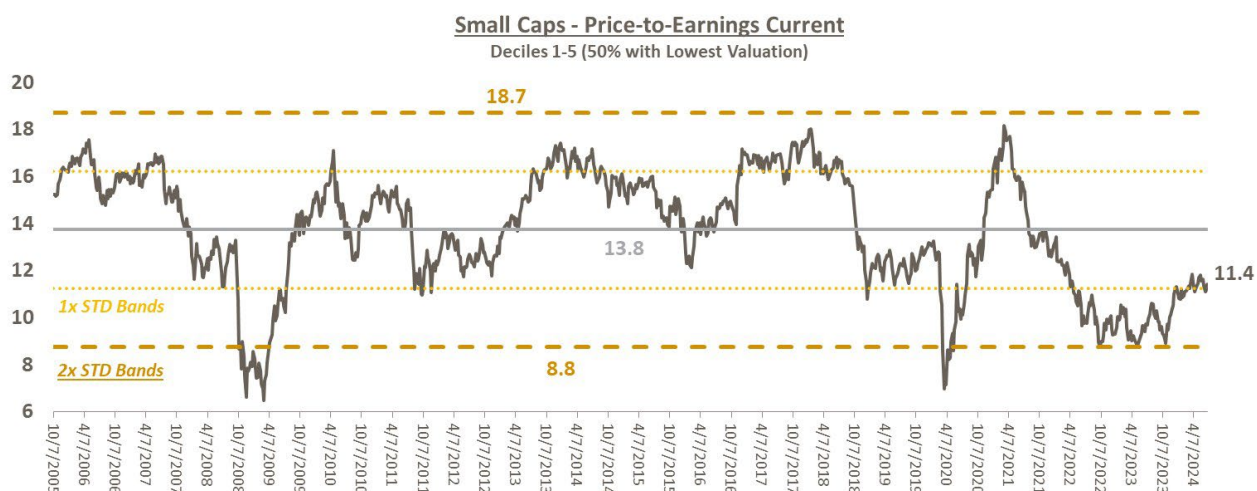
Source: CornerCap Fundametrics® Research; Excludes REITs

Exhibit 5: Historical Alpha Composite Performance



Source: CornerCap Fundametrics® Research System; Excludes REITs

Exhibit 6: 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 6). Small caps also remain attractive when compared to lower valuation large cap stocks (Exhibit 7).

Exhibit 7: Small-Cap relative to Large Cap Valuations



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

Bottom Line

Small-cap stocks have underperformed the broad market indexes this year. There is little enthusiasm outside of AI stocks. Could a little good news propel small-cap stocks to leadership in the second half of the year? Inflation continues to be closely watched, but the latest trend has been below consensus. This opens the door for the Fed to start cutting rates in the second half of the year. If the next move in rates is down, small 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, especially 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 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.