

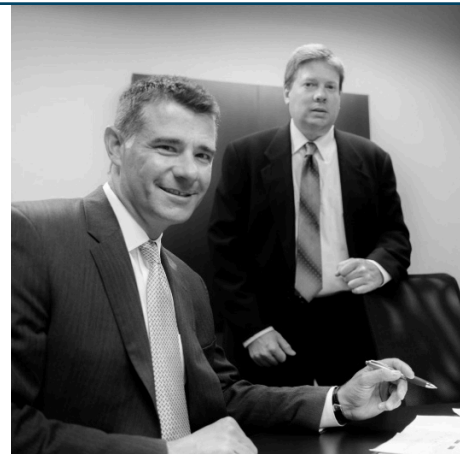
Select Strategy



3Q:24

MISSION STATEMENT

At QSV Equity Investors we strive to deliver a smoother ride in good markets and bad, seeking to help our clients reach their long-term investment goals by setting clear expectations and through investment in high-quality small and mid cap value stocks.

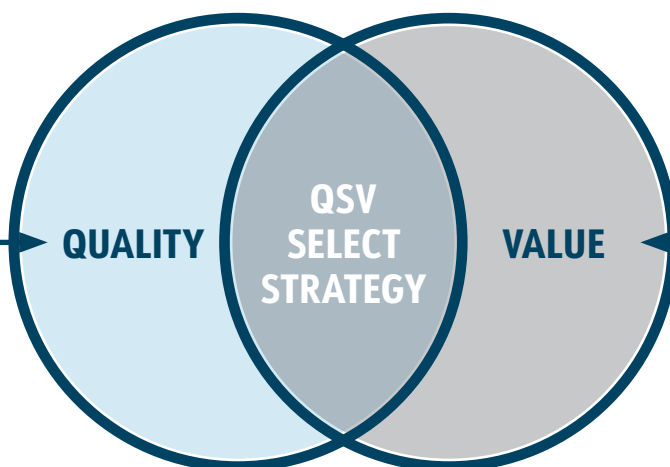


INVESTMENT TEAM

QSV's investment team has navigated markets together for more than 25 years. Jeff Kautz and Randy Hughes founded QSV (formerly Ballast Equity Management) in 2016 and worked together previously at Perkins Investment Management, a subsidiary of Janus Henderson. While there, Jeff held roles including Portfolio Manager, CEO and Chief Investment Officer and Randy held the roles of Director of Research and Analytics and Equity Analyst. QSV is 100% employee owned and fosters a culture that marries independent thought with collaboration. Employee-owners invest alongside the clients of the firm in each of its strategies.

QSV Quality Bias: Invest in companies exhibiting strong balance sheets, stable and growing cash flows and returns on invested capital (ROIC) well in excess of their cost of capital (WACC).

Strong financial characteristics are sustained through the presence of a durable competitive advantage allowing the companies to drive economic profits well into the future.



QSV purposefully acts like business owners, focusing on a company's intrinsic value and blocking out day-to-day price moves.

QSV believes that buying wealth-creating businesses at discounts to intrinsic value will offer our clients stability, with less volatility and lower drawdowns, pursuing our goal to create long-term wealth.

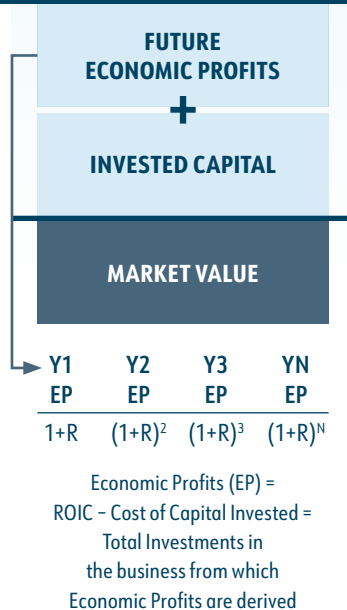
STRATEGY

OBJECTIVE QSV Equity Investors (QSV) Select Strategy strives to deliver a smoother ride in good markets and bad, seeking to outperform the Russell 2500 Value Index and Russell 2500 Index with less risk over a full market cycle.

OVERVIEW QSV Select Strategy is a high conviction portfolio holding the best ideas from the firm’s Small Cap and Mid Cap strategies. The Strategy invests with conviction in 30-50 high quality companies which can deliver high returns on invested capital, well in excess of their cost of capital, sustained through strong, durable competitive advantages. Identification and selection of these companies is supported by proprietary Quality Scores and fundamental research. QSV is patient and will only add a company to the Select Strategy when its stock can be purchased at a reasonable valuation.

PROCESS QSV employs a research and screening process that includes four distinct steps:

 SCREENING	 QUANTITATIVE ANALYSIS	 QUALITATIVE ANALYSIS	 VALUATION
<p>QSV screens a universe of over 3000 small and mid cap stocks by charting the ratio of Enterprise Value to Invested Capital relative to the Return on Invested Capital for the companies. Investors should be willing to pay more for a business that earns high returns on capital; QSV only considers those that appear undervalued.</p>	<p>QSV ranks stocks in its universe according to its proprietary Quality Rankings Model, using factors that identify companies with strong financial flexibility, stable and growing cash flow and stable and improving profitability metrics. QSV focuses on stocks with Quality Rankings in the top two quintiles of its universe.</p>	<p>QSV believes strongly that high returns on capital are maintained and defended through proven, durable competitive advantages, such as economies of scale, strong intangible assets, high switching costs, network effects and cost advantages. QSV professionals carefully assess the durability of each business’s competitive advantages.</p>	<p>QSV strongly believes that valuation plays a vital role in successful investing. Forecasting future economic profits and capital allocation decisions allows QSV to answer its primary question: “Does the company create wealth for investors over time?”</p>



3Q:24 COMMENTARY

Last quarter we lamented that investors have paid little attention to the pond QSV fishes in, small and mid-cap stocks. After considerable waiting, small and mid-cap stocks outperformed the stocks of their larger brethren in Q3 2024, although it was hardly a straight line up and to the right during the quarter. Smaller companies' stocks began a rally in July that was punctuated by selloffs in early August and early September. Their climb persisted higher to the end of the quarter supported by an interest rate cut by the Federal Reserve and investor confidence that inflation was under control.

Returns of **QSV Select** beat the returns of the Russell 2500 Value and Russell 2500 Indexes of 9.63% and 8.75%, respectively, during the quarter. Select is a high conviction strategy that holds QSV's best ideas from our Small Cap and Mid Cap strategies. Security selection was positive in Industrials. Selection and an overweight in Information Technology and Consumer Discretionary holdings also aided performance. Selection detracted from returns in Financials and Healthcare holdings.

SELECT TOP CONTRIBUTORS

DOXIMITY, INC. (DOCS) shares rose over 55% supported by strong revenue and earnings, both of which surpassed analysts' expectations. DOCS also provided optimistic Q2 and fiscal year 2025 guidance, projecting higher revenue than analysts' expectations. DOCS offers a suite of tools that support an on-line community for physicians, nurse practitioners and physicians' assistants, enabling them to coordinate patient care, conduct patient visits and manage their careers. DOCS' Q1 earnings call highlighted a net revenue retention rate of 114% and 21% growth from its top 20 clients. The company has returns on invested capital of 16%.

COHEN & STEERS INC. (CNS) rose over 33%, contributing to outperformance during the quarter. The company reported an increase in assets under management in June, attributed to market appreciation, despite net outflows, and reported quarterly earnings and revenues that were above estimates. CNS specializes in liquid real assets such as REITs and offers institutional accounts, open-end funds, and closed-end funds. The company has net cash, strong margins and returns on invested capital of 36%, which support a healthy dividend, share buybacks and repayment of debt.

TOP 10 HOLDINGS¹

	% Weighting
Booz Allen Hamilton Holding Corporation Class A	4.25%
Primerica, Inc.	3.23%
Dorman Products, Inc.	3.12%
Brady Corporation Class A	2.96%
Doximity, Inc. Class A	2.80%
Cohen & Steers, Inc.	2.72%
Corpay, Inc.	2.63%
Glacier Bancorp, Inc.	2.54%
West Pharmaceutical Services, Inc.	2.53%
EastGroup Properties, Inc.	2.47%
TOTAL	29.25%

PERFORMANCE

	4Q:23	1Q:24	2Q:24	3Q:24	1 Year	3 Year (Ann)	5 Year (Ann)	Annual Total Return (since inception) 7/31/17
QSV Select Value (Gross) ³	13.98%	3.61%	-4.40%	10.72%	24.99%	6.44%	11.17%	10.80%
QSV Select Value (Net) ³	13.74%	3.39%	-4.62%	10.45%	23.88%	5.52%	10.19%	9.79%
Russell 2500 Value ²	13.76%	6.07%	-4.31%	9.63%	26.59%	6.06%	9.97%	8.10%
Russell 2500 ²	13.35%	6.92%	-4.27%	8.75%	26.17%	3.47%	10.43%	9.35%

3Q:24 COMMENTARY – CONTINUED

SELECT TOP DETRACTORS

NAPCO SECURITY TECHNOLOGIES (NSSC) shares fell 21.86% during the quarter on news of slowing growth and insider selling. NSSC is a global provider and manufacturer of high-tech security products, including access control systems, door-locking products, intrusion and fire alarm systems and video surveillance products. The company is focused on doubling revenue within its recurring, high-margin Services business in the next 2-3 years and currently produces returns on invested capital of 18% while selling at a meaningful discount to our measure of intrinsic value.

Clinical contract research organization **MEDPACE HOLDINGS INC. (MEDP)** also detracted from performance as revenues and new bookings were below expectations. We continue to like MEDP because it operates in a large \$45b market where its customers often do not have the required development expertise and infrastructure in-house, and the tools and testing are highly scripted in law, regulation, and practice. MEDP exhibits low capital intensity, resulting in ROICs of 25% on average.

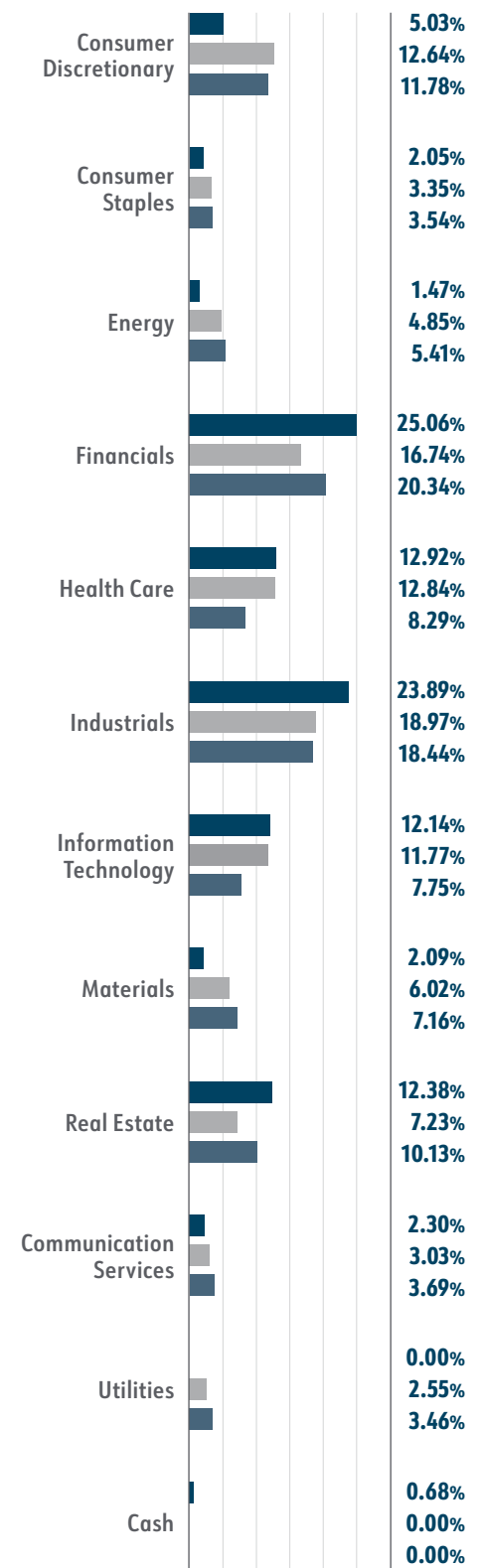
SELECT PORTFOLIO ACTIVITY

Limited trading was done in QSV Select during the quarter, with trims and additions made to address valuations and quality upgrades. One new position was initiated in a previous portfolio holding, **MGP INGREDIENTS (MGPI)**, a maker of premium distilled spirits and specialty wheat protein and starch food ingredients.

OUR FOCUS ON THE LONG TERM

Most expect interest rate cuts by the Federal Reserve to continue, which should benefit smaller companies that require borrowing and, in many cases, offer better potential growth. Like the two-handed economist, we must consider that “on the other hand” there are cracks in the economy, geopolitical concerns, the Longshoremen’s strike that could spark inflation, and a contentious election cycle to grind through. Valuations continue to be more compelling in small and mid-cap businesses, and the possibility that something negative occurs – a pause in rate cuts, a recession, or some other shock – is priced into these stocks more than those of large companies. Investors should be selective and demand balance sheet strength, high returns on invested capital, and strong free cash flows as a substantial portion of smaller companies continue to be unprofitable. We suspect that year-end asset allocation reviews will reveal an overweight to large caps that have outperformed year to date and for the trailing years and believe the answer is quality small and mid-caps purchased at reasonable prices.

SECTOR EXPOSURE[^]



QSV Select¹

Russell 2500²

Russell 2500 Value²

0 5 10 15 20 25 30 %

PORTFOLIO CHARACTERISTICS

	QSV Select	Russell 2500	Russell 2500 Value
Active Share		97.26	97.78
Number of Securities	45	1,886	2,476
Weighted Average Market Cap (MM)	10,341.54	7,760.40	7,390.74
Median Market Cap	8,018.71	1,340.02	1,464.70
Dividend Yield	1.49	1.60	2.02
ROIC	15.62	3.86	3.98
Debt/Capitalization	44.84	43.98	43.30
EV/EBITDA	18.92	11.14	9.92

RISK METRICS

	QSV Select	Relative to Russell 2500	Relative to Russell 2500 Value
Annualized Alpha (RF=10-year Treasury)		0.26	0.35
Beta		0.77	0.74
Up Capture		65.79	64.75
Down Capture		86.98	85.32
Standard Deviation*	17.11	21.02	21.66
Information Ratio		0.20	0.33
Sharpe Ratio	0.50	—	—

*Standard Deviation is shown for the QSV Strategy and each respective Index.



For more information, please call
844.322.5527 or visit qsvequity.com

WE THANK OUR CLIENTS AND INVITE OTHER LIKE-MINDED INVESTORS TO CONTACT US IF WE MAY BE OF SERVICE.

DISCLOSURES

No client or potential client should assume that any information presented should be construed as personalized investment advice. Personalized investment advice can only be rendered after engagement of the firm for services, execution of the required documentation, and receipt of required disclosures. Investing carries risk of loss. You should consider the strategy's investment objectives, risks, charges and expenses carefully before investing.

[^] Sector classifications are generally determined by referencing the Global Industry Classification Standard (GICS[®]) and exclude cash. GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor's Financial Services LLC (S&P). GICS is a service mark of MSCI and S&P.

¹ Top ten holdings, sector weights and portfolio characteristics for the QSV Select Strategy are taken from the model portfolio.

² The QSV Select Strategy is compared to the Russell 2500 Indices as they are widely used benchmarks for small and mid capitalization securities. An investment with QSV Equity Investors (QSV) should not be construed as an investment in a program that seeks to replicate, or correlate with, these indices. Market conditions vary between the QSV products and these indices. Furthermore, these indices do not include any transaction costs, management fees and other expenses, as do the QSV products. Lastly, QSV may invest in strategies and positions that are not included in these indices.

³ QSV Select returns are for the QSV Select Composite. Net returns are calculated assuming the maximum advisory fee of 100bps is deducted from the quarterly gross composite return from inception through June 30, 2020. Starting July 1, 2020, actual fees charged are used to calculate net performance. Returns are net of both advisory fees and transaction costs. All dividends are assumed to be reinvested. The reporting currency is USD.

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