

Equity Market Review

Equity Management Strategies

- Small Cap Value
- Small Cap Core
- SMID Cap Value

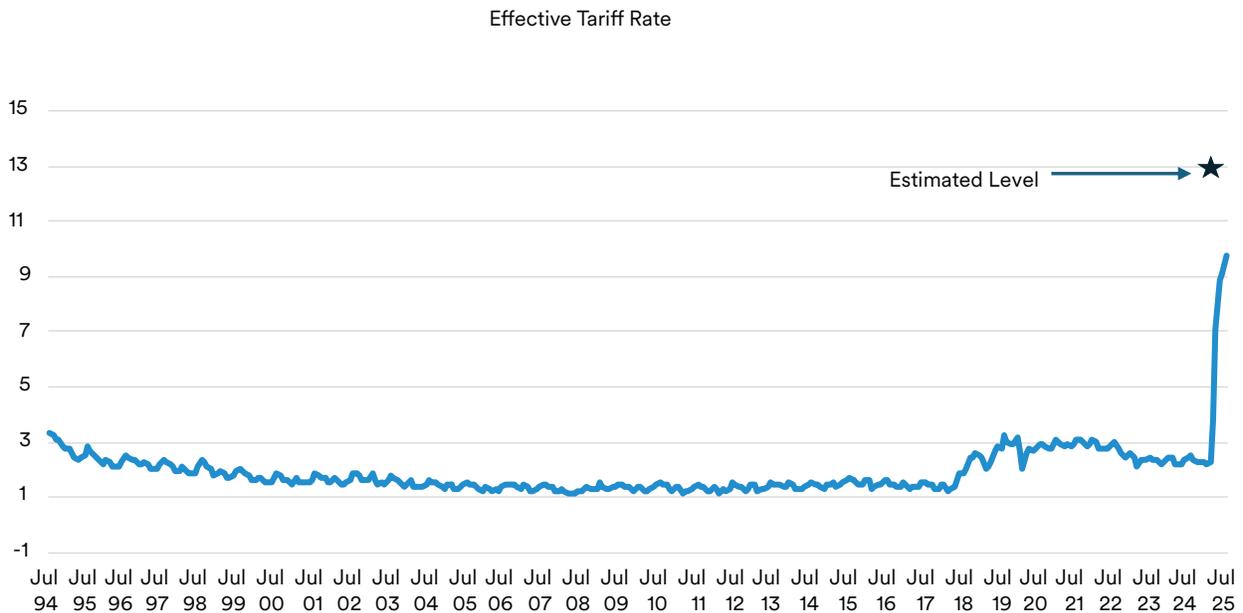
Investment Objectives

- Generate attractive risk-adjusted returns
- Consistently outperform the benchmark over a market cycle
- Participate in rising markets and protect capital in down market

If you can imagine the feeling of running within a stampede, it will likely invoke both exhilaration and fear as you desperately attempt to keep pace, staying ahead of a threat you can sense but probably can't see. Equity markets embraced the spirit of the stampede during the third quarter as the second quarter's rebound from tariff-induced declines transitioned into an unstoppable force as investors scrambled to gain alignment with a "risk-on" environment.

The quarter was a classic example of how markets can deviate from current levels of economic activity. Equity markets were able to climb the proverbial "wall of worry" as concerns about tariff risks (Figure 1), slowing employment growth, tepid manufacturing activity, sticky inflation expectations and rising deficits seemed to be assuaged by potential changes in Fed policy and future growth expectations.

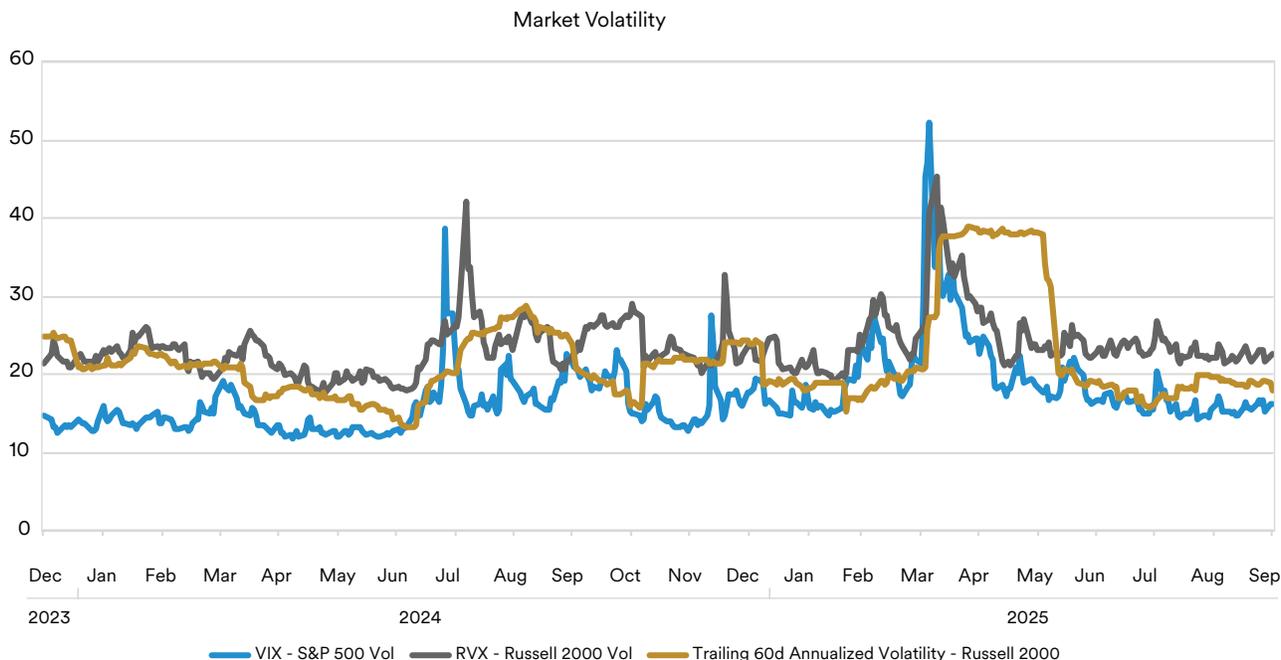
Figure 1 | Long-Term Impact of Tariffs Still Largely Unknown



Source: MIM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of September 30, 2025.

Moderating economic activity provided the Fed with the leeway it needed to lower the fed funds rate. Additionally, the impact from impending tariffs on consumer spending and inflation, though relatively unchanged from what was originally announced in aggregate, was more muted than expected, as it has been mostly absorbed by suppliers and producers. With less market uncertainty related to tariffs (Figure 2), investors focused on potential growth drivers for 2026, including a possible pull-forward of CAPEX and R&D spending, which was incentivized in the recent budget bill along with increased capital spending in technology for AI and data centers.

Figure 2 | Market Volatility Receded After Tariff-Induced Spike



Source: Furey Research Partners, Ibbotson, MIM using data from Bloomberg LLC and FactSet. Small cap returns use Ibbotson monthly returns up until Dec 1978; Large cap returns based upon the S&P 500. S&P 500®: The S&P500® is widely regarded as the best single gauge of large cap US equities. The index includes 500 leading companies and cover approximately 80% of available market capitalization. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of September 30, 2025.

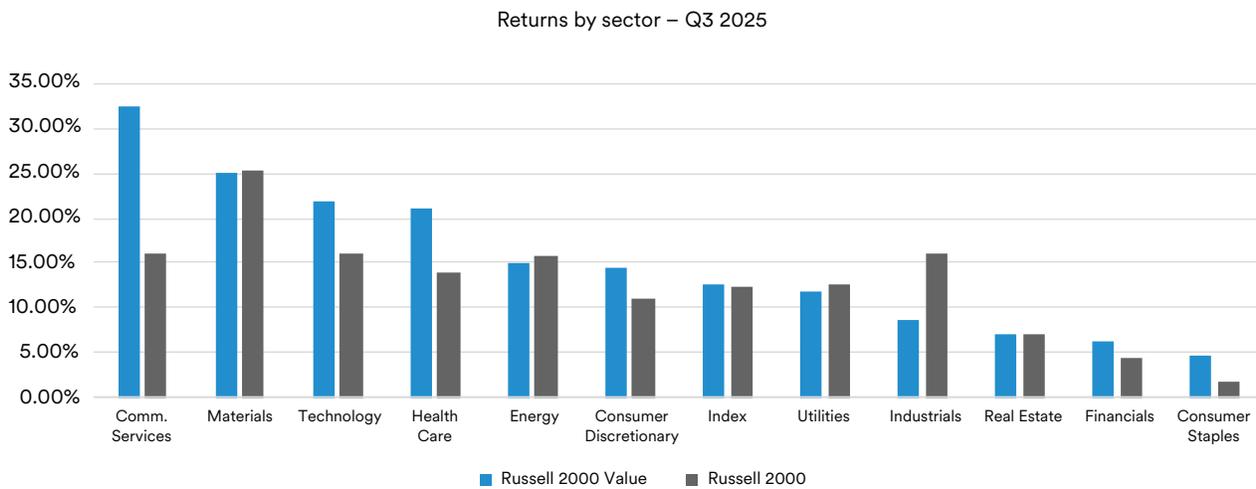
The stabilization of earning trends for small-cap companies was beneficial as well. As a result, small-cap equity markets experienced extremely robust returns:

Index	Q3 - 2025	YTD - 2025
Russell 2000 Value Index	12.6%	9.0%
Russell 2500 Value Index	8.2%	9.3%
Russell 2000 Index	12.4%	10.4%

Source: MIM, Bloomberg and FTSE Russell. As of September 30, 2025.

Market leadership was mostly cyclical. Communication Services was one of the best performing sectors, driven almost exclusively by the announced transactions from EchoStar. Materials and Energy sectors also outperformed, driven by higher prices and a weaker U.S. dollar, which significantly boosted returns for metals. Technology continued to outperform, driven by AI-related announcements along with crypto-related software firms. Healthcare also participated with considerable contributions from speculative biotech companies. Sectors that are less cyclical, Consumer Staples and Real Estate, meaningfully trailed the market as the rotation into risk hampered returns (Figure 3).

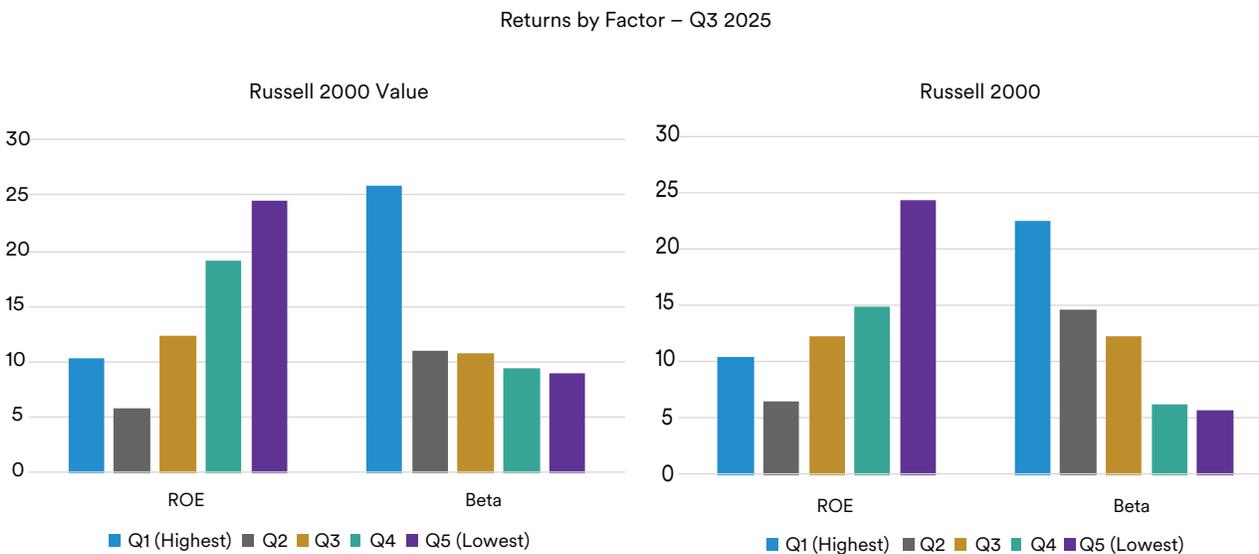
Figure 3 | Market Leadership Was Mostly Cyclical



Source: MIM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of September 30, 2025.

Since the April market low, small-cap equities have been led by companies exhibiting lower-quality factors. Companies with higher volatility, as well as unprofitable companies, outpaced the market with money-losing companies outperforming profitable companies by ~1,000 basis points during the quarter (Figure 4).

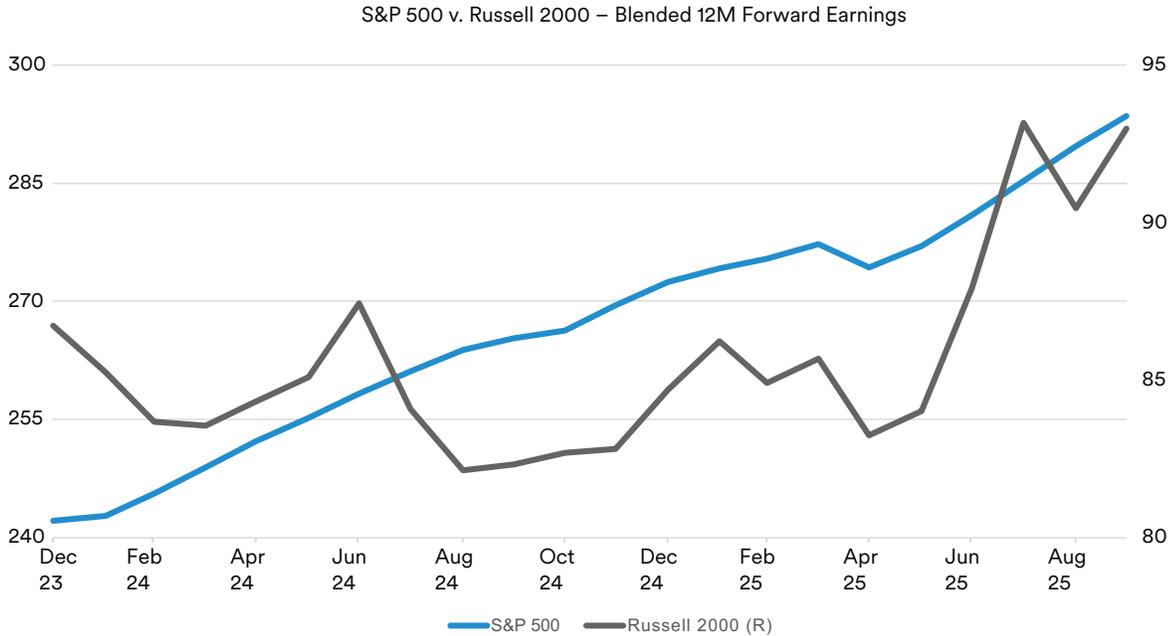
Figure 4 | Low Profitability and High Beta Drive Markets in Q3



Source: Jefferies Research Services, LLC. MIM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of September 30, 2025.

During the quarter, small-cap equities outperformed large-cap stocks by over 400 basis points. Most of the outperformance occurred after early August, as a muted July employment report, followed by lower-than-expected inflation, propelled the relative performance based on the prospects of lower rates from the Fed. Small-cap performance was also aided by acceleration in forward earnings revisions (Figure 5).

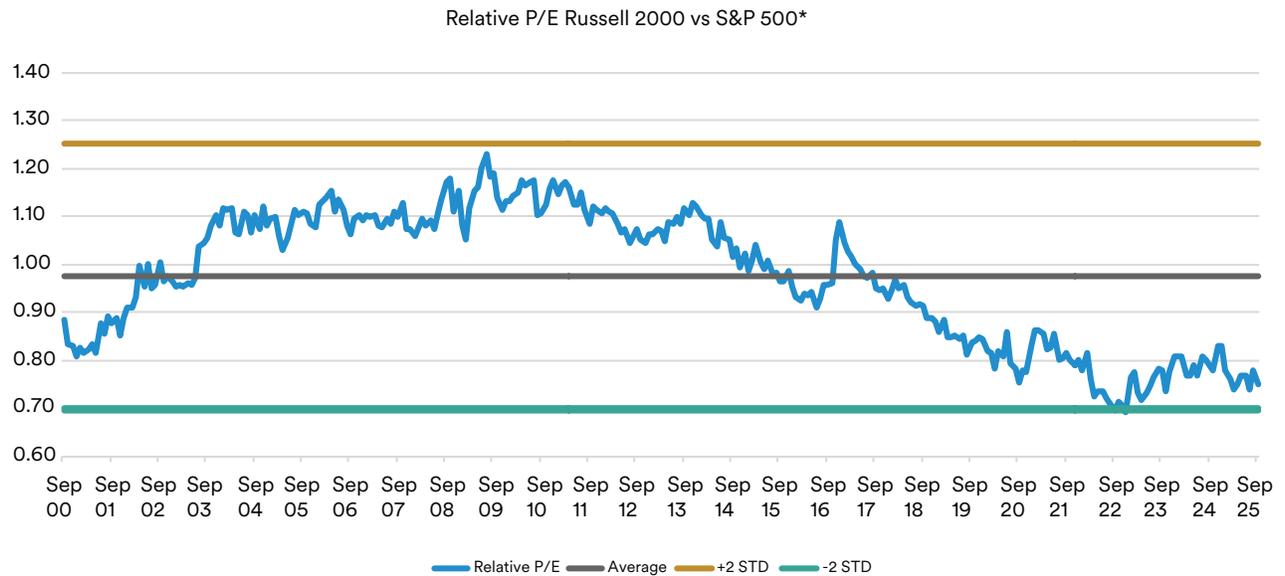
Figure 5 | Small Cap Earnings Trends have Accelerated Since April 2024



Source: MIM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

However, relative valuation for small-cap companies is still considerably lower than the long-term average, creating an opportunity for better prospective relative performance (Figure 6).

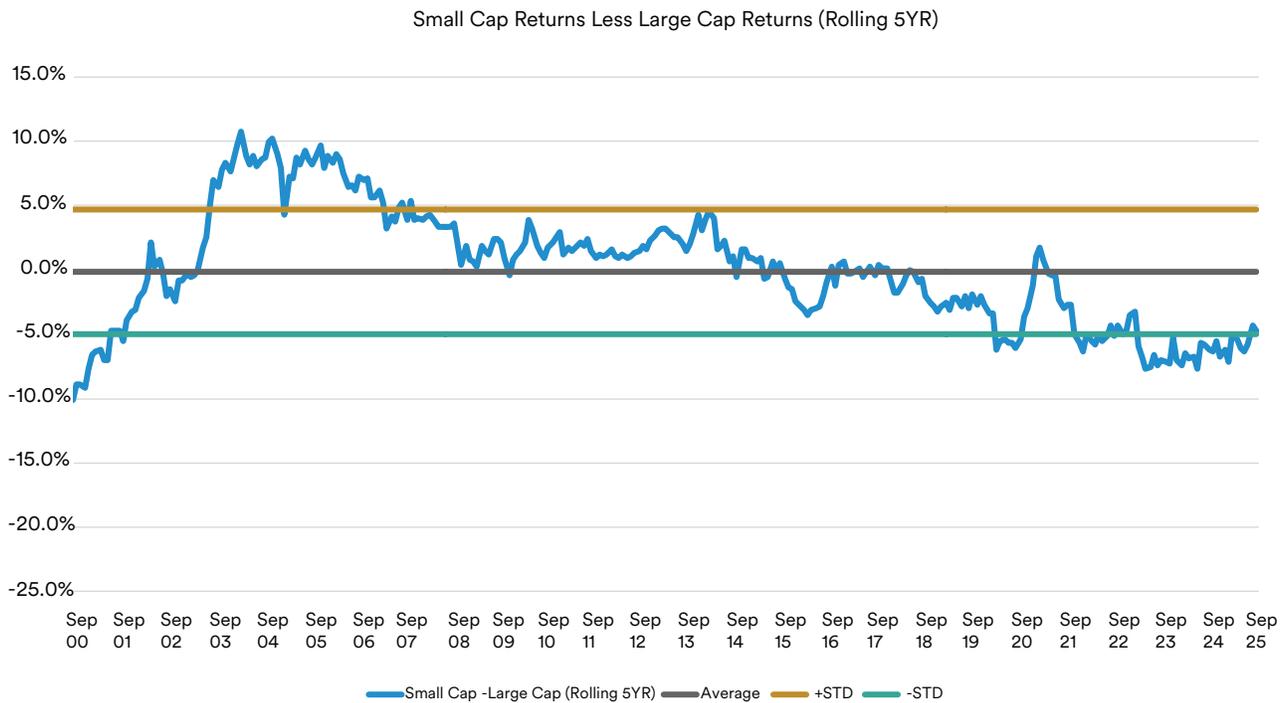
Figure 6 | Small-Cap Equities are Historically Attractive Relative to Large-Cap



Source: MIM using data from JPMorgan Asset Management.
 *MIM using data from FTSE Russell, Bloomberg and CSFB.
 The S&P 500 is a stock market index that tracks the stocks of 500 large cap US companies. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information. As of September 30, 2025.

Additionally, relative returns for small-cap companies are also well below long-term averages, providing additional support for better outcomes going forward (Figure 7).

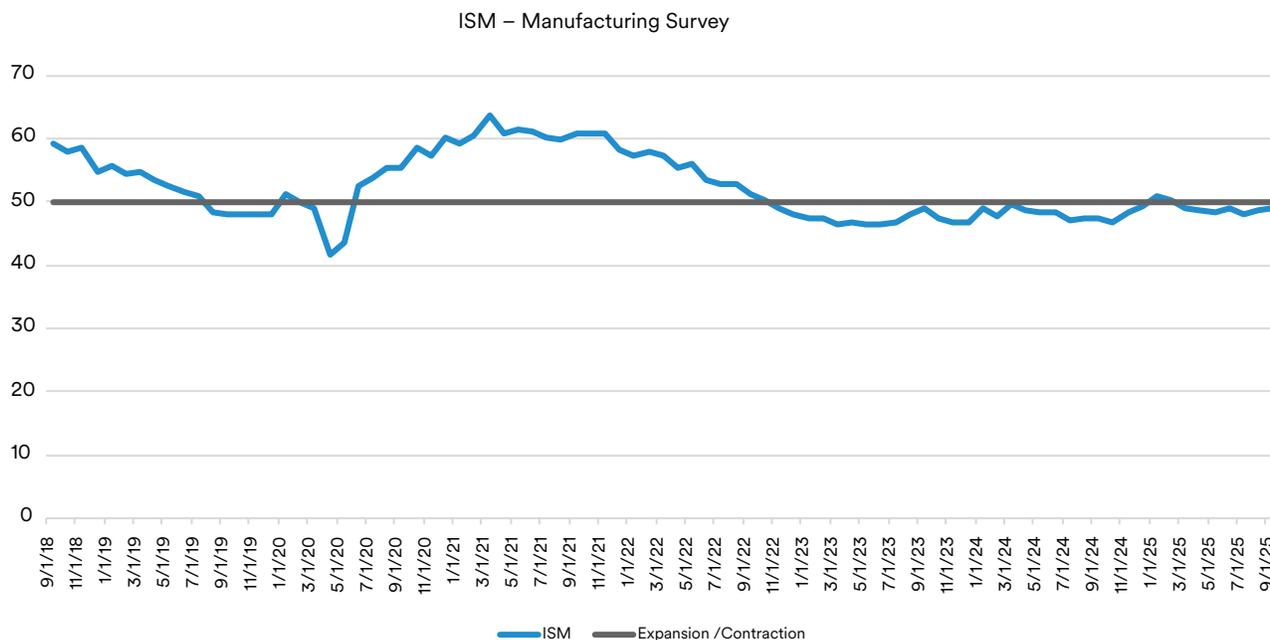
Figure 7 | Rolling Small-Cap Relative Returns Below Historical Averages



Source: MIM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of September 30, 2025.

Equity markets excelled despite some underlying economic softness. Employment data declined throughout the quarter, after showing persistently strong growth over the last two years. Manufacturing activity as measured by the PMI and ISM remained stubbornly in neutral territory (Figure 8), and growth from the Conference Board Leading Economic Indicators (LEI) was negative for the last three years. However, overall economic growth continued to be powered by a resilient consumer.

Figure 8 | No Expansion in Manufacturing ISM for Almost Three Years



Source: MIM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of September 30, 2025.

Inflation expectations have also remained relatively muted as the impact from tariffs is being absorbed by shippers and producers. We expect marginal pressure from the rising price of goods to keep inflation above the Fed’s target but still within an acceptable range. Muted inflation allowed interest rates to remain relatively range bound during the quarter, though yields for U.S. 10-year bonds were pushed slightly lower as employment and inflation softened. The presidential administration has been very transparent about its desire for the Fed to lower rates. Although the Fed has responded to weaker data with a 25-basis point reduction in rates this quarter, we expect that future rate cuts will be data dependent, especially with both tariffs and budget deficits acting as potential risks to inflation expectations. However, the composition of the Federal Reserve Board will change next year when Chairman Powell’s term ends, which could create more uncertainty regarding the Fed’s independence and the potential political influence on monetary policy.

In summary, we continue to believe the economy will avoid stagflation and recession. While tariffs could still be a potential headwind to overall growth, we expect growth offsets from accelerated CAPEX and higher fiscal spending over the next year. In the meantime, we continue to monitor several factors that may influence our tactical portfolio positioning:

- Impact of tariffs on baseline inflation and growth.
- The fiscal budget’s impact on income and healthcare support programs for lower-income consumers.
- Timing of reduced regulatory oversight and changes to tax policy.
- The prospect of a muted Fed easing cycle driven by higher debt, deficits and inflation.
- A change in Fed policy approach driven by pressure from the administration.
- An expansion of current debt and deficits due to budget policy and its impact on long-term interest rates.
- Earnings revisions and changes in the cadence of growth for 2026.
- Changes in market-embedded risk and sentiment through bond spreads and volatility.

Equity markets have continued to move higher, as we've avoided the most draconian aspects of trade policy, and investors have embraced the prospects of higher growth in 2026. Considering the recent rally, it is even more imperative that underlying economic growth and earnings continue to expand to support markets at current levels. We will continue to examine both risks and opportunities associated with future growth prospects as well as the impact of new policy objectives.

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Benchmark definitions:

The Russell 2000 Index offers investors access to the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000.

The Russell 2000 Value Index offers investors access to the small-cap value segment of the US equity universe. The Russell 2000 Value is constructed to provide a comprehensive and unbiased barometer of the small-cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small-cap value manager's opportunity set.

The Russell 2500 Index measures the performance of the small to mid-cap segment of the US equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the US equity universe. It includes those

Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. Both indices are completely reconstituted annually to ensure large stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics. (Source: Russell).

The S&P 500 is widely regarded as the best single gauge of large-cap US equities. There is over USD 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 3.4 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market.

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