EQUITIES | Q4 2025

Equity Market Review

It has often been said that success and happiness lie within the journey rather than at the destination. For small cap investors, 2025 was a turbulent and twisting ride whose volatile journey fortunately ended with a successful outcome. After the 2024 Presidential election, equity markets rallied as many investors assumed the new administration's focus on lower regulation and taxes would be beneficial to growth. Underlying economic activity was supportive of this conclusion, driven by consistent employment growth, better inflation trends and increased consumer activity. However, softer economic data (sentiment and surveys) began to deteriorate, creating some doubt about future growth expectations. In addition, executive orders, which empowered DOGE (The Department of Government Efficiency) to begin wide-ranging government cost cuts, also produced trepidation about growth expectations.

On April 2, the Trump administration announced and instituted a series of wide-ranging tariff declarations, with 10% baseline tariffs on all countries and additional contingent retaliatory tariffs. The initial tariff announcement then escalated with China, and the subsequent reciprocal tariffs became increasingly recessionary. Small cap equity markets were initially spooked by the announcement and reacted adversely, retreating over 25% from the post-election peak. The administration, bowing to pressure from both the financial and business communities, suspended the most egregious retaliatory tariffs during negotiations, which caused equity markets to sharply rebound from the April low.

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Despite subsequent tariff announcements, equity markets continued to march higher through the second half of the year. Equity markets climbed the proverbial "wall of worry" as concerns about tariff risks, slowing employment growth, tepid manufacturing activity, sticky inflation expectations and rising deficits were assuaged by potential changes in Federal Reserve (Fed) policy and future growth expectations. Moderating economic activity provided the Fed with the leeway it needed to start lowering the fed funds rate. Additionally, the impact of tariffs on consumer spending was more muted than expected, as suppliers and producers absorbed most of the initial costs.

With less tariff uncertainty, markets focused on potential growth drivers for 2026, including a possible pull forward of CAPEX and R&D spending, which was incentivized in the budget bill (OBBBA) along with increased capital spending in technology for AI and datacenters. Fed easing also helped support markets through the fourth quarter, leading to strong returns for the year.

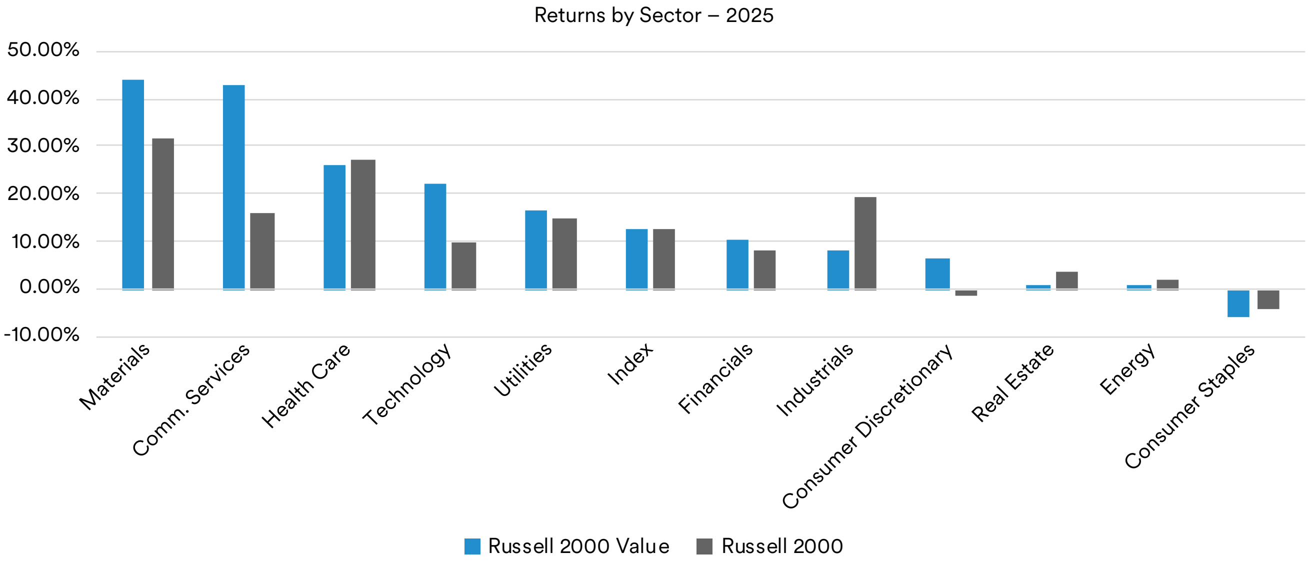
Given the level of uncertainty in the first few months of the year, market leadership was initially more defensive. However, market leadership shifted during the recovery, which commenced in April after the "tariff truce," and was driven by cyclical sectors and lower-quality attributes. The result for the year was a mix of leadership by cyclical influences, secular growth and more speculative market elements. The Materials,

Index	Q4 - 2025	YTD - 2025
Russell 2000 Value Index	3.3%	12.6%
Russell 2500 Value Index	3.2%	12.7%
Russell 2000 Index	2.2%	12.8%

Source: MIM, Bloomberg and FTSE Russell. As of December 31, 2025.

Healthcare and Technology sectors were broad outperformers along with Communications Technology (mostly EchoStar). The Energy, Consumer Staples and REITS sectors were consistent underperformers throughout the year, while the Industrial sector performance oscillated relative to the broader small cap indices (Figure 1).

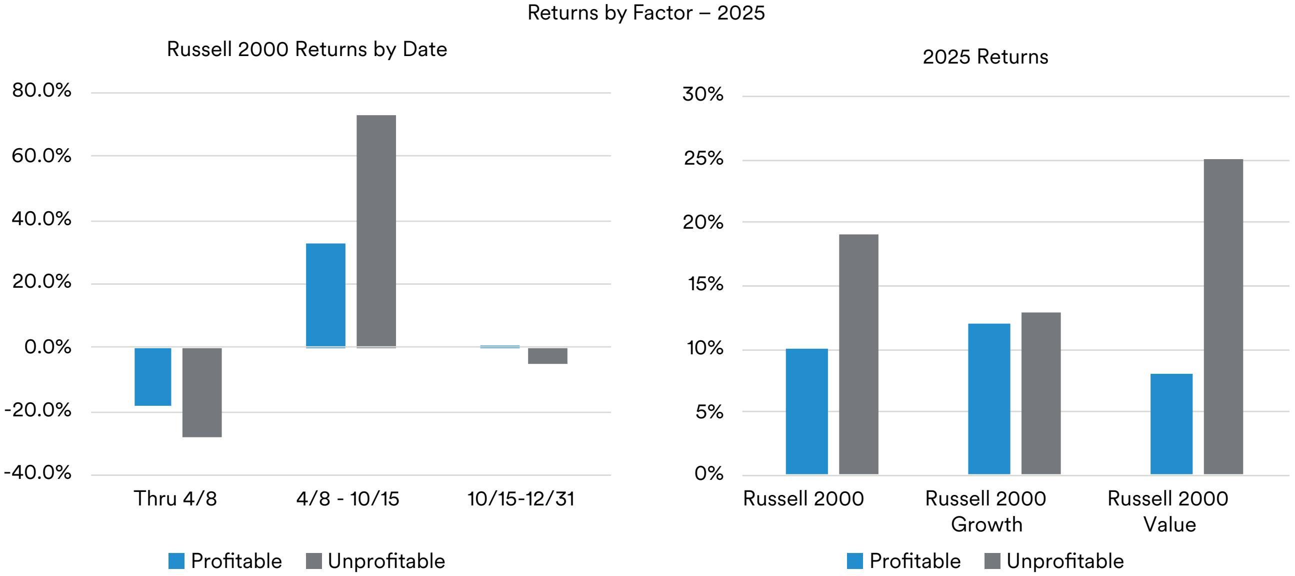
Figure 1 | Market Leadership Was Mostly Cyclical



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 December 31, 2025.

Quality factors had a significant impact on the performance of small cap equities throughout the year as lower-quality attributes have significantly outperformed since the market low in mid-April. Using profitability as a proxy for quality, unprofitable companies outperformed profitable companies by ~40% since mid-April. Over the year, the impact was most acute in small cap value where unprofitable companies outperformed profitable companies by ~17%, while the impact in small cap growth was negligible (Figure 2).

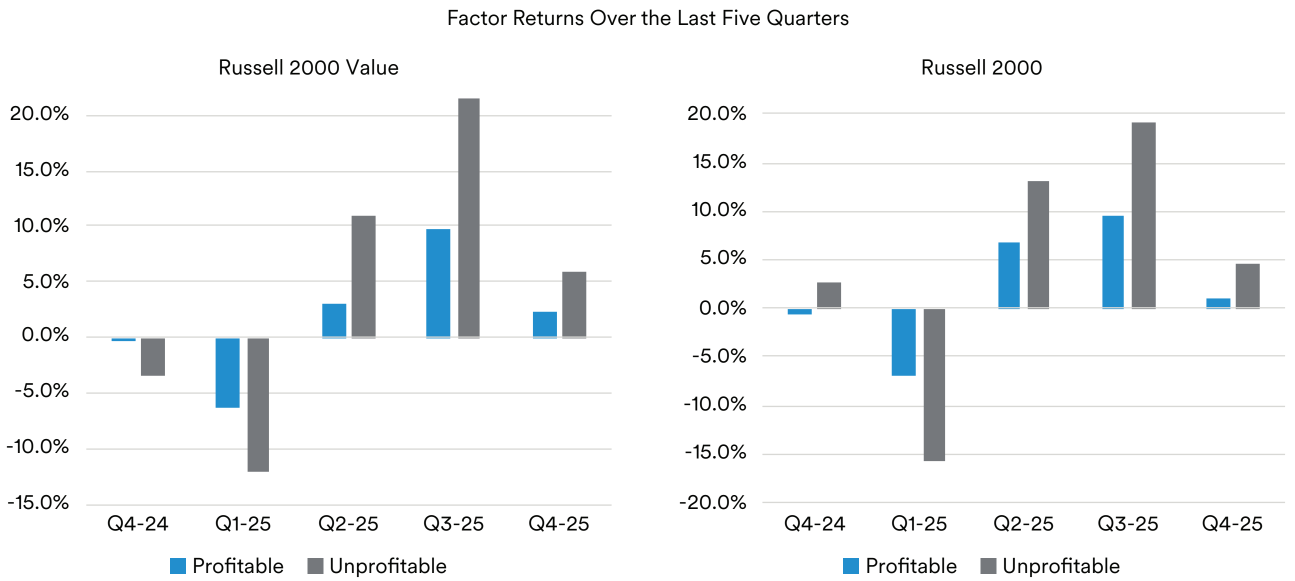
Figure 2 | Unprofitable Companies Were Large Contributors in 2025



Source: Furey Research, 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 December 31, 2025.

In addition, unprofitable companies have outperformed profitable companies over the last three quarters (Figure 3), which has created an adverse environment for active small cap managers.

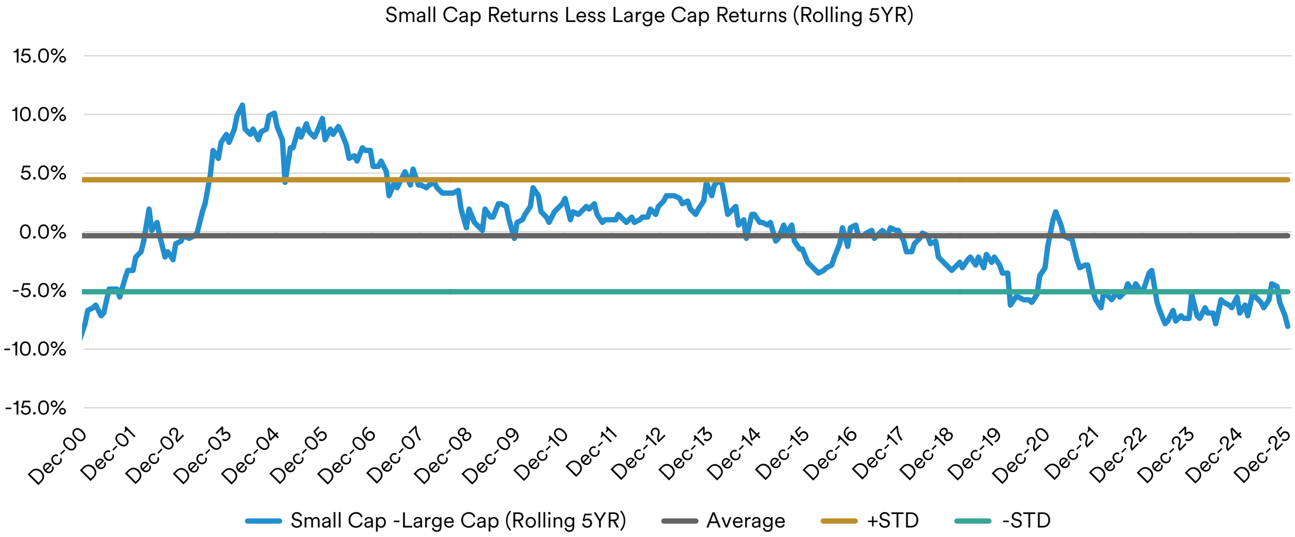
Figure 3 | Unprofitable Companies Outperformed Three Consecutive Quarters



Source: Furey Research, 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 December 31, 2025.

For the year, large cap equities once again outperformed their small cap peers in a continuation of their recent dominance in equity markets (Figure 4).

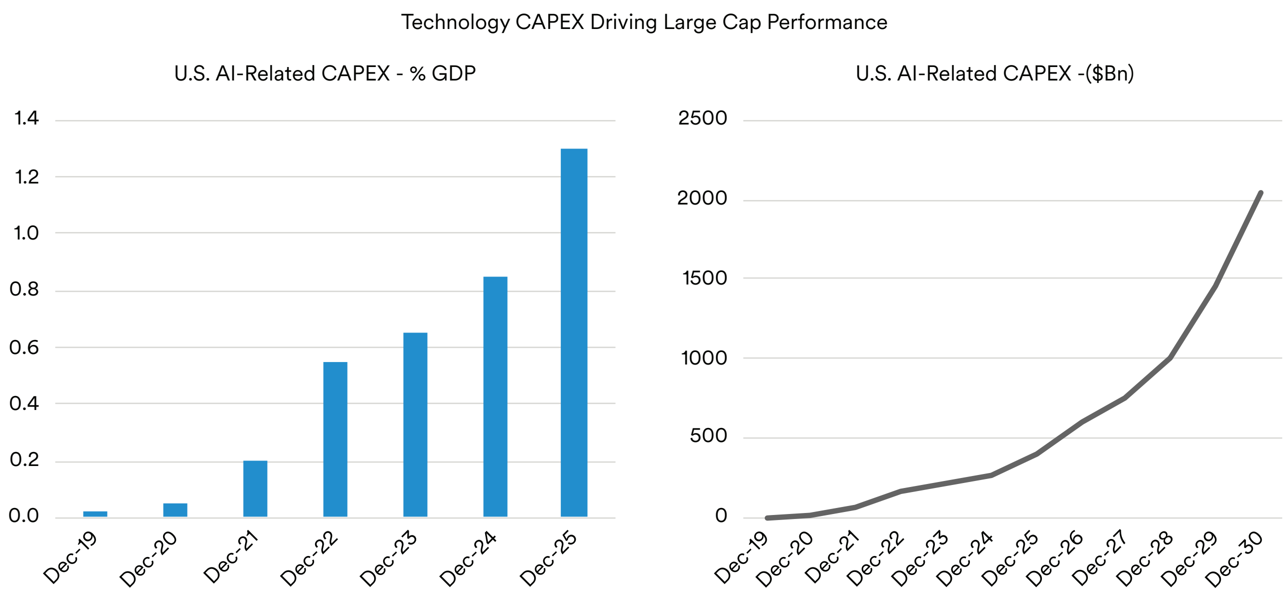
Figure 4 | Rolling Small Cap Relative Returns Below Historical Averages



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 December 31, 2025.

A significant portion of the outperformance over this timeframe has been driven by the largest Technology companies, which we believe is attributable to accelerated revenue growth driven by investments from AI-related initiatives (Figure 5).

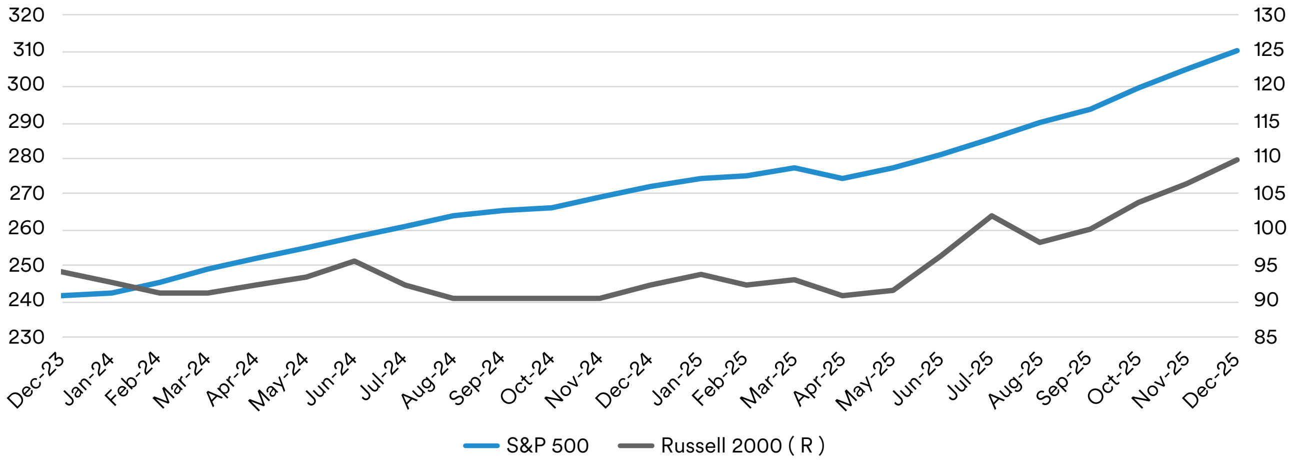
Figure 5 | AI-Related CAPEX Trends



Source: MIM using approximated data from Wolfe Research. Past performance is not indicative of future results. The "Mag 7" are Nvidia, Apple, Amazon, Microsoft, Tesla, Meta, and Google. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of December 31, 2025.

However, small cap companies did re-engage and regained their footing as the year progressed, outperforming in the second half of the year. A portion of this outperformance is attributable to a shift in investor preference for higher-beta characteristics, as tariff policy uncertainty resolved and the Fed began to lower rates. Another factor impacting small cap relative performance was the improvement in underlying fundamentals depicted by recent earnings trend, which began to accelerate in the second half of the year (Figure 6).

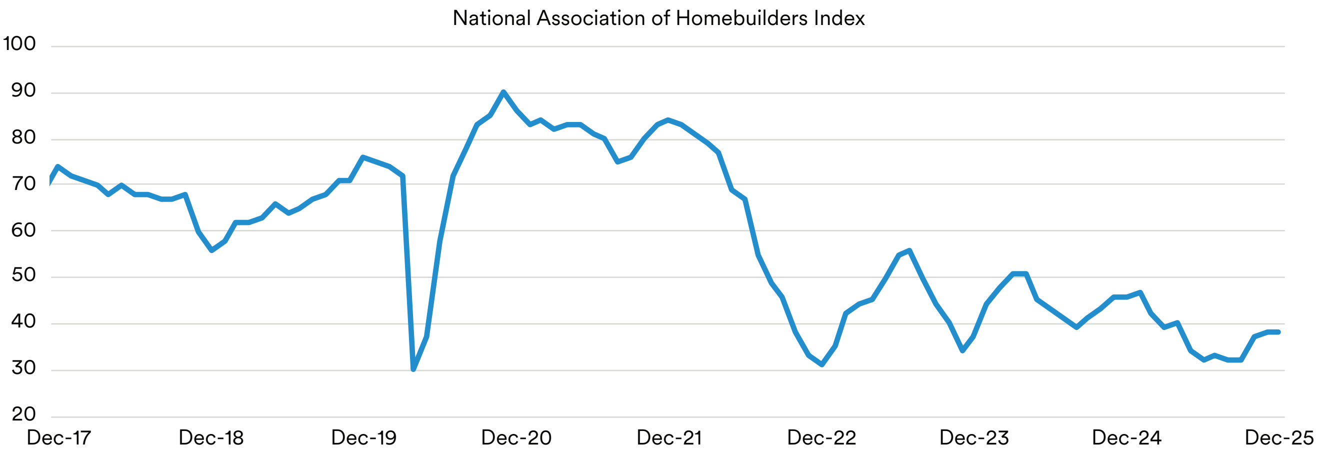
Figure 6 | Small Cap Earnings Trends Accelerated in the Second Half of 2025



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 December 31, 2025.

After overcoming the initial trepidation in the first part of the year, financial markets continue to appear relatively stable, despite the still unknown overall impact from tariffs and major geopolitical shifts. Both the VIX Index (an assessment of prospective volatility) and high yield bond spreads (a measure of financial risk) have retreated close to five-year lows after spiking when tariffs were announced. However, overall economic activity appears to be slowing, specifically employment and job formation. Housing also continues to struggle as affordability remains an issue despite a significant drop in mortgage rates (Figure 7).

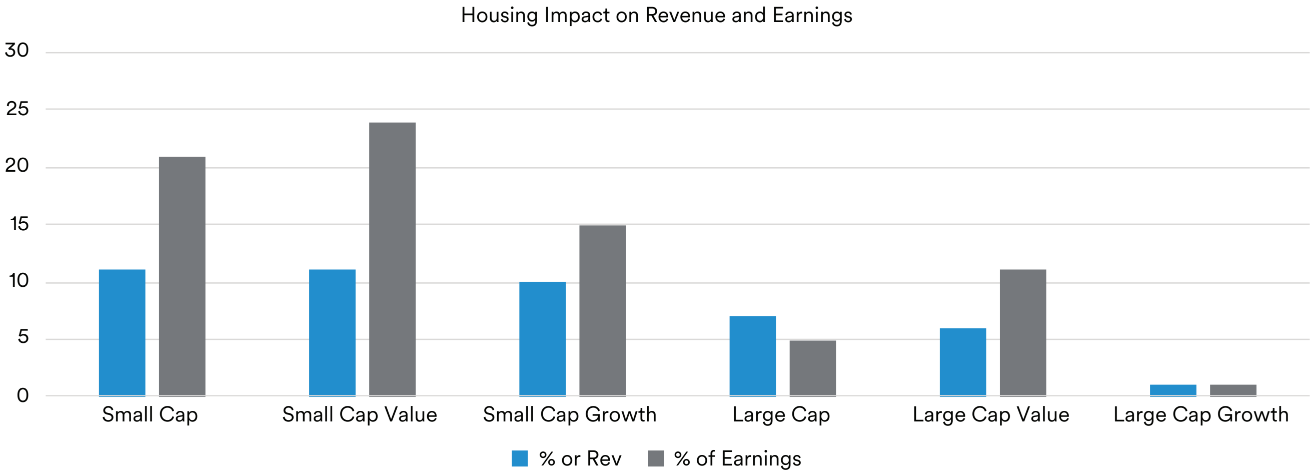
Figure 7 | Housing Activity in Decline Over Last Three Years



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 December 31, 2025.

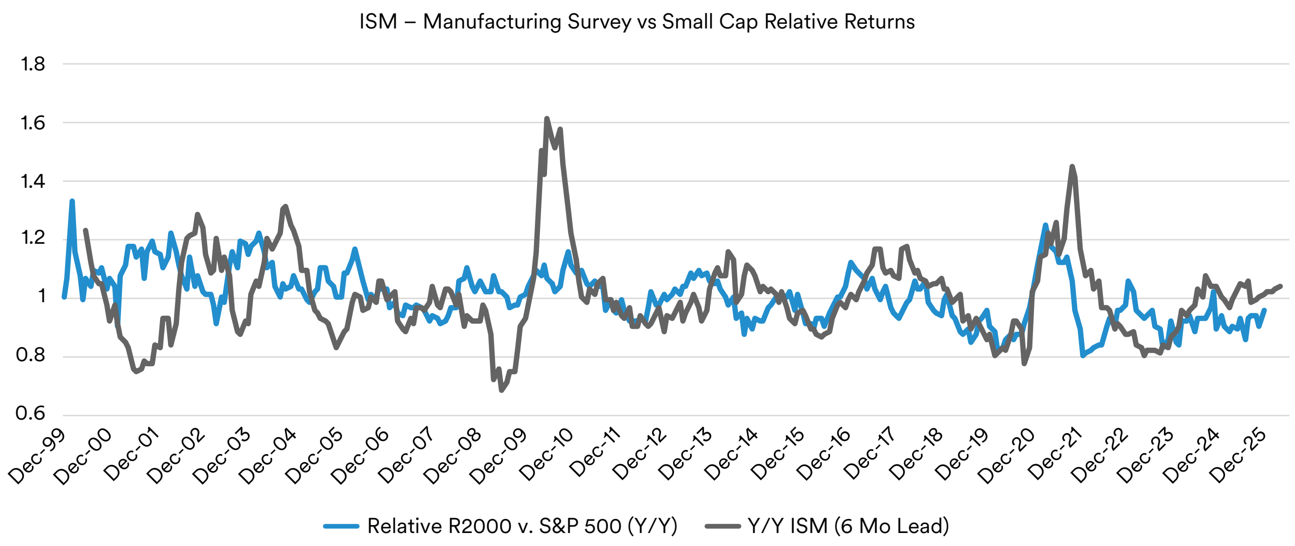
Survey data has also remained tepid, as ISM readings continue to tread at levels indicative of economic contraction. Improvement in housing and general economic conditions will be key contributors to closing the performance gap between small cap and large cap equities. Due to its multiplier effect, housing has significantly more impact on small cap companies (Figure 8), while improvements in general economic conditions are correlated with relative performance for small cap equities (Figure 9).

Figure 8 | Housing Impact on Small Cap Companies



Source: MIM using data from Jefferies Research. Past performance is not indicative of future results. The "Mag 7" are Nvidia, Apple, Amazon, Microsoft, Tesla, Meta, and Google. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of December 31, 2025.

Figure 9 | Improvement in Broad Economy Generally Good for Small Caps

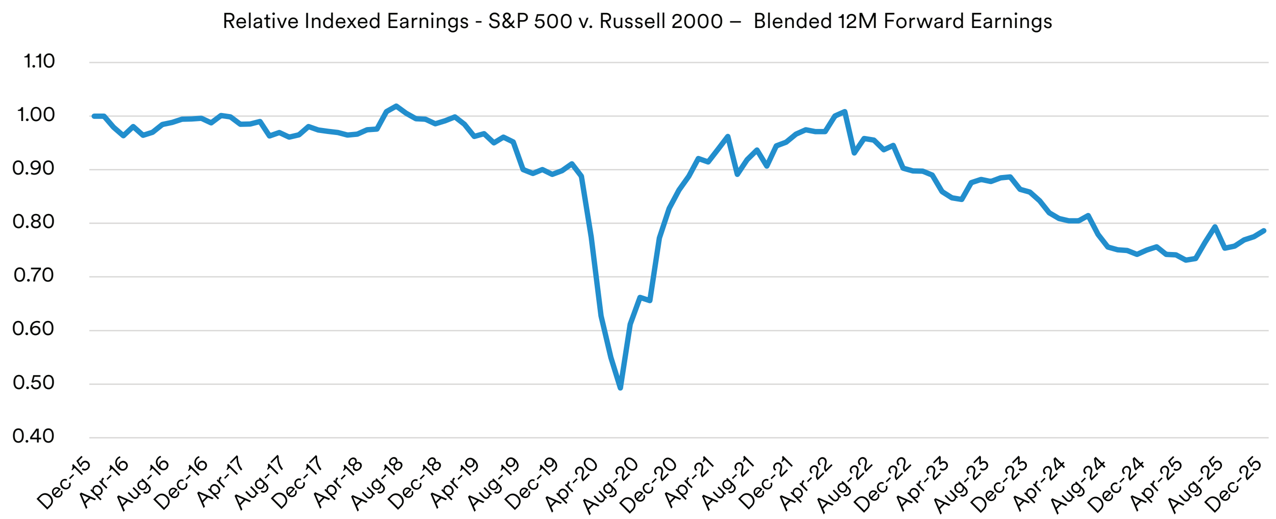


Source: MIM using data from Bloomberg, L.P. ISM data thru Oct 2025. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of December 31, 2025.

Inflation expectations have also remained relatively muted, as the impact from tariffs is being absorbed by shippers and producers. We continue to expect that the rising price of goods will keep inflation above the Fed's 2% target but trending down from current levels. If employment growth remains below average, however, we expect wage inflation to moderate creating a pathway for continued policy easing from the Fed.

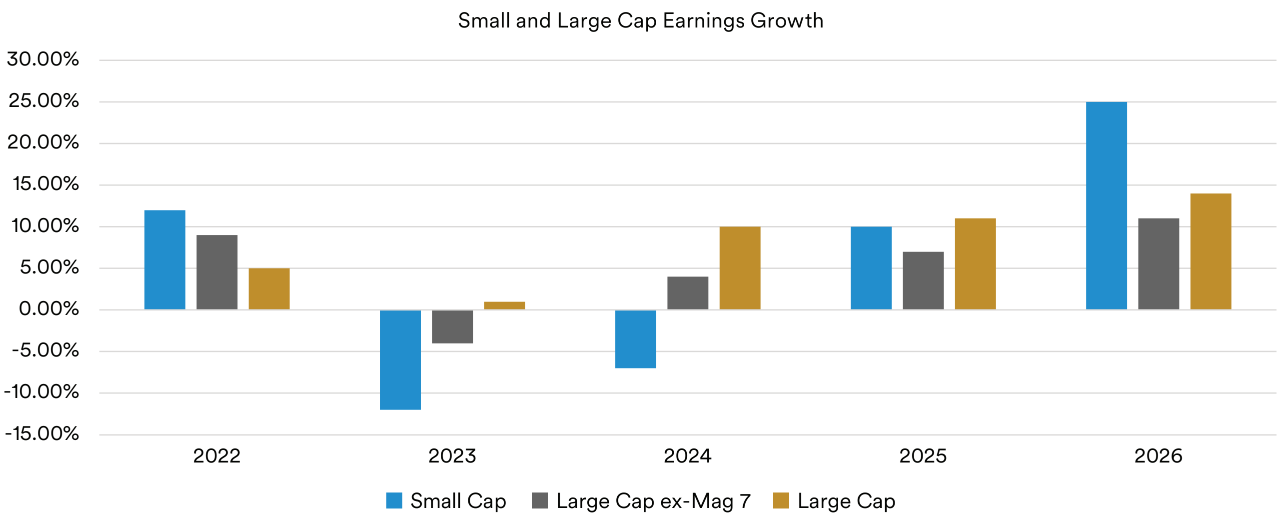
While economic growth is expected to remain positive in 2026, there seems to be a shift in the risk bias from a focus on inflation to a focus on lower employment and economic activity. Though tariffs could still be a potential headwind to the consumer, we expect growth offsets from accelerated CAPEX, higher fiscal spending and larger tax returns over the next year. We believe the backdrop for small cap equities is positive and would be enhanced by economic growth. Relative earnings trends are starting to reverse three years of decline vs. large cap companies (Figure 10), some of which is reflected in growth expectations for 2026 (Figure 11).

Figure 10 | Three-Year Downtrend for Small Cap Earnings Is Reversing



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 December 31, 2025.

Figure 11 | Small Cap Earnings Growth to Outpace Large Cap Over Next Two Years



Source: MIM using data from Furey Research Partners, Bloomberg LLC, JPM Asset Management, Jefferies Research. Past performance is not indicative of future results. The "Mag 7" are Nvidia, Apple, Amazon, Microsoft, Tesla, Meta, and Google. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions. As of December 31, 2025.

In addition, relative valuation continues to provide support for small cap equities against both large cap peers (Figure 12) and fixed income alternatives (Figure 13).

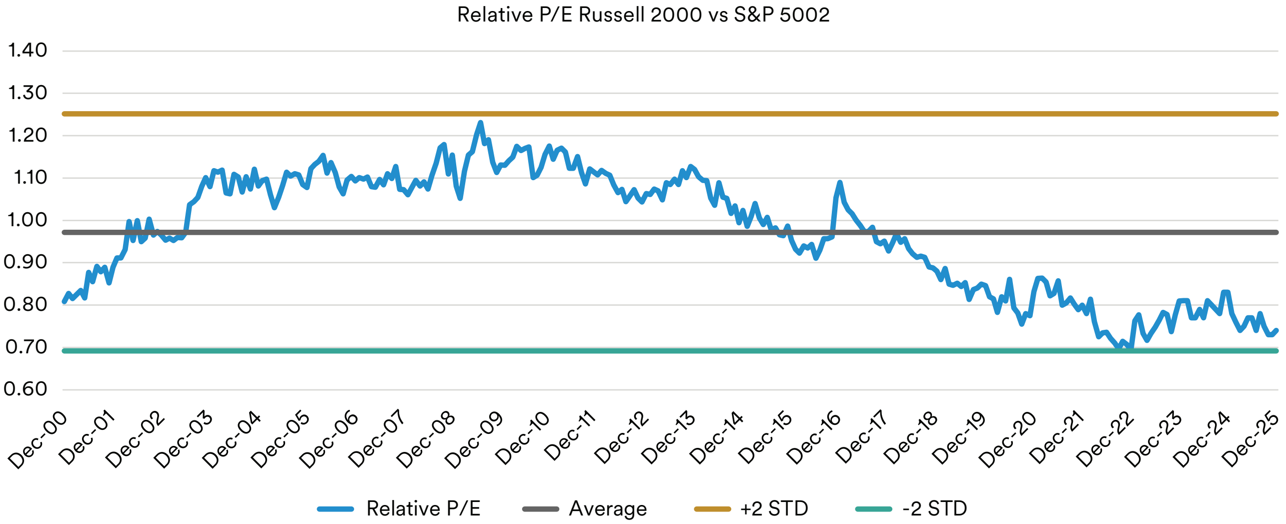
Figure 12 | Small Cap Equities Are Historically Attractive Relative to Large Cap

10-Year Annualized Returns[1]

	Value	Core	Growth
Large	10.5%	14.8%	18.1%
Mid	9.8%	11.0%	12.5%
Small	9.3%	9.6%	9.6%

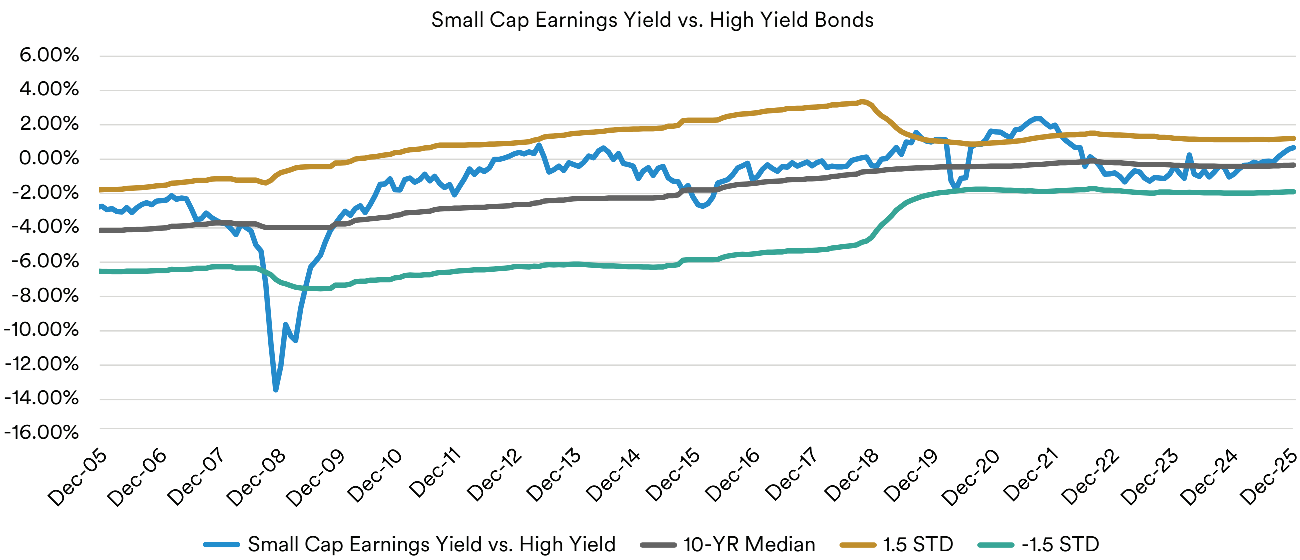
Current P/E as Percent of 20-Year Average[1]

	Value	Core	Growth
Large	123%	136%	145%
Mid	107%	105%	126%
Small	102%	102%	110%



[1]Source: 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 December 31, 2025.

Figure 13 | Small Cap Yield is Now Higher Than High Yield Bonds



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 December 31, 2025.

In the meantime, we continue to monitor several factors that may influence our tactical portfolio positioning:

- Pending supreme court decision on legality of recent IEEPA tariffs
- The fiscal budget's impact on lower-income consumers
- Rising geo-political risks and the shift in defense spending burden from U.S. to other allies
- Changes in Fed policy approach driven by pressure from the administration
- Employment growth, wages and income
- Affordability policies, particularly for housing and energy
- An expansion of current debt and deficits due to budget policy
- Earnings revisions and changes in the cadence of growth for 2026
- Changes in market embedded risk and the impact of private credit

Equity markets have fully recovered from the tariff-induced drawdown and have continued to move higher as investors have embraced the prospects of higher growth in 2026. We will continue to examine both risks and opportunities associated with future growth prospects, as well as the impact of new policy objectives.

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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