

# Optimized Small Cap Core Portfolio Review Q4 2024

The Optimized Small Cap Core strategy composite returns are shown in the table below.

Period	Composite Gross of Fees	Composite Net of Fees	Russell 2000
Q4 2024	-3.65	-3.76	0.33

- **Stock selection was the main driver of underperformance this quarter.**
- **The return pattern across alpha model quintiles was inverted, with high-ranked (Q1) stocks underperforming low-ranked (Q5) stocks and the Russell 2000 Index. This reflects market expectations that lower-quality companies would benefit most from the pro-growth, deregulation policies of the incoming administration.**
- **Such periods are typically short-lived, as initial post-election market euphoria faded in December amid rising inflation concerns.**

## Sector Attribution

### Q4 2024 Sector Attribution

	Optimized Small Cap			Russell 2000			Attribution Analysis		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Energy	6.98	9.80	0.96	5.18	-2.68	-0.09	-0.09	0.93	0.84
Consumer Staples	2.37	39.09	0.76	2.78	5.62	0.14	-0.02	0.65	0.63
Real Estate	2.27	-5.03	-0.11	6.14	-5.97	-0.37	0.25	0.01	0.27
Utilities	0.69	-11.77	-0.17	2.73	-4.64	-0.12	0.18	-0.05	0.14
Communication Services	1.73	3.33	0.04	2.70	0.69	0.02	-0.02	0.04	0.02
Health Care	20.74	-6.64	-1.47	16.89	-7.57	-1.20	-0.31	0.15	-0.17
Consumer Discretionary	11.34	-5.70	-0.76	9.80	-1.66	-0.19	-0.01	-0.43	-0.44
Materials	8.40	-10.60	-0.79	4.50	-4.69	-0.18	-0.19	-0.50	-0.69
Industrials	16.09	-0.35	-0.04	17.55	4.05	0.68	-0.04	-0.67	-0.71
Financials	15.18	-4.23	-0.83	18.66	3.47	0.60	-0.16	-1.11	-1.27
Information Technology	13.85	-9.76	-1.29	13.07	9.71	1.04	0.10	-2.73	-2.63
[Cash]	0.35	0.83	0.00	0.00	0.00	0.00	-0.01	0.00	-0.01
	<b>100.00</b>	<b>-3.65</b>	<b>-3.65</b>	<b>100.00</b>	<b>0.34</b>	<b>0.34</b>	<b>-0.29</b>	<b>-3.70</b>	<b>-3.99</b>

Source: Xponance, FactSet

#### Positive Contributors

Energy – Despite reporting weaker than expected (WTE) earnings results overweight holding Comstock Resources stock (+63.6%) was up sharply. The announcement of strategic initiatives around the company's natural gas capital spending and the bolstering of its financial position by securing a \$400 million senior note offering, increased investor confidence around the company's ability to navigate market challenges and invest in strategic opportunities.

Consumer Staples – Egg producer, Cal Maine Foods Inc. (+39.9%) reported better than expected (BTE) earnings results driven by several key factors, increased egg prices, higher sales demand and the acquisition of additional production capacity.

### Negative Contributors

Information Technology – Despite reporting BTE earnings results, the stock of overweight holding Zeta Global Holdings (-39.7%) significantly underperformed. A primary cause of the weakness was attributed to a report published by a short seller highlighting issues with the company’s business. The company responded with a rebuttal report but sentiment remained negative. Sapiens Intl. (-23.3%) and Insight Enterprises (-29.4%) performance was negatively impacted by WTE earnings results due to a slowdown in demand. The combined impact of low weighted outperforming benchmark companies not held in the portfolio added to the negative performance in the sector.

Financials – Underweight exposure to this outperforming sector hurt performance. Investor optimism about potential regulatory easing under President-elect Donald Trump’s administration contributed to positive sentiment, anticipating benefits from deregulation and increased mergers and acquisitions activity. This provided a performance tailwind, for smaller, lower quality companies in the sector most likely to benefit from these trends. In addition, overweight mortgage REITs MFA Financial (-15.7%) and Redwood Trust (-13.2%) faced industry-wide pressures, including tighter lending standards and reduced demand for mortgage-backed securities leading to weak stock performance.

## Risk Factor Attribution

### Risk Attribution Analysis – Axioma Risk Model

Cash	Industries	Risk Factors	Stock Selection	Total
0.00	-2.26	0.30	-2.05	<b>-4.02</b>

Risk Factors	Ave Exposure (std dev)	Return (%)	Impact (%)
Exchange Rate Sensitivity	0.08	3.77	0.32
Profitability	0.19	0.80	0.17
Liquidity	0.08	1.48	0.13
Growth	0.04	2.45	0.08
Volatility	-0.03	0.36	0.06
Medium-Term Momentum	0.07	1.04	0.05
Market Sensitivity	0.02	0.43	0.05
MidCap	-0.04	-0.37	0.01
Size	0.00	-2.64	0.00
Value	0.18	-0.41	-0.10
Leverage	0.19	-0.59	-0.11
Earnings Yield	0.19	-0.77	-0.17
Dividend Yield	0.13	-1.43	-0.19
<b>Total</b>			<b>0.30</b>

Source: Axioma, FactSet

Risk factor positioning positively impacted performance, as markets favored smaller companies with growth and momentum characteristics. Higher-quality, reasonably valued, and less volatile companies underperformed in this environment, particularly following the Presidential election, with Trump’s policies providing a tailwind for the broader market and these specific characteristics.

The strategy's core positioning contributed positively through exposures to Exchange Rate Sensitivity, Profitability, and Liquidity. However, this was partially offset by the negative impact of overweight positions in underperforming factors, including Dividend Yield, Value (Earnings Yield, Value B/P), and Leverage.

Overall, the positive contribution from risk factor allocation was outweighed by negative effects from industry and stock selection.

## Quantitative Model Performance

### Alpha Model Attribution

Alpha Model Quintile	Optimized Small Cap			Russell 2000			Attribution Analysis		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Q1 (High)	92.65	-4.62	-4.49	26.34	-2.53	-0.62	-1.87	-2.01	-3.88
Q2	5.13	5.01	0.49	24.27	-0.53	-0.00	0.15	0.36	0.51
Q3	1.86	17.45	0.31	21.54	-2.10	-0.47	0.46	0.39	0.85
Q4	--	--	--	17.19	3.99	0.51	-0.61	0.00	-0.61
Q5 (Low)	0.00	0.00	0.00	10.53	9.34	0.96	-0.92	0.00	-0.92

Source: Xponance, FactSet

The return pattern across quintiles was inverted, with high-ranked (Q1) stocks underperforming low-ranked (Q5) stocks and the Russell 2000 Index. The strategy's relative exposure—overweighting underperforming Q1 stocks and underweighting outperforming lower-ranked quintiles—resulted in a significant negative allocation effect.

The strong performance of lower-ranked stocks was driven by greater exposure to outperforming sectors such as Financials, Industrials, Consumer Discretionary, and Information Technology. This relative performance reflects market expectations that lower-quality companies would benefit most from the pro-growth, deregulation policies of the incoming administration. Smaller-cap financial companies, which often face higher compliance costs, stood to benefit disproportionately from reduced regulatory burdens, improved profitability, enhanced operational flexibility, and increased merger and acquisition activity, with smaller institutions potentially becoming attractive targets for larger firms.

These conditions were short-lived, as initial euphoria faded in December amid rising inflation concerns and a sharp market decline, leading to improved relative performance of higher-quality stocks. Negative selection within high-ranked stocks further compounded the performance headwinds created by the market environment.

## Trailing period performance as of 12/31/2024

(%)	QTD	CYTD	1- Year	3- Years	5- Years	10- Years	Since Inception	Inception Date
Composite Gross	-3.65	5.40	5.40	3.75	9.33	9.24	9.27	12/31/13
Composite Net	-3.76	4.91	4.91	3.18	8.68	8.73	8.76	
Index <sup>1</sup>	0.33	11.54	11.54	1.24	7.40	7.82	7.55	

<sup>1</sup>Benchmark: Russell 2000

Past performance is not indicative of future results. Periods greater than 1 year are annualized. The U.S. Dollar is the currency used to express performance.

Investments in public equities involve risks, including the loss of principal invested. This strategy's returns may fluctuate in response to one or more of many factors, that include financial condition of individual companies; the business market in which individual companies compete; industry market conditions; interest rates; general economic environments; portfolio management activities; and data or modeling risk where proprietary models are used in the management of the strategy.

Gross of fee returns are presented before management fees, but after custodial fees and transaction costs and include the reinvestment of all income. Since August 1, 2019, net of returns reflects a model annual management fee of 0.65%, applied monthly. Net of fee returns are calculated by deducting the model management fee from the monthly gross of fee returns. Prior to August 1, 2019, net of fee returns reflects the deduction of actual management fees. (including performance-based fees if applicable) from the monthly gross of fee returns. Actual management fees incurred by clients may vary. The composite include zero commission accounts.

The standard management fee schedule is as follows: First \$50mm: 70 bps; Next \$50mm: 60 bps; Over \$100mm: 50 bps. Fees are charged to clients on a quarterly basis. Fees are calculated as a percentage of assets under management and vary based upon the type of product and the total amount of assets under management. The percentage fee is expressed terms of basis points ("BPS") for our products. One hundred basis points equal 1%. All fees are negotiable.

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The firm maintains a complete list and description of composites and limited distribution pooled fund(s) which is available upon request. Please refer to the GIPS® report for additional performance information which is included on the next page of this presentation.

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## Annual Disclosure Presentation

Year End	Performance Results (%)			3-Yr Annualized Ex-Post Standard Deviation (%)		Number of Portfolios	Composite Assets (\$mm)	Total Firm Assets (\$mm)
	Composite Gross TWR	Composite Net TWR	Benchmark <sup>1</sup>	Composite Gross	Benchmark <sup>1</sup>			
2023	23.04	22.38	16.93	22.57	21.11	Five or fewer	2	16,613
2022	-13.89	-14.45	-20.44	26.82	26.02	Five or fewer	0.14	13,512
2021	27.04	26.22	14.82	23.81	23.35	Five or fewer	0.16	14,866
2020	10.01	9.38	19.96	25.77	25.27	Five or fewer	0.13	12,493
2019	30.12	29.56	25.52	16.64	15.71	Five or fewer	0.11	5,411
2018	-9.18	-9.49	-11.01	14.55	15.79	Five or fewer	0.18	4,026
2017	10.40	10.08	14.65	12.67	13.91	Five or fewer	0.19	6,817
2016	19.96	19.54	21.31	14.18	15.76	Five or fewer	0.18	6,249
2015	-0.99	-1.33	-4.41	N/A	N/A	Five or fewer	0.1	5,577
2014	9.56	9.05	4.89	N/A	N/A	Five or fewer	0.1	2,542

Composite inception date: December 31, 2013.

<sup>1</sup>Benchmark: Russell 2000

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Total firm assets presented through, and including, Calendar Year 2019 represent total firm assets for PIA, prior to April 1, 2020, this composite was managed by legacy firm PIA. Total firm assets presented post April 1, 2020 represent the total firm assets of Xponance®.

**Optimized Small Cap Core Composite** contains fully discretionary Small cap core equity accounts and for comparison purposes is measured against the Russell 2000 Index. The product typically has fewer than 100 holdings and a predicted tracking error target range of 5% - 8% vs. Russell 2000. The Optimized Small Cap Core Composite was created December 31, 2013.

Results are based on fully discretionary accounts under management. Accounts that are no longer with the firm are included through the last full measurement period such accounts were managed in the composite's style. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance.

Gross of fee returns are presented before management fees, but after custodial fees and transaction costs and include the reinvestment of all income. Since August 1, 2019, net of returns reflects a model annual management fee of 0.65%, applied monthly. Net of fee returns are calculated by deducting the model management fee from the monthly gross of fee returns. Prior to August 1, 2019, net of fee returns reflects the deduction of actual management fees. (including performance-based fees if applicable) from the monthly gross of fee returns. Actual management fees incurred by clients may vary. The composite include zero commission accounts.

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The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period.

Internal dispersion presented is an equal-weighted standard deviation of annual gross returns of those portfolios that were in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented

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