

EGA Strategy Piece Q1 2024

Dear Investors,

After a strong last two months of 2023, both the EGA International Small Cap Strategy and the MSCI EAFE Small Cap Growth Index continued their positive performance in the first quarter of 2024. The EGA International Small Cap strategy net of fees was +5.83% vs. +1.88% for MSCI EAFE Small Cap Growth Index.

Despite the still relatively tepid growth in many parts of the world and more recent resurgent concerns about lingering inflation and higher-for-longer interest rates, we remain very optimistic about the future given the extremely attractive valuations at which international small caps are trading. As an example, small caps valuations are at historic lows versus large caps, and the MSCI EAFE Small Cap Index is trading at the same levels it was at in 2018-2019, despite expected EBITDA levels near all-time highs. These levels are even more interesting as we expect growth in earnings to increase in many geographies over the next one to two years. We believe this creates not only a unique opportunity for the asset class as a whole, but also is leading us to find many attractively valued stocks with exceptional growth. International small caps historically offer one of the most attractive ponds to fish in, and over the past five years have consistently produced well over 50% of all of the world's top performing stocks each year (see below chart). We are excited by the continued new ideas we are finding.

% of Top 100 Performing Global Stocks that are Non-U.S. Small Caps:



(Source: Bloomberg)

Economic/Market Review

The equity markets performed well in Q1 2024. Earnings were generally better-than-expected. Economic and job reports out of the US were stronger than expected as inflation continued to tick lower, raising the possibility of a soft-landing scenario.

However, as we write this in early April, headline U.S. economic, labor and inflation reports are stronger-than-expected and are driving interest rates significantly higher, pointing to a Fed on a more prolonged pause as it contemplates the risk of higher-for-longer inflation. This, in turn, is driving the US dollar much higher vs. foreign currencies.

Europe

Unlike in the U.S., economic growth reports coming out of Europe continue to be very weak, with many countries registering a recession, measured as two consecutive quarters of negative GDP growth. Inflation rates are generally cooling, giving the central bankers more leeway to cut interest rates, which was the messaging from the Bank of England and the ECB during the quarter. It is interesting to note that in mid-April, the Euro Stoxx 50 Index of large cap European companies is up in US dollars about the same amount as the S&P 500 Index year-to-date. Maybe investors are beginning to price in interest rate cuts in Europe soon?

Japan

As with Europe, the Japanese economy is also registering weak growth. Q3 2023 was negative and Q4 2023 was barely positive. Despite the weaker economic growth, Japan's equity market continued to surge on shareholder friendly corporate reforms, low valuations, wage growth and the return of price rises, which are allowing companies to raise prices for the first time in decades, including many small Japanese companies. Certain sectors of the Japanese economy are also benefiting from geopolitical concerns driving a re-configuration of the global supply chains away from China. The government has capitalized on this by offering exceptionally large subsidies for companies willing to invest in building new semiconductor facilities in Japan. Japanese semiconductor companies are some of the best in the world in technologies relating to "back-end" semiconductor manufacturing processes. They specialize in areas like packaging, testing, assembly, and inspection. These are critical areas to support the growth of AI. The increase in processing power necessary for AI is driving the need for very advanced back-end processes to allow this to happen. Chips are being stacked on top of each other now to increase processing power. Increased memory storage needs are driving High-Bandwidth Memory (HBM) chips—something Micron Technologies cannot make enough of at this point. Semiconductor chip companies such as TSM, Micron, Intel, Samsung are all investing in Japan to gain access to their back-end technologies to help drive the growth of AI chips.

Asia Ex-Japan

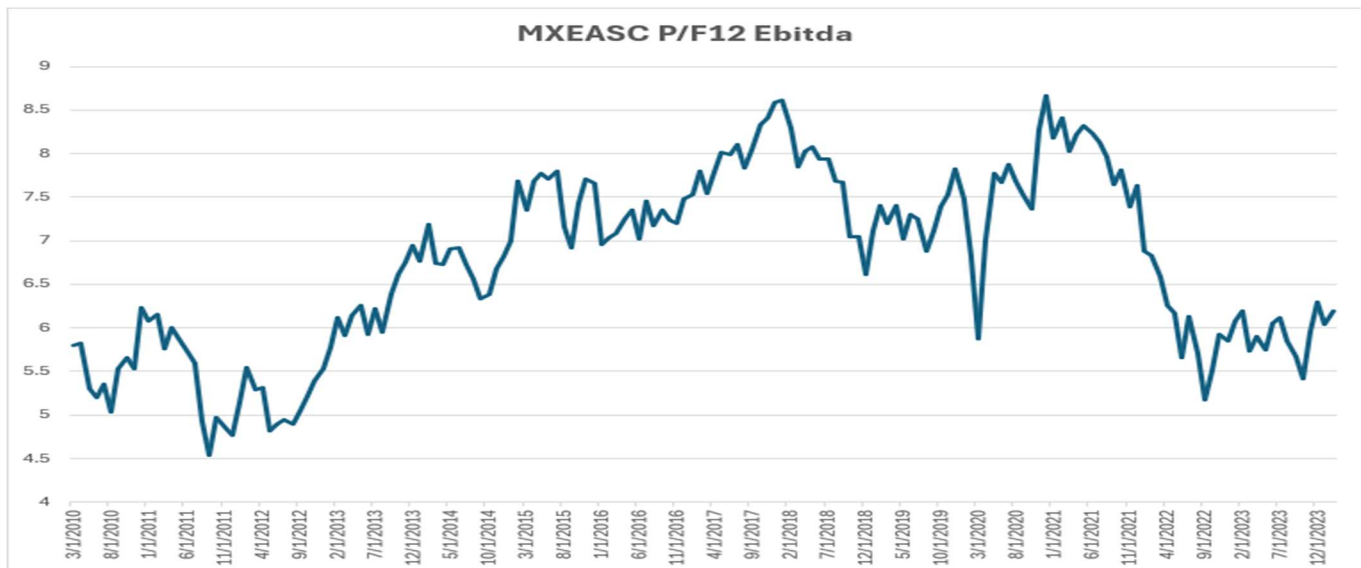
China continued to struggle with weak demand as their property market debt issues continued to suppress growth and several government stimulus measures have yet to improve the situation. Western export restrictions on sensitive technologies for national security purposes are also helping to dampen growth there. The equity market is reflecting this, registering another down year. In fact, the MSCI China Index has been one of the weakest markets over the last 3 years, trending down since February 2021. The weakness from this former growth engine of Asia has had a reverberating effect across the region. It has driven most markets lower for the year, including Australia, which is a large commodity supplier towards China. One exception is India, which is more of a domestic growth story and less reliant on Chinese growth. Many investors are expecting India to replace China as the powerful global growth engine. Just recently India's population surpassed that of China's.

Outlook

Like Rodney Dangerfield, small cap stocks continue to get no respect

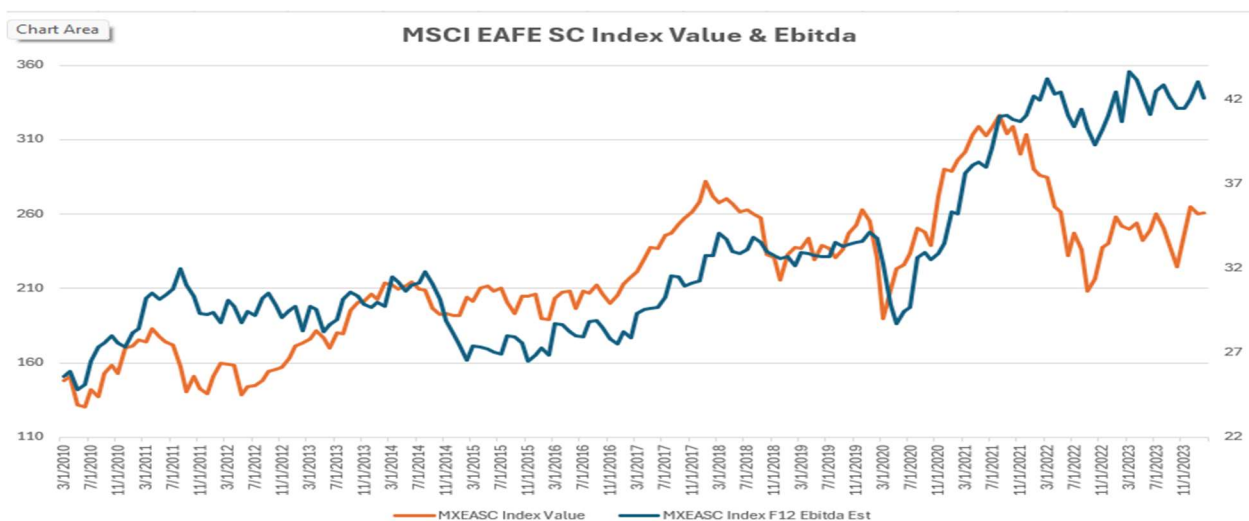
Their relative valuation to large cap stocks is at historical lows. Small cap stocks are viewed by investors as more interest rate sensitive. Many are dependent on bank loans for financing and may even use adjustable-rate loans. Furthermore, a substantial portion of the small cap benchmarks are comprised of companies with little to no earnings (such as biotechs), making them longer duration investments and, thus, more interest rate sensitive. They are also viewed as more tied to the economic cycle. So, when investors are concerned about rising interest rates and slowing growth, such as now, valuations in small cap stocks get compressed, even if earnings have not deteriorated much. At EGA, we believe that this has resulted in a unique opportunity for the asset class.

MSCI EAFE Small Cap Index Price-to-Forward 12 Month Ebitda Estimate (Apr 2010- Feb 2024):



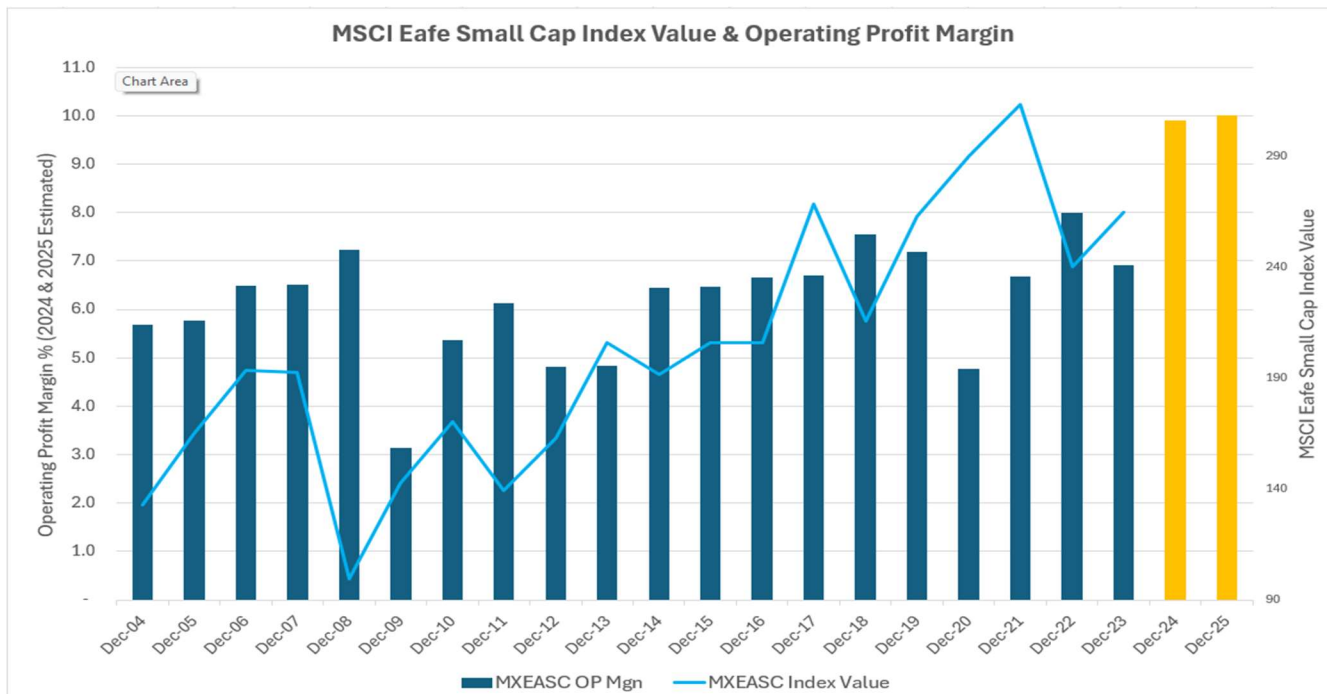
(Source: EGA, Bloomberg)

MSCI EAFE Small Cap Index Value & Forward 12-month Ebitda Estimate (Apr 2010-Feb 2024):



(Source: EGA, Bloomberg)

MSCI EAFE Small Cap Index Value & Operating Profit Margins (2004-2025):



(Source: EGA, Bloomberg)

The underperformance of the international small cap asset class is at an historically extreme level. This has made the asset class incredibly attractive from a risk/reward profile. We gathered data on the MSCI EAFE Small Cap Index all the way back to December of 1998 to calculate historical returns. We found some interesting observations. As of March 31, 2024, the current 3-year annualized rolling return of the MSCI EAFE Small Cap Index was -1.4%. Historically, when the index experienced a negative 3-year annualized rolling return, the subsequent 1 and 3-year annualized returns averaged 28.7% and 19.5%, respectively. In fact, the worst 3-year annualized return subsequent to the index experiencing a negative 3-year annualized return was 0.3% and the best was 44.7%.

MSCI EAFE Small Cap Index 1 & 3 Year Returns After Negative 3 Year Return Period:

	When 3-year rolling return is negative	When 3-year rolling return is positive
Avg 1-year forward return	28.7%	6.2%
Worst 1-year forward return	-15.9%	-53.5%
Best 1-year forward return	86.8%	45.3%
Avg 3-year forward return (annualized)	19.5%	13.1%
Worst 3-year forward return (annualized)	0.3%	-19.8%
Best 3-year forward return (annualized)	44.7%	27.1%
Current 3-year rolling return (annualized)	-1.4%	

(Source: Bloomberg, EGA)

As we mentioned in our opening paragraph, not only is the international small cap asset class at historically low valuations, but it turns out that this asset class is also a particularly good place to find many interesting investments for stock pickers. We analyzed the annual stock returns for every stock above \$500 million in market cap across twenty-one countries (developed and emerging--including the US) each calendar year from 2019 through 2023, and not only did we find that between 57% and 79% of the top one hundred stocks each year were non-U.S. small cap stocks, we also found that, depending on the year, between 35% and 52% of the world's stocks with an annual return greater than 100% had market caps of \$0.5b to \$1.0b, and between 21% and 29% had market caps between \$1.0b and \$2.0b.

Global Stocks with 100% or Greater Returns by Market Cap Bucket:



(Source: Bloomberg, EGA)

Our point here is that investors should not judge the asset class by the performance of its benchmark, which has over 2,000 stocks in it. Rather, investors should focus on the fact that there are many remarkably interesting growth stories outside of the US and that it is a very good opportunity-set for active managers to add value.

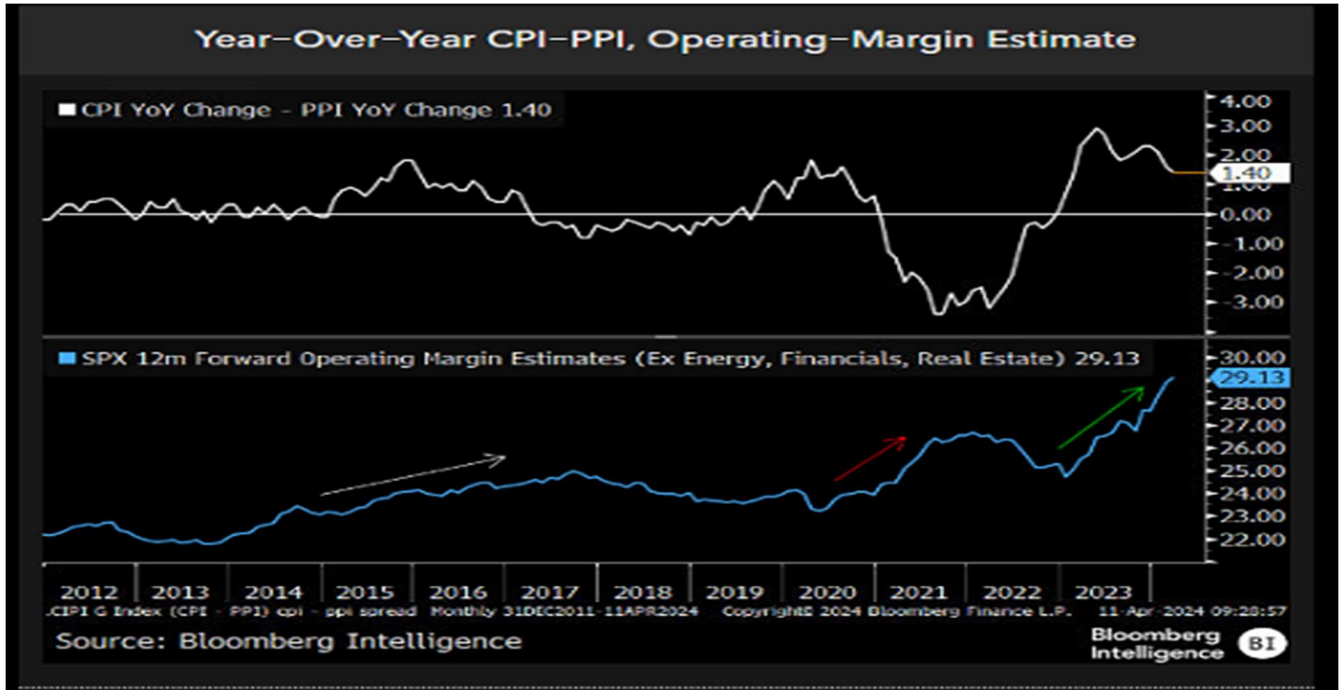
Like Napoleon Dynamite trying to get a date for the high school dance, it's very uncertain out there

The outlook for equity markets continues to be murky. Expectations for good economic growth along with declining interest rates and inflation have been dashed. US growth is currently stronger than expected and inflation has begun to tick up again. The outlook for interest rate cuts by the Fed went from several cuts in 2024, to maybe no cuts, or even interest rate hikes in 2024. This has caused longer-term interest rates to significantly rise again—the 10 Year US Treasury yield is at 4.5% currently. The Q1 earnings reporting season will be key in determining the direction of the market. If earnings can continue growing faster than analysts expect, we believe that the market will be fine. Investors are becoming increasingly comfortable with the idea that we can still have earnings growth in a more historically normal interest rate environment, unlike the years since the GFC. But if earnings disappoint in the context of higher inflation and interest rates, there could be a sizeable downside move in the markets.

One of the unique features of this post covid market is how much profit margins have increased in the face of strong inflationary pressures. We believe it is the result of companies being able to raise prices to an

extent that they have not been able to for decades. Despite their costs rising, they have been able to more than offset this with price increases, which consumers have been willing to accept. How much longer this can occur is anybody's guess. But judging by the current CPI minus PPI (proxy for corporate profit margins), it does not look like the situation will change in the near-term.

US Consumer Price Index (CPI) minus Producer Price Index (PPI) & S&P 500 Operating Profit Margin:



(Source: Bloomberg Intelligence)

Portfolio Review

Q1 2024 Returns: EGA International Small Cap net of fees +5.83% vs. +1.88% for MSCI EAFE Small Cap Growth Index

Stock Level Returns

EGA Top and Bottom 10 Stocks vs. MSCI EAFE Small Cap Growth Index for Q1 2024:

As Of Date	Currency	Universe Name	Benchmark Name	Display Units										
PREVIOUS_CALENDAR_QUARTER	DEFAULT_CURRENCY	INTL SC PORT	MXEA00SG	%										
Identifier	Avg % Wgt			% Return			% Contribution			Alloc	Selec	Curr	Tot Attr	
	Port	Bmrk	Active	Port	Bmrk	Active	Port	Bmrk	Active					
INTL SC PORT	100.00	100.00	-	6.04	1.92	4.11	6.04	1.92	4.11	-	4.04	0.07	4.04	
PKSHA TECHNOLOGY INC	2.58	0.04	2.53	50.70	50.70	0.00	1.85	0.02	1.86	-	1.87	(0.17)	1.87	
ASICS CORP	2.09	0.46	1.63	53.94	53.94	0.00	1.06	0.21	0.86	-	0.77	(0.07)	0.77	
PALADIN ENERGY LTD	2.16	0.18	1.99	32.98	32.98	0.00	0.60	0.05	0.56	-	0.52	(0.09)	0.52	
DEXERIALS CORP	1.27	0.15	1.12	52.47	52.47	0.00	0.57	0.07	0.51	-	0.50	(0.08)	0.50	
TOKYO SEIMITSU CO LTD	1.73	0.21	1.52	31.79	31.79	(0.00)	0.60	0.06	0.54	-	0.50	(0.07)	0.50	
LABORATORIOS FARMACEUTICOS R	2.45	0.12	2.33	31.39	31.39	(0.00)	0.57	0.03	0.54	-	0.45	(0.05)	0.45	
TRI CHEMICAL LABORATORIES IN	1.82	0.06	1.76	26.81	26.81	(0.00)	0.51	0.01	0.50	-	0.44	(0.09)	0.44	
NKT A/S	3.13	0.30	2.83	20.08	20.08	0.00	0.59	0.06	0.54	-	0.41	(0.07)	0.41	
HANWA CO LTD	2.66		2.66	12.18		12.18	0.32		0.32	-	0.34	(0.20)	0.34	
CREDIT SAISON CO LTD	1.74		1.74	17.47		17.47	0.29		0.29	-	0.30	(0.13)	0.30	
EBARA CORP		0.51	(0.51)		53.88	(53.88)		0.23	(0.24)	-	(0.23)	0.03	(0.23)	
SAFESTORE HOLDINGS PLC	0.79		0.79	(13.17)		(13.17)	(0.27)		(0.27)	-	(0.26)	(0.02)	(0.26)	
SCREEN HOLDINGS CO LTD		0.44	(0.44)		47.92	(47.92)		0.26	(0.27)	-	(0.28)	0.04	(0.28)	
EVOTEC SE	0.23	0.17	0.05	(29.35)	(33.52)	4.17	(0.43)	(0.09)	(0.34)	-	(0.30)	(0.02)	(0.30)	
HUGO BOSS AG -ORD	0.96	0.28	0.68	(21.65)	(20.84)	(0.80)	(0.39)	(0.07)	(0.32)	-	(0.31)	(0.02)	(0.31)	
X-FAB SILICON FOUNDRIES SE	0.58	0.04	0.54	(25.04)	(32.63)	7.59	(0.36)	(0.02)	(0.34)	-	(0.32)	(0.03)	(0.32)	
APPIER GROUP INC	1.62	0.06	1.56	(21.15)	(21.15)	0.00	(0.42)	(0.01)	(0.41)	-	(0.43)	(0.10)	(0.43)	
LANDIS + GYR GROUP AG	2.51		2.51	(14.86)		(14.86)	(0.48)		(0.48)	-	(0.45)	(0.18)	(0.45)	
RAKUS CO LTD	1.69	0.10	1.59	(26.83)	(26.83)	0.00	(0.56)	(0.03)	(0.53)	-	(0.50)	(0.13)	(0.50)	
AIXTRON SE	2.10	0.30	1.79	(38.04)	(38.04)	0.00	(1.01)	(0.14)	(0.87)	-	(1.02)	(0.02)	(1.02)	

(Source: Bloomberg, EGA)

Our best stock was PKSHA Technology. It is a Japanese company that operates as a B2B AI company-- providing natural language processing/voice technology services to improve contact center intelligence and worker support to help cover labor shortages. They saw a strong increase in demand for their products during the quarter as companies rapidly moved to apply AI to their contact centers. Our next best stock was Asics Corp. It is a Japanese athletic apparel company, manufacturing athletic shoes and sportswear. New product designs in running shoes and a re-focus back into running shoes and away from athletic apparel has benefited growth and profit margins. Our worst stock was Aixtron. It is a German company that manufactures semiconductor equipment. The loss of a large client, AMS Osram AG, came as a surprise and drove growth estimates lower. Our next worst stock was Rakus. It is a Japanese IT Software/Services company involved in the Cloud. It is a direct play off the digital transformation of corporate Japan and, specifically, the Japanese government mandating that all invoices become digital. There was no bad news for the company during the quarter. Its relatively high valuations combined with no earnings guidance upgrade contributed to its decline during the quarter.

Sector Level Returns

EGA Return Attribution by ICB Sectors vs. MSCI EAFE Small Cap Growth Index Q1 2024:

Identifier	Avg % Wgt			CTR			Tot Rtn			Alloc	Selec	Curr	Tot Attr ↓
	Port	Bmrk	Active	Port	Bmrk	Active	Port	Bmrk	Active				
INTL SC PORT	100.00	100.00	0.00	6.04	1.92	4.11	6.04	1.92	4.11	1.22	2.82	0.07	4.04
▶ Basic Materials	9.66	5.87	3.79	1.58	0.06	1.54	17.93	1.01	16.92	-0.69	2.07	-0.14	1.38
▶ Consumer Discretionary	17.73	16.96	0.77	1.67	0.22	1.46	9.46	1.34	8.12	0.49	0.81	0.10	1.30
▶ Technology	20.88	16.30	4.58	0.99	0.40	0.61	4.61	2.17	2.43	0.69	-0.05	-0.40	0.64
▶ Consumer Staples	5.46	9.39	-3.93	0.36	0.02	0.33	7.82	0.30	7.51	0.05	0.34	0.24	0.38
▶ Health Care	11.53	9.60	1.93	0.48	0.04	0.45	4.74	0.49	4.25	0.00	0.38	-0.07	0.38
▶ Utilities	0.87	3.23	-2.35	0.14	-0.11	0.25	17.22	-2.84	20.05	0.22	0.11	0.08	0.32
▶ Telecommunications	1.41	1.41	-1.41	-0.04	-0.04	0.04	-2.52	2.52	0.08	0.00	0.00	0.05	0.08
▶ Financials	7.27	5.44	1.83	0.45	0.44	-0.01	5.59	8.18	-2.60	0.27	-0.25	-0.13	0.02
▶ Industrials	19.71	25.56	-5.86	0.68	0.98	-0.34	4.08	3.81	0.27	0.22	-0.32	0.24	-0.10
▶ Energy	1.95	2.75	-0.80	-0.14	-0.02	-0.12	-1.78	-0.51	-1.27	0.11	-0.22	0.05	-0.10
▶ Not Classified	1.50	1.50	0.00	0.00	0.00	0.00	0.00	0.00	-0.12	0.00	0.00	0.00	-0.12
▶ Real Estate	3.45	3.51	-0.06	-0.17	-0.07	-0.10	-1.37	-2.03	0.66	-0.09	-0.05	0.06	-0.14

(Source: Bloomberg, EGA)

At the sector level, we added some positive allocation effect with our sector positioning, but stock selection contributed the most. Basic Materials was our best performing sector. This was driven by our uranium plays in the portfolio. The spot price of uranium, a mandatory element in the production of nuclear energy, trended up for the quarter on increased demand globally for nuclear energy as well as supply issues from Kazakhstan. Consumer Discretionary was our next best sector. Much of this was driven by our success in Asics, mentioned above. Real Estate was our worst sector. We have little invested there, but one of the three real estate stocks that we own, Safestore, performed poorly. Our next worst sector was Energy. We had small weights in three oil/gas equipment stocks there, which performed poorly. We no longer hold two of those names.

Country Level Returns

EGA Return Attribution by Country vs. MSCI EAFE Small Cap Growth Index Q1 2024:

Actions ▾ Export Settings ▾													
Workspace Vince (Default) ☆ 🗑️ Default													
INTL SC PORT +													
Intraday Positions Aggregate Trend Aggregate w/ Returns Attribution ▾ TEV +													
Attribution Navigator >> Summary													
Overview Asset Allocation & Security Selection Custom													
Column Set Default 🗑️ Hide/Show													
Identifier	Avg % Wgt			CTR			Tot Rtn			Alloc	Selec	Curr	Tot Attr
	Port	Bmrk	Active	Port	Bmrk	Active	Port	Bmrk	Active				
INTL SC PORT	100.00	100.00	0.00	6.04	1.92	4.11	6.04	1.92	4.11	-0.45	4.49	0.07	4.04
▸ Japan	34.26	34.68	-0.42	4.35	1.11	3.26	13.10	3.27	9.84	-0.03	3.22	0.08	3.19
▸ Australia	7.18	8.77	-1.59	1.25	0.35	0.89	17.99	4.18	13.81	-0.02	0.92	0.08	0.90
▸ Spain	2.45	1.20	1.25	0.57	0.03	0.54	31.39	2.91	28.47	-0.09	0.59	-0.03	0.50
▸ Sweden	7.92	7.09	0.82	0.44	-0.01	0.46	5.01	-0.17	5.19	0.15	0.23	-0.08	0.38
▸ France	5.25	3.64	1.62	0.38	-0.01	0.39	6.05	-0.60	6.65	-0.09	0.39	-0.03	0.30
▸ Ireland	1.60	0.27	1.33	0.32	-0.01	0.34	21.27	-4.34	25.61	-0.11	0.38	-0.03	0.27
▸ United Kingdom	8.63	13.65	-5.02	0.12	0.20	-0.09	2.50	1.58	0.92	0.17	0.09	0.05	0.26
▸ Singapore		1.65	-1.65		-0.11	0.11		-6.32	6.32	0.18	0.00	0.04	0.18
▸ Denmark	3.13	2.95	0.18	0.59	0.39	0.19	20.08	13.97	6.12	0.01	0.17	0.00	0.18
▸ Netherlands	1.52	1.09	0.43	0.20	0.02	0.17	12.66	2.05	10.62	-0.01	0.16	-0.01	0.15
▸ Hong Kong		1.36	-1.36		-0.05	0.05		-3.20	3.20	0.14	0.00	0.00	0.14
▸ Switzerland	6.67	5.60	1.07	0.09	-0.01	0.10	1.13	-0.10	1.23	0.02	0.08	-0.09	0.10
▸ Malaysia		0.29	-0.29		-0.09	0.09		-24.02	24.02	0.09	0.00	0.01	0.09
▸ Finland		0.97	-0.97		-0.01	0.01		-1.05	1.05	0.05	0.00	0.02	0.05
▸ Italy	4.26	3.07	1.20	0.26	0.17	0.08	4.54	5.53	-0.98	0.01	0.03	-0.03	0.04
▸ Luxembourg		0.30	-0.30		-0.01	0.01		-2.71	2.71	0.02	0.00	0.01	0.02
▸ Austria	1.80	0.47	1.33	-0.06	-0.12	0.07	0.68	-22.95	23.63	-0.38	0.39	-0.03	0.01
▸ United Arab Emirates		0.18	-0.18		0.00	0.00		-0.04	0.04	0.01	0.00	0.00	0.01
▸ Jersey		0.12	-0.12		0.00	0.00		-0.24	0.24	0.01	0.00	0.00	0.01
▸ Gibraltar		0.03	-0.03		0.00	0.00		-8.22	8.22	0.00	0.00	0.00	0.00
▸ Isle of Man		0.10	-0.10		0.00	0.00		1.92	-1.92	0.00	0.00	0.00	0.00
▸ United States		0.20	-0.20		0.00	0.00		1.95	-1.95	0.00	0.00	0.01	0.00
▸ Cyprus		0.02	-0.02		0.00	0.00		6.51	-6.51	0.00	0.00	0.00	0.00
▸ Macau		0.02	-0.02		0.00	0.00		5.78	-5.78	0.00	0.00	0.00	0.00
▸ New Zealand		0.69	-0.69		0.02	-0.02		2.53	-2.53	-0.01	0.00	0.04	-0.01
▸ Poland		0.23	-0.23		0.03	-0.03		11.60	-11.60	-0.02	0.00	0.00	-0.02
▸ Malta		0.22	-0.22		0.03	-0.03		13.69	-13.69	-0.03	0.00	0.01	-0.03
▸ Portugal	0.28	0.12	0.16	-0.04	0.01	-0.05	-4.39	7.33	-11.72	0.05	-0.08	-0.01	-0.03
▸ Bermuda	0.16	0.17	-0.01	-0.04	-0.01	-0.04	-8.59	-1.54	-7.05	-0.03	-0.01	0.01	-0.04
▸ China		0.27	-0.27		0.05	-0.06		21.65	-21.65	-0.04	0.00	0.01	-0.04
▸ Faeroe Island		0.23	-0.23		0.05	-0.05		22.65	-22.65	-0.05	0.00	0.01	-0.05
▸ Panama	0.94	0.94	-0.01		-0.01	-0.01	-0.40		-0.40	-0.07	0.00	0.00	-0.07
▸ Mexico	0.77	0.77	-0.02		-0.02	-0.02	-1.55		-1.55	-0.08	0.00	0.01	-0.08
▸ Canada	3.00	3.00	-0.01		-0.01	-0.01	-1.11		-1.11	-0.10	0.00	-0.09	-0.10
▸ Not Classified	1.50	1.50	0.00		0.00	0.00	0.00		0.00	-0.12	0.00	0.00	-0.12
▸ Norway	0.59	1.63	-1.04	-0.21	-0.06	-0.15	-19.74	-3.57	-16.17	0.00	-0.13	0.07	-0.14
▸ Israel	1.86	2.95	-1.08	-0.05	0.21	-0.27	-2.83	7.01	-9.84	-0.01	-0.21	0.04	-0.23
▸ Belgium	0.58	1.06	-0.48	-0.36	-0.06	-0.30	-25.04	-4.90	-20.14	0.04	-0.27	-0.01	-0.23
▸ Germany	5.63	4.71	0.91	-1.73	-0.20	-1.54	-24.35	-4.28	-20.07	-0.11	-1.46	-0.02	-1.57

(Source: Bloomberg, EGA)

At the country level, our allocation effect was negative for the quarter as we were slightly overweight some European countries that underperformed. But strong stock selection more than compensated for this. Japan was our best performing country. We had many stocks perform well in Japan. In addition to the couple listed above, we had a few semiconductor equipment/materials plays whose growth is driven by AI, which performed well. Japan also happened to be our largest country weight at about 34%, similar to the benchmark. Australia was our next best country. Three of our four stocks here performed very well--a uranium miner named Paladin Energy, an online travel agency named Webjet, and a data center provider named NextDC. Our worst country was Germany. Much of this was driven by the poor performance in Aixtron mentioned above. Belgium was our next worst country. This was entirely driven by one stock, X-Fab Silicon Foundries, which reported disappointing quarterly results.

Factor Performance

The decline in longer-term interest rates that materialized in Q4 2023 along with the more dovish tones by central bankers around the globe, resulted in increased optimism by investors. The growing belief that the economy would have a soft landing with lower interest rates and inflation benefited growth-oriented stocks. For the first time in a while, typical characteristics of stocks that we find attractive began to work better than they did last year. Factors such as earnings estimate revisions and relative price strength began to work as investors became increasingly convinced of a more sustainable growth path for the economy.

US Small Cap Factor Performance for Q1 2024 & 2023:

Universe	Sector	Return Calculation	Return
RTY Index	All Sectors	Geometric	Net Long-Short (High-Low)
Style	Factor/Driver Name (13)	1Q24	2023
Trade Activity	Liquidity	9.46 %	5.87 %
Share Buybacks	1Y Share Buyback	9.23 %	15.22 %
Size	Market Capitalization	8.61 %	7.04 %
Multi-Factor	BI MVVP Multi-Factor Score	7.14 %	10.55 %
Growth	Growth	5.42 %	12.77 %
Value	Value	4.09 %	19.57 %
Momentum	Momentum	3.41 %	(1.88)%
Revisions	3M EPS Revision % (FY1)	(0.43)%	(6.29)%
Short Interest	SI Days to Cover	(2.41)%	(4.01)%
Dividends	Dividend Yield	(4.76)%	0.43 %
Quality	Quality	(4.96)%	(1.22)%
ESG	ESG Disclosure Score	(7.63)%	(7.22)%
Volatility	Low Volatility	(16.09)%	(14.47)%

(Source: Bloomberg)

Portfolio Strategy

At EGA, we are searching for the small cap beneficiaries of the strong secular growth trends we have identified. One of the companies that we own is called Towa Corp. It is a Japanese semiconductor equipment company, specializing in the manufacturing of semiconductor molding equipment. They are one of the key beneficiaries of the booming AI-driven demand for high-bandwidth memory. According to the research firm TechInsights, Towa Corp. has two thirds of the world's chip molding equipment market. It is a critical step that encases chip die and wires with resin, protecting them from dust, moisture and impact so they can be safely stacked together to give AI processors, such as Nvidia's, more capabilities to better train AI. In fact, their lead in this area is expanding as clients such as SK Hynix, Samsung Electronics and Micron Technology buy their compression molding tools. Since last summer, SK Hynix and Samsung together placed orders for twenty-two of these machines, with each machine costing around \$2 million and some machines earning gross profit margins of more than 50%. According to the CEO, the company holds almost 100% market share for molding machinery for high-end chips and the high-bandwidth memory chip market is just getting started. Towa is preparing its next product, which seeks to halve the cost of molding and double processing speeds (Source: Bloomberg News).

At quarter-end, we had a portfolio that was overweight growth sectors such as technology and healthcare. The overweight was driven by interesting themes that are occurring independent of where the economic cycle is. Within technology, the growth of AI is helping to drive tremendous growth in many semiconductor and software-related stocks. Within healthcare, the insatiable appetite for GLP-1 weight loss drugs (no pun intended) is helping to drive sales of many small suppliers of medical equipment such as injection systems, syringes, vials, etc... We are positioned in both areas to benefit from this growth.

As we write this piece, US inflation has surprisingly ticked up, oil prices have surged on the Israel/Iran conflict and longer-term interest rates are rising again, driving a sell-off in equities.

Given the severe underperformance and valuation declines in small cap equities, the asset class looks attractive to longer-term investors. Historically, some of the largest advances in the asset class have come after periods of severe underperformance. Additionally, there are many exciting ideas in this large opportunity set, making it a wonderful area for stock pickers such as us. As always, we stand ready to adjust the risk profile, as necessary.

Vincent Willyard, CFA -- Chief Investment Officer / Lead Portfolio Manager
Stephen Derkash – Co-Portfolio Manager
Evolution Global Advisors, LLC
April 17, 2024

Disclosures

Evolution Global Advisors, LLC (“EGA”) is an investment adviser registered with the California Department of Financial Protection and Innovation; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

This fact sheet is being provided for informational purposes only and should not be considered investment advice or a recommendation to buy or sell any types of securities. No investment decision should be made based solely on the information provided herein. The views expressed herein are those of the author and do not necessarily reflect the views of EGA or its affiliates. All opinions are subject to change without notice. Neither the information provided, nor any opinion expressed therein, constitutes a solicitation for the purchase or sale of any security.

This report contains forward-looking statements and there can be no guarantees they will come to pass. Historical data shown represents past performance and does not guarantee comparable future results. The information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the strategy. The information and statistical data contained herein have been obtained from sources believed to be reliable but in no way are guaranteed by EGA as to accuracy or completeness. Opinions expressed herein are subject to change without notice. EGA, or one or more of its officers and/or employees, may have a position in the securities held by clients and may purchase or sell such securities from time to time. There is no guarantee that the investments mentioned in this report will be in each client's portfolio. Asset allocation, diversification and rebalancing do not guarantee a profit or protect against a loss. EGA does not provide tax or legal advice. Individuals are encouraged to consult their tax and legal advisors regarding any potential tax and related consequences of any investments made under their account.

The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended for clients, or the Strategy. It should not be assumed that investments in the securities identified and discussed were or will be profitable. EGA will maintain, and make available to examiners or clients upon request, records that evidence: (1) the complete list of all securities recommended, bought or sold in the preceding year for the Strategy discussed in the report; (2) the information set forth in Rule 206(4)-1(a)(2)(A) for each recommendation; and (3) the criteria used to select the specific securities listed in the report.

All investments involve risk, including loss of principal invested. The strategy and investments referenced may not be suitable for all investors as the appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it.

Definitions of Benchmarks and Data Series:

- S&P 500 Index – A market capitalization weighted index of the 500 largest U.S. publicly traded companies.
- S&P 600 Index -- A market capitalization weighted index of 600 U.S. publicly traded small cap companies.
- S&P 400 Index -- A market capitalization weighted index of 400 U.S. publicly traded mid cap companies.
- S&P 500 Growth Index -- A market capitalization weighted index of the fastest growing companies in the S&P 500.
- S&P 500 Value Index -- A market capitalization weighted index of the lowest valued companies in the S&P 500.
- S&P 500 Equal Weighted Index – An equal-weighted version of the S&P 500 Index.
- SPDR S&P 500 Trust ETF (SPY) – An exchange-traded fund that tracks the performance of the S&P 500 Index.
- Russell 2000 Index—an index of 2,000 publicly traded U.S. small cap stocks that rank from 1,001 to 3,000 in size.
- Russell 2000 ETF (IWM) -- An exchange-traded fund that tracks the performance of the Russell 2000 Index—an index of 2,000 publicly traded U.S. small cap stocks that rank from 1,001 to 3,000 in size.

--Russell 2000 Value ETF (RUJ) – An exchange-traded fund that tracks the performance of the Russell 2000 Value Index—an index of those Russell 2,000 publicly traded U.S. small cap stocks that have lower price-to-book ratios and lower expected and historical growth rates.

--Russell 2000 Growth ETF (RUO) – An exchange-traded fund that tracks the performance of the Russell 2000 Growth Index—an index of those Russell 2,000 publicly traded U.S. small cap stocks that have higher price-to-book ratios and higher expected and historical growth rates.

-- Russell 1000 Growth Index—an index of those Russell 1,000 largest publicly traded U.S. large cap/ mid cap stocks that have higher price-to-book ratios and higher expected and historical growth rates.

-- Russell 1000 Value Index—an index of those Russell 1,000 largest publicly traded U.S. large cap/ mid cap stocks that have lower price-to-book ratios and lower expected and historical growth rates.

--Russell 1000 Value ETF (IWD) – An exchange-traded fund that tracks the performance of the Russell 1000 Value Index—an index of those Russell 1,000 largest publicly traded U.S. large cap/ mid cap stocks that have lower price-to-book ratios and lower expected and historical growth rates.

--Russell 1000 Growth ETF (IWF) – An exchange-traded fund that tracks the performance of the Russell 1000 Growth Index—an index of those Russell 1,000 largest publicly traded U.S. large cap/ mid cap stocks that have higher price-to-book ratios and higher expected and historical growth rates.

--Nasdaq Composite Index – A market capitalization weighted index of over 2,500 common equities listed on the Nasdaq stock exchange.

--Dow Jones Transportation Index – A price weighted index of 20 transportation stocks traded in the US.

--MSCI EAFE Small Cap Index – A market capitalization weighted index of approximately 2,354 small cap constituents from developed markets across the world excluding the US and Canada.

--MSCI EAFE Small Cap ETF (SCZ) – An exchange-traded fund that tracks the performance of the MSCI EAFE Small Cap Index-- A market capitalization weighted index of approximately 2,354 small cap constituents from developed markets across the world excluding the US and Canada priced in US dollars.

-- MSCI EAFE Small Cap ETF (HSCZ) – An exchange-traded fund that tracks the performance of the MSCI EAFE Small Cap Index Local Currencies-- A market capitalization weighted index of approximately 2,354 small cap constituents from developed markets across the world excluding the US and Canada and priced in local currencies.

--MSCI EAFE ETF (EFA) -- An exchange-traded fund that tracks the performance of the MSCI EAFE Index—an index of large and mid-cap publicly traded stocks across 21 developed market countries, excluding the U.S. and Canada.

--MSCI EM ETF (EEM) -- An exchange-traded fund that tracks the performance of the MSCI Emerging Markets Index—an index of large and mid-cap publicly traded stocks across 27 emerging market countries.

--MSCI China ETF (MCHI) -- An exchange-traded fund that tracks the performance of the MSCI China Index—an index of large and mid-cap publicly traded stocks listed on the Shanghai and Shenzhen exchanges.

--CRB Commodity Index (CRB) -- Thomson Reuters/Core Commodity CRB Index is calculated using arithmetic average of commodity futures prices with monthly rebalancing. The index consists of 19 commodities: Aluminum, Cocoa, Coffee, Copper, Corn, Cotton, Crude Oil, Gold, Heating Oil, Lean Hogs, Live Cattle, Natural Gas, Nickel, Orange Juice, RBOB Gasoline, Silver, Soybeans, Sugar and Wheat. Those commodities are sorted into 4 groups, with different weightings: Energy: 39%, Agriculture: 41%, Precious Metals: 7%, Base/Industrial Metals: 13%.

--Bloomberg Commodity Spot Index (BCOMSP) – An index provided by Bloomberg that tracks spot prices of physical commodities on commodity markets by using near-maturing commodity futures. The index is designed to minimize concentration in any one commodity or sector. It currently has 23 commodities in six sectors.

--S&P GSCI Index – A benchmark commodities index that tracks the performance of the global commodities market. It is made up of 24 exchange-traded futures contracts that cover commodities spanning five sectors.

--Bloomberg US Aggregate Bond Index (LBSTRUU) – An index provided by Bloomberg that is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. It includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

--Invesco DB Commodity Index tracking ETF (DBC) -- An exchange-traded fund that tracks the performance of the DBIQ Optimum Yield Diversified Commodity Index—an index composed of future contracts on 14 of the most heavily traded and important physical commodities in the world.

--CBOE Interest Rate 10 Year Treasury Note Yield Index – An index of the yield-to-maturity of the most recently auctioned 10-year Treasury notes (usually occurs every 3 months). The index value is calculated by multiplying 10 x the yield-to-maturity.

--Sovereign 10 Year Bond Yields – The current yield-to-maturity of a 10-year sovereign bond for each respective country.

--US Dollar Index -- DXY is the symbol for the US dollar index, which tracks the price of the US dollar against six foreign currencies, aiming to give an indication of the value of USD in global markets. The index rises when the USD gains strength against the other currencies and falls when the dollar weakens.

--WTI Crude Oil Price – CL1 Commodity. The ICE West Texas Intermediate (WTI) Light Sweet Crude Oil Futures Contract offers participants the opportunity to trade one of the world's most liquid oil commodities in an electronic marketplace. The contract not only brings the benefits of electronic trading a US light sweet crude marker, but also brings together the world's most significant crude benchmarks on a single exchange: Brent, (Platts) Dubai, and WTI, as well as the emerging benchmarks Murban and Midland WTI AGC.

--COMEX Copper Index Futures -- Copper futures are widely traded on the London Metal Exchange (LME), at the COMEX and on the Multi-Commodity Exchange in India. The standard contract is 25,000 lbs.

--UK Natural Gas Price (FN1 Comdty) – Future price of UK Natural Gas for a contract of 1000 therms per calendar day. Price quoted in British Pounds/therm. Rolling future contracts.

--Invesco DB US Dollar Index Bullish Fund (UUP) -- An exchange-traded fund that tracks the performance of the Deutsche Bank Long USD Currency Portfolio Index—an index that tracks the performance of the U.S. Dollar relative to a basket of the 6 major world currencies (Euro, Yen, Pound, Canadian Dollar, Swedish Krona, Swiss Franc)

--ISM Manufacturing Index – calculates manufacturing activity-based survey conducted every month by Institute for Supply Management (ISM) of purchasing managers from more than 300 manufacturing companies.

--ISM Non-Manufacturing Index – An economic index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives.

--S&P Global Manufacturing & Non-Manufacturing PMI Index – A survey of senior executives at private sector manufacturing companies. It is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. It is more broad-based than the ISM Manufacturing Index.

-- Treasury Inflation-Protected Security (TIPS) – A Treasury bond that is indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money. The Breakeven Inflation rate is calculated as the difference between the Treasury yield and the TIPS bond yield.

--Inflation Rate CPI – The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services. It is produced monthly and measured on a year-over-year rate.

--PPI – The Producer Price Index measures for producers the US price changes for commodities sold for personal consumption, capital investment, government and export.

--Core Inflation Rate -- The Core Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services excluding food and energy. It is produced monthly and measured on a year-over-year rate.

--Employment Cost Index (ECI) – A quarterly economic series published by the Bureau of Labor Statistics that details the growth of total employee compensation.

--Average Hourly Earnings Growth – The growth of the average hourly earnings for all workers in the US economy.

--GDP – The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. It is produced quarterly and measured on a year-over-year rate.

--Industrial Production – Measures the output of businesses integrated in industrial sector of the economy such as manufacturing, mining and utilities.

--M2 Money Supply – In the U.S., a broad-based measurement of the amount of money in circulation that includes cash, checking deposits and easily convertible near money.

-- Owners' Equivalent Rent -- Owners' equivalent rent (OER) is the amount of rent that would have to be paid in order to substitute a currently owned house as a rental property.

--ARK Innovation ETF (ARKK) – Actively managed ETF focusing on disruptive innovation stocks.

--Energy Select Sector SPDR Fund (XLE) – An ETF that tracks the market cap weighted index of US energy companies in the S&P 500.

--iShares 20+ Year Treasury Bond ETF (TLT) – An ETF that seeks to track the investment results of an index composed of U.S. Treasury Bonds with remaining maturities greater than 20 years.

--SPDR S&P Metals & Mining ETF (XME) – An ETF that tracks the metals and mining segment of the S&P Total Market Index of US companies.

--N. America Fertilizer Price Index – Provided by Green Markets, fertilizer benchmark across multiple nutrients (Urea, Potash, DAP) weighted by annual demand value for each nutrient.

--UN Food and Agriculture World Food Price Index – Provided by the UN, the index tracks monthly changes in the international prices of a basket of commonly traded food commodities.

--University of Michigan Consumer Sentiment

--Real Wage Growth – Year-over-year % change in average hourly earnings of production and nonsupervisory employees, total private sector minus year-over-year change in consumer price index, urban households, seasonally adjusted. Provided by the US Bureau of Labor Statistics.

--New Tenant Repeat Rent Index – An index constructed by the Cleveland Fed and the Bureau of Labor Statistics to measure changes in rents for new tenants rather than the average of all renters.

--All Tenant Repeat Rent Index – An index constructed by the Cleveland Fed and the Bureau of Labor Statistics to measure changes in rents for all existing tenants.

--US Unemployment Rate – A Bureau of Labor Statistics indicator that measures the number of people actively looking for a job as a percentage of the labor force.

--US Labor Force Participation Rate – A Bureau of Labor Statistics indicator that measures the number of employed and unemployed people looking for a job as a percentage of the population aged 16 years and over.

--US Employed Persons – A Bureau of Labor Statistics indicator that measures the number of people employed with a minimum required age who work during a certain time for a business.

--Fed Funds Rate – The target interest rate set by the Federal Open Market Committee (FOMC) at which commercial banks borrow or lend their excess reserves to each other overnight.

--High Yield Spread – Calculated by taking the Barclays Capital US Corporate High Yield Yield-To-Worst minus the US Generic Government 10 Year Yield.

--Bloomberg Economic Regime Index-- The index analyzes monthly changes in key inputs that factor into calling for a recession, including capacity utilization, jobless claims, manufacturing and sentiment.

--% of Top 100 Performing Global Stocks that are Non-U.S. Small Caps Chart – Measured across all developed countries (including US) as well as most emerging markets in US dollar total returns. The minimum market cap for the universe is \$500 million with no maximum. Non-US small cap stocks defined as those with market caps at \$5 billion or below.

-- MSCI EAFE Small Cap Index 1 & 3 Year Returns After Negative 3 Year Return Period Chart – 3 year historical annualized returns calculated on a rolling monthly basis. For each negative 3 year return point, a subsequent 1 & 3 year annualized return calculation was made. The average 1 & 3 year forward returns were calculated by averaging all of the 1 & 3 year forward returns for each month where the historical 3 year annualized return was negative.

-- Global Stocks with 100% or Greater Returns by Market Cap Bucket – All stocks with 100% or greater US dollar returns measured across all developed countries (including US) as well as most emerging markets. Categorized by various US Dollar market cap buckets at the beginning of the performance measurement period.

-- MSCI EAFE Small Cap Index Value & Forward 12 Month EBITDA Charts: MSCI EAFE Small Cap Index value is the value provided by Bloomberg. EBITDA is calculated by taking the (EBITDA value for each equity

* respective number of shares in the index * FX Rate)/(Index Divisor * Coverage Factor). Coverage Factor is the free float market cap.

-- MSCI EAFE Small Cap Index Value & Operating Profit Margins Chart – Index values provided by Bloomberg. Operating margins are actual reported aggregated from each constituent in the index. Estimated Operating Margins are using the Bloomberg consensus mean estimate for the years 2024 and 2025.

The time frames used for charts is typically over the last 5 years as this length can highlight recent performance in a longer-term context over a full economic cycle. In some instances, charts may be shortened to the last 3 months to highlight the trends that occurred during the quarter. In other instances, charts may be lengthened to 10 or 20 years to highlight how the recent data point exceeded a very long historical maximum or minimum point.