Integrity Asset Management

Catalyst

Portfolio Update and Market Outlook

As of April 30, 2026

How long? How long must we sing this song?
How long? How long? – U2 Sunday Bloody Sunday

Active management, notably in the SMID value space, continues to struggle. Only five percent of managers beat the Russell 2500™ Value Index in April. A mere three percent have outperformed since the liberation day market low. (Jefferies Manager Scorecard 5/1/2026).

The retail-driven AI trade has left value investors watching from the sidelines. Even former value stocks have risen to heights many deem fundamentally unacceptable for investment.

For example, Sandisk (SNDK) a manufacturer of solid-state memory products, has grown to a market capitalization of $209 billion (5/5/26). The stock now carries almost a 4% weight in the Russell 2500™ Value Index.

Like most technology, memory prices have generally declined every year. However, the surge in AI capital expenditure has resulted in a price surge, more than tripling since April 30, 2025 (Bloomberg: 256 GB Flash April 30, 2025-April 30, 2026). How long will prices continue to rise?

SNDK spun out of Western Digital in 2025, so historical earnings aren't wholly reliable. However, according to Bloomberg data, SNDK lost $11.32 per share in 2025. However, they have earned $30.50 per share over the last 12 months. For 2026, the company is expected to earn $51.38 per share. Earnings are expected to more than triple to $163.98 in 2027 and remain flattish for 2028 and 2029. How long can this earnings trend continue?

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Daniel G. Bandi, CFA *is Integrity's Chief Investment Officer and Lead Portfolio Manager for the Small Cap Value and Small/Mid Cap Value equity strategies.*

Performance (%) as of April 30, 2026

Rep. Accounts	MTD				QTD				YTD			
	Gross	Net	BM	vs BM	Gross	Net	BM	vs BM	Gross	Net	BM	vs BM
Small Cap Value	9.60	9.51	9.66	-0.06	9.60	9.51	9.66	-0.06	15.40	15.01	15.09	+0.30
Small/Mid Cap Value	8.16	8.07	10.36	-2.20	8.16	8.07	10.36	-2.20	10.41	10.04	15.63	-5.22
Mid Cap Value	7.56	7.49	7.58	-0.02	7.56	7.49	7.58	-0.02	11.56	11.26	11.54	+0.01
Micro Cap Value	13.03	12.94	10.57	+2.46	13.03	12.94	10.57	+2.46	23.63	23.21	16.94	+6.69

Source: SEI. **Past performance does not guarantee future results.** Representative accounts are those of the Integrity Small Cap Value Equity Strategy (Benchmark (BM): Russell 2000® Value Index), Integrity Small/Mid Cap Value Equity Strategy (BM: Russell 2500™ Value Index), Integrity Mid Cap Value Equity Strategy (BM: Russell Midcap® Value Index), Integrity Micro Cap Value Equity Strategy (BM: Russell Microcap® Value Index). **Benchmark comparison is versus gross performance.**

Market Returns (%) as of April 30, 2026

	MTD	QTD	YTD
S&P 500® Index	10.49	10.49	5.70
Nasdaq 100® Index	15.66	15.66	8.93
Russell 2000® Growth Index	14.69	14.69	11.47
Russell 2000® Value Index	9.66	9.66	15.09

Past performance does not guarantee future results. Indices are shown to represent different market segments. Except for the Russell 2000® Value Index, the benchmark for Integrity Small Cap Value Equity, they are not the strategies' benchmarks.*

Celebrating 20 Years of Integrity 2003-2023

Composite Performance (%) as of April 30, 2026

	1 Year		5 Year		10 Year	
	Gross	Net	Gross	Net	Gross	Net
Small Cap Value	41.83	40.41	8.67	7.58	11.11	10.00
Small/Mid Cap Value	35.50	34.14	8.99	7.91	11.97	10.86
Mid Cap Value	30.03	28.92	9.76	8.83	11.83	10.91
Micro Cap Value	61.34	59.72	12.27	11.15	13.48	12.35

Past performance does not guarantee future results. Returns for periods greater than one year are annualized. Returns reflect the reinvestment of dividends and other earnings and are expressed in U.S. dollars. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs. Net-of-fees returns reflect net-of-model fees and are calculated in the same manner as gross-of-fee returns using the Time Weighted Rate of Return method. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV. High, double-digit returns are highly unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions.

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Other AI-related value index names have seen similar trends. Coherent (COHR), an optoelectronic company (P/E of 186, $63 billion market cap, 1% of the Russell 2500™ Value Index), is expected to see earnings go from a GAAP loss of $0.52 per share in 2025 to a positive $3.94 in 2026 and $5.72 in 2027. Lumentum (LITE), maker of optical components (P/E of 342, $72 billion market cap, 1.24% of the Russell 2500™ Value Index) is expected to see earnings increase from $0.37 in 2025 to $4.73 in 2026 and $13.85 in 2027.

Those three stocks alone (SNDK, COHR, LITE) comprise over 6% of the Russell 2500™ Value Index. Intuitively, one then would expect those names to be an even larger part of the relevant growth index. However, they comprise roughly 0.0%, 0.0%, and 0.21% of the Russell 2500™ Growth Index.

What does it mean when the most expensive stocks in a value index are also the ones driving performance?

We believe it means the index itself has become a paradox.

We don't dispute the earnings trajectories of SNDK, COHR, and LITE. They are impressive, and the companies behind them are genuinely important players in the AI buildout. But "important" and "investable at any price" are very different. Memory prices that have surged on the back of AI capital expenditure may defer the laws of economics, but it doesn't repeal them. Optical components companies trading at 342 times earnings aren't pricing in a business so much as pricing in a prophecy.

We've seen something like this before. In the late 1990s, the capital expenditure buildout for the internet was also real: the fiber, the servers, the demand. It was real until the spending cycle turned, and prices snapped back toward their long-run trend. The lesson wasn't that the technology was wrong. It was that valuation still matters, even when the underlying story is compelling.

Capex cycles driven by transformational technology have tended to overshoot. Suppliers to the buildout have historically seen price spikes that can feel permanent, until the next inventory cycle offers a reminder that they aren't. We believe, as a matter of discipline, in reversion to the mean, not as a guarantee of timing, but as a recognition that prices and earnings that have moved so far, so fast, above long-run trends carry real risk. The risk is difficult to quantify, but it is impossible to ignore.

How long must we sing this song? We don't know for sure. What we can do is assess valuation, and by that measure, we believe these stocks are extended. When a company that was losing money eighteen months ago now carries nearly a 4% weight in a value index on the strength of earnings expectations that more than triple in a single year, the fundamentals require a level of precision about the future that we're not comfortable assuming.

Our approach has always been to own businesses at prices we can justify and that don't require everything to go right, indefinitely, and at an accelerating pace. The stocks currently driving index performance are, by that standard, outside what we feel we can own. We recognize that has come at a cost in relative performance, and we don't take that lightly. But we believe the discipline is worth maintaining.

Attribution

U.S. equity markets delivered their strongest monthly performance since November of 2020. Both the tech heavy Nasdaq and the S&P 500, up 15.7% and 10.5% respectively, closed the month at record highs. AI and megacap technology companies drove the rally fueled by strong earnings. Easing geopolitical tensions in the Middle East was another tailwind. The Russell 2000 Value Index, up 9.7%, lagged large cap indices. For the month, growth outperformed value across three of our four benchmarks with mid cap value the lone outperformer. Micro cap value outperformed its respective benchmark. Small cap value and mid cap value narrowly underperformed, while small/mid cap value lagged.

If you would like more information about our firm and investment strategies, please contact:

Patrick Kennedy
Portfolio Specialist
E: pkennedy@integrityasset.com
T: 216.920.5281

Crystal D. Doyle
Director, Institutional Markets
E: cdoyle@integrityasset.com
T: 216.898.2410

All investing involves risk, including the possible loss of principal. An investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice from qualified tax and financial experts regarding the best options for your circumstances.

Each representative account serves as the model against which all accounts in each respective strategy are managed. The representative accounts are actual portfolios and the information provided, including performance, will vary for other accounts. The representative accounts are being used solely as tools to help demonstrate how performance can be attributed to the investment policies applied in the management of each strategy.

*The Integrity Small-Cap Value Equity Strategy is benchmarked to the Russell 2000® Value Index. The Integrity Small/Mid-Cap Value Equity Strategy is benchmarked to the Russell 2500™ Value Index. The Integrity Mid-Cap Value Equity Strategy is benchmarked to the Russell Midcap® Value Index. The Integrity Micro-Cap Value Equity Strategy is benchmarked to the Russell Microcap® Value Index.

Index returns reflect the reinvestment of dividends and other income but do not reflect advisory fees or any other expenses. Indexes are unmanaged and one cannot invest directly in an index.

The Russell 2500™ Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2500™ Index with higher composite value scores.

The Russell 2500™ Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2500TM Index with higher price-to-book ratios and higher forecasted growth values.

The Nasdaq-100 Index is a modified-capitalization-weighted index designed to measure, based on market capitalization, 100 of the largest nonfinancial domestic and international companies listed on The Nasdaq Stock Market® .

The S&P 500® Index is a market-capitalization-weighted index that measures the performance of the common stocks of 500 leading U.S. companies.

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