THB MICRO CAP STRATEGY
QUARTERLY COMMENTARY

THB Asset Management®

As of June 30, 2024

Executive Summary

The THB Micro Cap Strategy (the "Strategy") seeks long-term capital appreciation over full market cycles by using a disciplined, actively managed approach. The Strategy typically holds 90–125 securities from the approximately 1,700 stocks within the Russell Microcap® Index and has a high active share. THB believes that the micro-cap universe is inefficient and that a focused portfolio of high-quality securities in the space can offer strong risk-adjusted returns. THB Micro Cap Strategy underperformed its benchmark for the recent quarter by 0.64% and was 2.57% behind for the trailing one-year period (net of fees).

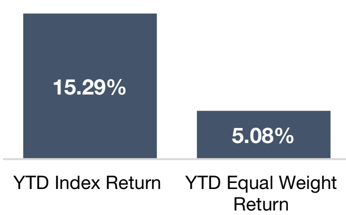
Market Review

U.S. equities delivered mixed performance during the quarter as elements of bifurcation and concentration within the indices accelerated. A narrow group of mostly mega-cap technology companies delivered outsized relative performance as the Magnificent 7 was up 16.92%, which enabled the S&P 500® Index to post a positive return of 4.28% for the quarter. Large-caps far outpaced lower-capitalization equities as the Russell Midcap® Index returned -3.35% and the Russell 2000® Index returned -3.28%. Higher-than-anticipated inflation and employment data led market participants to dial back the timing and number of rate cuts expected this year. In April, bond yields soared higher (reaching the highest levels of the year) due to stronger-than-expected economic data but have since settled back to levels experienced in March. The pivot from the current tightening cycle to a more accommodative monetary policy is widely anticipated, but the timing of such appears to hinge on each economic data point, which is creating volatility in equity markets.

Return Dispersions

The divergence in share markets is evident when comparing the S&P 500® Index to the S&P 500® Equal Weight Index on a year-to-date basis. A handful of mostly technology companies are powering the headline index higher, while the average or median stock return is significantly lower than the benchmark return.

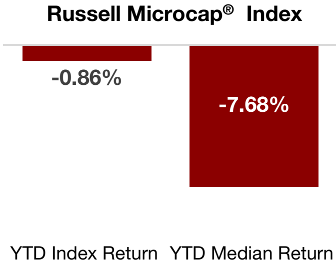
S&P 500® Index vs. S&P 500® Equal Weight Index



Source: S&P Compustat

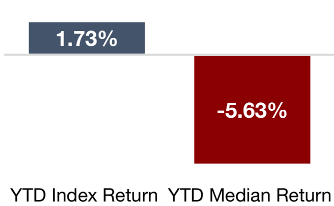
Similar to large cap, small and mid-cap stocks exhibiting high levels of momentum have performed best in both indices. High momentum small-cap (top quintile) outperformed low momentum (bottom quintile) stocks by 1800 bps YTD and 777 bps for the quarter. Stocks performing well exhibited high momentum and became larger weights in the benchmark. Thus, a concentrated cohort of companies drove an outsized percentage of the headline benchmark returns. The charts below highlight how the aggregate benchmark returns are higher than the average (median) stock returns.

Russell Microcap® Index



Source: S&P Compustat

Russell 2000® Index



Source: S&P Compustat

Concentration within the indices is the byproduct of such divergent performance. Small- and mid-cap markets rebalance and reset annually (which lessens concentration), while the large-cap market (S&P 500®) has no such mechanism. As such, concentration within the large-cap market remains near historically high levels.

Artificial Intelligence

Artificial intelligence (AI) is receiving significant amounts of media attention largely focused on the large-cap and mega-cap companies which have begun to implement the technology in their product offerings or are developing or invested in large language models (LLMs). Investors quickly focused on other companies which could obviously benefit from growth in AI in areas such as software development, cybersecurity, data centers, semiconductor companies, and semiconductor capital equipment providers. In addition to the apparent participants in the AI ecosystem, there are many undiscovered companies whose products and services are necessary in the continued build-out of infrastructure needed to support the burgeoning AI industry.

Companies are currently committing billions of dollars to building the infrastructure to store and process the data needed to run AI applications. Nvidia Corp.'s Chief Executive Officer Jensen Huang stated he expects that $250 billion will be spent on data center equipment annually. Amazon.com Inc. plans to spend approximately $150 billion in the next 15 years on data centers to meet the expected explosion in demand from AI tools. CyrusOne, a datacenter REIT that designs, builds and operates more than 50 data centers in the U.S. and Europe, has recently secured a $7.9 billion line of credit to fund development projects.

Designing and building a data center requires more than the equipment and processors deployed within the facility: It requires engineering and construction services; raw materials; access to a reliable and adequate power supply; mechanical, electrical, plumbing and fire systems; cooling equipment; miles of wires to interconnect the gear; and backup power generation, to name a few. The surge in power demand is expected to drive significant investment in power generation and transmission. It is estimated that data centers will use 8% of U.S. power by 2030 vs. 3% in 2022. Utilities will need to invest approximately $50 billion in new generation capacity to support data center demand. AI power demand will stress the aging electric grids in both North America and Europe, requiring more capital expenditures supporting growth in industries such as electrical product manufacturers, distributors, and contractors.

THB holdings participating in AI infrastructure build-out include the following:

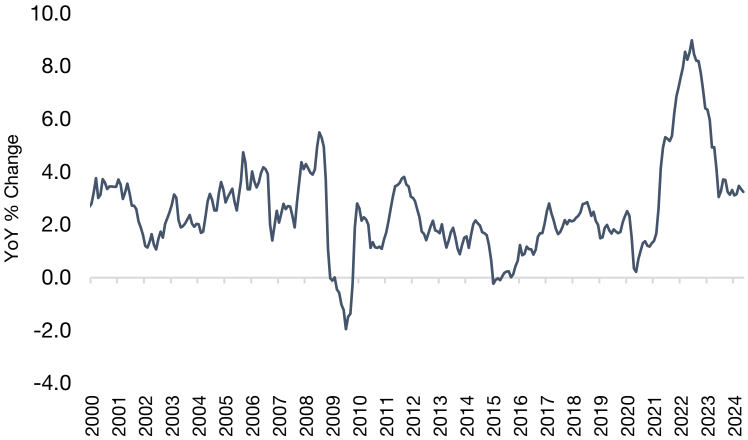
- **Limbach Holdings, Inc.** provides mechanical, electrical, and plumbing services to building owners primarily in the healthcare, industrial, data center, and commercial building markets.

- **NV5 Global, Inc.** is a provider of technology, conformity assessment, and consulting solutions for public and private sector clients supporting infrastructure, utility services, and building assets and systems. NV5 primarily focuses on six business verticals: Testing, Inspection & Consulting; Infrastructure; Utility Services; Environmental Health Sciences; Buildings & Owner Representative; and Geospatial Technology.
- **ePLUS, inc.** is a provider of technology solutions and services specializing in data center, cloud, storage, and networking services, including hardware, software, support, and consulting.
- **Luna Innovations Incorporated** is a leading manufacturer of optical technology serving industrial, communications, and A&D markets. Its solutions are used to assess and improve the performance of data centers.

Inflation

Headline aggregate inflation readings continue to recede, but many instances of higher prices continue to plague consumers.

Consumer Price Index for All Urban Consumers: YoY % Change



Source: Federal Reserve Bank of St. Louis

Listed below are examples of what consumers are facing regarding inflation and likely bracketed into their views.

Inflation remains a leading concern for consumers, and the breadth of the headlines listed are likely exacerbating these emotions. This may also explain why moderating headline inflation readings are not alleviating concerns for consumers.

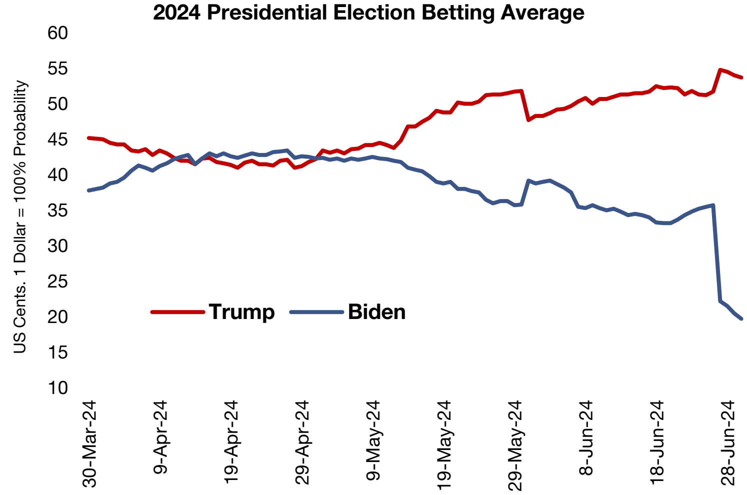
Inflation also remains a top issue for voters and is likely impacting views on the presidential race.

Election Cycle

The U.S. presidential election is five months away and the stock market is pricing in expectations of an outcome. Additionally, betting markets provide some indication of where expectations are. National polls are less useful, as a handful of “swing states” will likely determine the outcome through the Electoral College.

Betting markets currently show a sizable lead for former President Trump.

2024 Presidential Election Betting Average



Source: RealClear Politics

The first of two scheduled presidential debates took place on June 27. President Biden’s performance was widely criticized and amplified existing concerns about his age and spurred talk of replacing him with another candidate. Post-debate, betting markets moved sharply lower for President Biden. As of now, it appears as if former President Trump is the frontrunner and markets (stocks, bonds) have started to analyze what that may mean from both an economic and sectoral perspective.

DATE	HEADLINE	SOURCE
6/28/2024	Price of U.S. stamps to rise this summer. Here’s how much they will cost	The Arizona Republic
6/28/2024	State Farm seeks major rate hikes for California homeowners and renters	LA Times
6/28/2024	Duke Energy customers plead for Indiana utility regulators to reconsider price hikes	WBAA
6/26/2024	NJ Transit fare hike: How much more could you pay starting Monday?	Fox 5 NY
6/24/2024	Paramount+ to increase prices for its streaming plans	CNBC
6/9/2024	Wall Street praises Spotify price hikes — and notes other audio streamers should follow suit	Yahoo
6/7/2024	Oakland will increase parking meter prices to help with city’s financial problems	Oakland Side
5/22/2024	T-Mobile imposes $5 monthly price hike on customers using older plans	Ars Technica
5/9/2024	Planet Fitness will raise its $10 membership plan for the first time in 26 years	CNN
4/30/2024	NYC’s Rent-Stabilized Tenants Face Third Year of Price Hikes	Bloomberg
4/30/2024	Royal Caribbean passengers face key price hikes	The Street
4/24/2024	Chanel CEO Says Price Hikes Driven by Inflation, Craftsmanship	Business of Fashion
4/23/2024	Hard drives could be about to get more expensive – and we have AI to blame	Tech Radar
4/22/2024	Verizon Communications Results Lifted by Price Hikes	Wall Street Journal
4/21/2024	Chipotle Keeps Raising Prices. Gym Rats and Millennials Are Still Buying Burritos.	Wall Street Journal
4/15/2024	Procter & Gamble price hikes thin shoppers’ wallets	Yahoo
4/12/2024	Chocolate prices expected to climb as industry relays cocoa burden	Food Navigator
4/10/2024	Internet price hikes for low-income Americans could begin in May as federal funds run dry, FCC says	CNN
4/1/2024	Tesla hikes prices in US and China despite rivals’ cuts and incentives	Yahoo

Trump 2.0

Precisely analyzing all the permutations and combinations of a Trump presidency on markets and industries is incredibly complicated due to the mercurial nature of former President Trump combined with the multifactorial nature of his potential policies. Further complicating the analysis is which party will control Congress, as U.S. congressional elections are running concurrently with the presidential election.

Some basic known principles of a potential Trump presidency and his market reactions from Trump 1.0 can provide ideas about impacts on stocks, industries, and the overall economy. Generally, former President Trump appears to favor ideas centered on some of the elements below.

- *Lower taxes*
- *Fewer regulations*
- *Lower interest rates*
- *Tariffs*
- *Increased domestic energy production*
- *Increased immigration enforcement*

Post-debate, the odds of a Trump presidency had a sizable increase, while the odds of a Republican sweep of the presidency, House and Senate also increased but to a lesser degree. Candidate developments at the presidential level have historically had less impact on down-ballot congressional elections.

Some policies will need congressional support, while others can be enacted via executive orders and/or through various agencies. Based on current election odds, stocks and industries exposed to policies that can shift due to executive actions (tariffs, immigration, regulation) are areas where a Trump administration could move more than in areas that need congressional approval. The winner of the presidential election (of either party) will likely face issues regarding further fiscal expansion of the U.S. economy. Congressional support for and the bond markets' willingness to finance additional deficit spending at reasonable interest rates is questionable at best.

Former President Trump has again advocated a broad deregulatory agenda as one avenue to accelerate economic growth. Based on the analysis described above, this will be his most likely path to achieve some of his objectives.

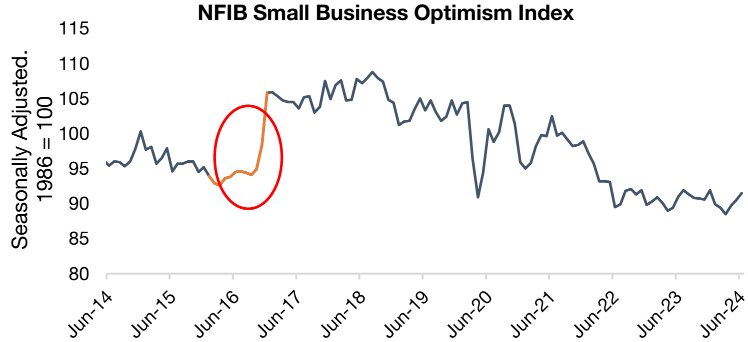
Similar to Trump 1.0, one would expect a second Trump administration to focus on easing regulatory hurdles (permit reform possible) to oil and gas development, as well as expanding LNG exports and reversing restrictions on greenhouse gas emissions and drilling. Healthcare is likely to change less, as former President Trump also pursued some elements of drug pricing restrictions, and the Affordable Care Act would likely remain intact. Financial regulation could also shift gradually in the case of capital and liquidity requirements. Antitrust enforcement seems likely to ease, but a Trump administration would likely continue to pursue some of the major pending cases in the technology sector.

During Trump 1.0, the pace of federal rulemaking slowed even after accounting for the Covid-19-related restrictions which spiked in 2020.

It is also important to note that regulatory reform will not impact companies equally across the size spectrum. Large and mega-cap companies have sizable amounts of both human resources and financial capital to manage through the myriad regulations. Smaller companies generally do not have those capabilities, but rules are typically applied equally regardless of the size of a company. Thus, smaller companies have heightened sensitivity to regulatory reforms.

A good proxy for this sentiment is the NFIB Small Business Optimism Index, which moved sharply higher after former President Trump's election in 2016 and remained near multi-decade highs until the Covid-19 pandemic hit. Small businesses account for approximately 45%-50% of U.S. GDP, and increased optimism levels in these companies could lead to higher economic activity.

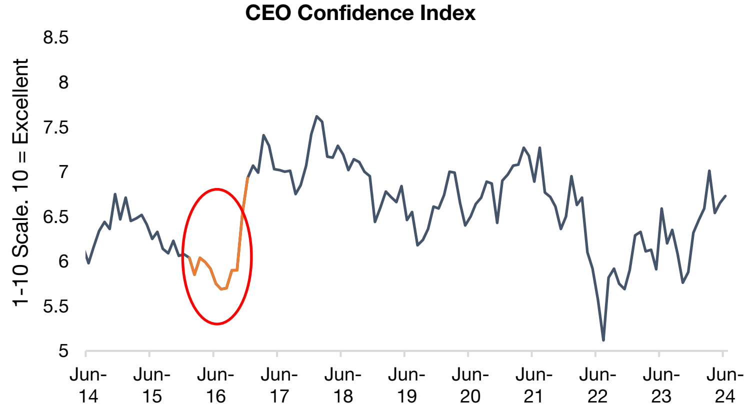
NFIB Small Business Optimism Index



Source: National Federation of Independent Business

CEO confidence also spiked higher following the 2016 election.

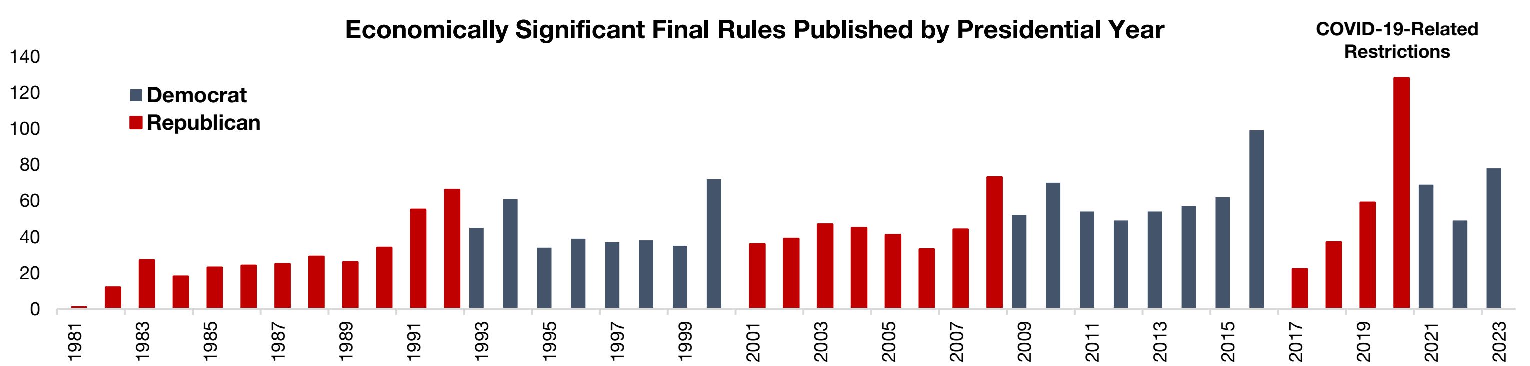
CEO Confidence Index



Source: CEO Magazine

Business optimism should not be underestimated as it can impact hiring, capital expenditures, and M&A activity. As stated, this is especially true for small and mid-size companies.

Economically Significant Final Rules Published by Presidential Year



Source: George Washington University

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BENCHMARK PERFORMANCE

The Russell Microcap® Index (the "Index") returned -5.27% in Q2 2024. Consumer Staples (+6.26%) was the best performing sector, followed by Financials (+0.22%) and Energy (-0.78%). Health Care (-10.79%) performed the worst, followed by Information Technology (-9.16%) and Communication Services (-8.57%).

PORTFOLIO PERFORMANCE & POSITIONING

The THB Micro Cap Strategy returned -5.91% in USD (net of fees) in Q2, underperforming the Index by 64 bps.

The portfolio saw positive contribution from stock selection in Health Care (+3.00%), underallocation to Real Estate (+0.70%), and stock selection in Information Technology (+0.66%). Negative contribution came mainly from stock selection in Consumer Discretionary (-1.23%), Industrials (-0.96%), and Real Estate (-0.84%).

The portfolio's top five performing stocks (from a contribution standpoint) were Vital Farms, Inc. (Consumer Staples, +0.76%); Limbach Holdings, Inc. (Industrials, +0.55%); Immersion Corporation (Information Technology, +0.45%); LeMaitre Vascular, Inc. (Health Care, +0.45%); and Hawkins, Inc. (Materials, +0.36%).

The bottom five performing stocks (from a contribution standpoint) were Beyond, Inc. (Consumer Discretionary, -1.13%); Latham Group, Inc. (Consumer Discretionary, -0.44%); RPC, Inc. (Energy, -0.40%); Allient, Inc. (Industrials, -0.39%); and Cerence, Inc. (Information Technology, -0.38%).

During the quarter, our portfolio companies announced 17 acquisitions and seven stock repurchase authorizations.

Daktronics

Daktronics designs and manufactures electronic scoreboards and large-screen video boards for commercial purposes. The company has a leading market share of 50% in LED displays in the United States. Its ability to provide full-service design, manufacturing and installation solutions later translates into recurring maintenance revenue and long-term customer relationships. Sales of newer optic technologies and back-end enhancements as older signage is replaced every 7-10 years are driving organic growth. Demand for its products is also supported by a strong investment cycle in live entertainment and sports as well as the transportation market and shift to electronic billboards. The business profitability has improved to a new baseline in FY 2024 and is expected to continue to increase from current levels, driven by improved manufacturing efficiencies and strong on-time delivery to customer sites resulting in higher gross and operating margins.

Outlook

We remain positive on equities and the overall U.S. economy but remain watchful of negative elements which could be amplified by the upcoming presidential election. Risks such as inflation, government debt levels, interest rates and geopolitics as well as a change in administration and/or policies could ignite one or more of these preexisting conditions.

Many favorable elements for the U.S. economy exist and support our positive outlook, such as slowing inflation, solid consumer balance sheets, tight labor markets, onshoring, and overall strong financial system conditions. Moderating inflation likely gives the U.S. Federal Reserve enough evidence to begin cutting rates sometime this year. Additionally, artificial intelligence (AI) holds tremendous promise and could lead to sizable productivity gains within the U.S. economy. Beyond productivity, AI has also started broadening out across the economy as implementing this new technology requires sizeable capital spending in multiple industries.

Valuations (beyond the handful of concentrated mega-cap companies driving recent index performance) are reasonable, with small- and mid-caps near multi-decade relative (to large-cap) lows. Even the anointed mega-caps that are driving the indices are profitable. This is a clear point of differentiation versus the technology bubble of the late 1990s. One could debate what multiple is appropriate for these companies, but they are largely profitable and generating positive cash flows.

We believe the combination of attractive valuations, more accommodative monetary policy, increasing productivity, and possible regulatory reforms provides a positive environment for forward small- and mid-cap returns.

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Top 10 Holdings (%)
as of June 30, 2024

Holding	Rep. Account
UFP Technologies, Inc.	2.90
Transcat, Inc.	2.66
ePlus inc.	2.42
Hawkins, Inc.	2.37
Immersion Corporation	2.34
Limbach Holdings, Inc.	2.07
BrightSphere Investment Group, Inc.	1.92
Vericel Corporation	1.74
First Busey Corporation	1.74
HarborOne Bancorp Inc	1.71

Sector Diversification (%)
as of June 30, 2024

Sector	Rep. Account
Communication Services	0.00
Consumer Discretionary	12.84
Consumer Staples	2.69
Energy	9.02
Financials	11.64
Health Care	14.23
Industrials	28.53
Information Technology	14.40
Materials	5.89
Real Estate	0.00
Utilities	0.32
Cash	0.44

Performance
Average Annual Returns (%) as of June 30, 2024

THB Micro Cap Composite	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception (June 1998)
Gross of Fees	-5.62	0.48	4.68	-3.24	8.90	7.93	12.85
Net of Fees	-5.91	-0.14	3.39	-4.44	7.56	6.62	11.46
Russell Microcap® Index	-5.27	-0.84	5.96	-7.84	5.55	5.53	6.22

Past performance cannot guarantee future results. Returns for periods greater than one year are annualized. Returns are expressed in U.S. dollars and reflect the reinvestment of dividends and other earnings. Composite and benchmark returns are presented net of non-reclaimable withholding taxes, if any. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns reflect gross performance less investment management fees. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. 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.

All investments carry a certain degree of risk including the possible loss of principal, and 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 particular circumstances.

The information in this article is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in this report are subject to change without notice and are not intended as individual investment advice. The securities highlighted, if any, were not intended as individual investment advice. A complete list of all holdings for the previous 12 months, each holding's contribution to the strategy's performance, and the calculation methodology used to determine the holdings' contribution to performance is available on request. Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

The THB Micro Cap Composite contains fully discretionary micro-cap equity accounts and for comparison purposes is measured against the Russell Microcap® Index. Prior to January 1, 2007, the composite was compared to the Russell 2000® Index. The index was changed to be more representative of the composite strategy. The composite was redefined on July 1, 2018, to allow for the inclusion of pooled vehicles. The minimum account size for this composite is $1 million. The objective of the THB Micro Cap Strategy is to capture multi-investment themes across five broad sectors in a risk-averse portfolio. The Strategy implements a disciplined long-term approach with an average portfolio turnover of 70%–80%. The focus of the Strategy is on smaller micro-capitalization companies in the US market that are under-researched and overlooked.

The Russell Microcap® Index is a capitalization-weighted index of 2,000 stocks that captures the smallest 1,000 companies in the Russell 2000® Index plus the next 1,000 smallest eligible US-based securities by market cap.

Index returns are provided to represent the investment environment during the periods shown. Index performance does not reflect management fees, transaction costs or expenses that would be incurred with an investment. One cannot invest directly in an index. **Past performance does not guarantee future results.**

Victory Capital Management Inc. (VCM) is a diversified global investment advisor registered under the Investment Advisers Act of 1940 and comprised of multiple investment franchises: Integrity Asset Management, Munder Capital Management, NewBridge Asset Management, RS Investments, Sophus Capital, Sycamore Capital, Trivalent Investments, Victory Income Investors (formerly USAA Investments, a Victory Capital Investment Franchise); the VictoryShares & Solutions Platform, THB Asset Management and New Energy Capital Partners. Munder Capital Management and Integrity Asset Management became part of the Victory Capital GIPS firm effective November 1, 2014; RS Investments and Sophus Capital effective January 1, 2017; Victory Income Investors, effective July 1, 2019; THB Asset Management, effective March 1, 2021, and New Energy Capital effective November 1, 2021. Effective September 1, 2023, INCORE Capital Management is no longer part of the firm definition.

Request a GIPS® Report from your Institutional Relationship Manager or visit www.vcm.com.

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