SYCAMORE SMALL CAP VALUE EQUITY QUARTERLY COMMENTARY

SYCAMORE CAPITAL®

A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of March 31, 2024

EXECUTIVE SUMMARY

Sycamore Capital's Small Cap Value investment team employs a disciplined, bottom-up, fundamental process to invest in what we believe are better businesses that trade at a discount to the team's estimate of intrinsic value and possess fundamental drivers that may narrow the valuation gap. By investing in businesses that exhibit these attributes, we seek to minimize downside risk without sacrificing the upside potential.

- The Sycamore Small Cap Value Equity strategy outperformed the Russell 2000® Value Index during the first quarter of 2024.
- For the quarter, sector allocation and stock selection were both positive, with sector weighting having a greater impact on relative outperformance. Sector weighting is a by-product of the bottom-up stock selection process and not a result of top-down tactical decisions.

A SHIFT IN NARRATIVE FAILS TO DERAIL U.S. EQUITIES

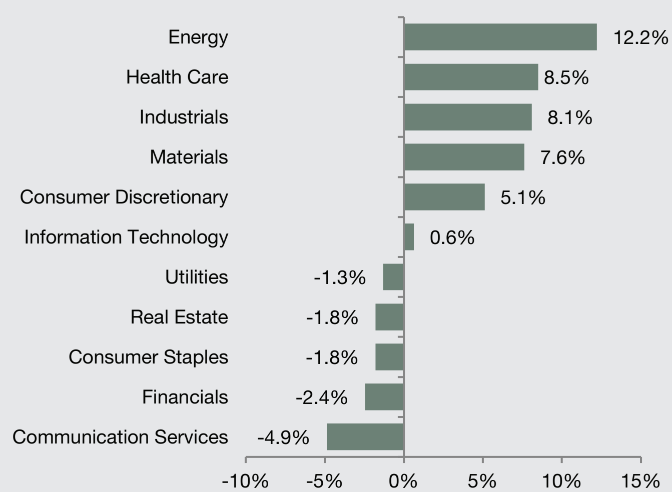
The impressive rally that ended a perplexing 2023 for investors continued into the first quarter of 2024. The S&P 500® Index advanced 10.56%, its best start to the year since 2019 and its second consecutive quarter of double-digit gains. The broad-market index has now advanced in five out of the last six quarters. March also marked the fifth consecutive monthly gain for the index. The tech-centric NASDAQ Composite® also continued its march higher, posting solid gains of 9.31% for the quarter. Market strength broadened beyond mega-cap tech and large-cap equities with positive returns down the market cap spectrum as well. The Russell Midcap® Index and the Russell 2000® Index returned 8.60% and 5.18%, respectively, for the first three months of the year.

The solid equity market gains were achieved despite a shift in the interest rate narrative, which has seen the median rate cut expectations slide from six (in December) to three for the year. The reset in easing expectations was chalked up to an economy that is still growing above "potential," a resilient labor market, and a consumer that is still willing to spend despite the highest interest rates in decades. During the quarter, 4Q23 GDP was revised higher to 3.4%—well above the 2% consensus. The labor market also surprised to the upside with the change in total nonfarm payroll numbers in January and February coming in at 229K and 275K, respectively—firmly above expectations. Another sign that the economy remains stable was the release of the Institute for Supply Management's (ISM) Manufacturing PMI (purchasing managers' index), which registered 50.3% for March (up from 47.8% in February). That marked the first time the index had risen above 50 (signals growth) in 17 months and portrays that the industrial segment of the economy is at a potential inflection point.

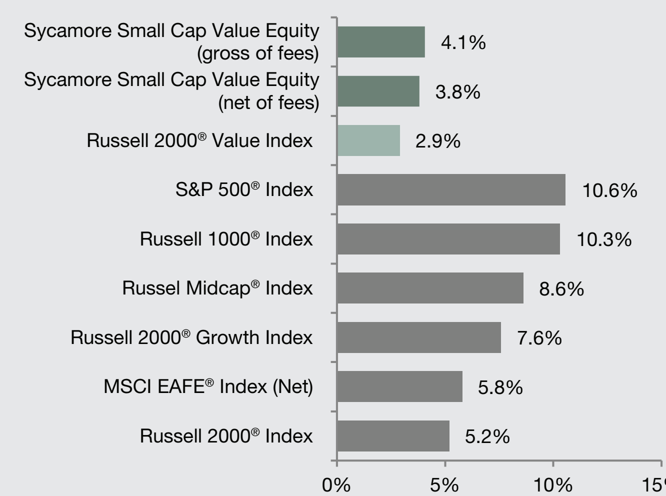
The underlying strength in the overall economy resulted in an upward inflation surprise with hotter-than-expected prints in January and February. In a late-quarter interview at the San Francisco Fed's Macroeconomic and Monetary Policy Conference, Chairman Powell downplayed the reacceleration of "supercore" inflation (core services prices excluding housing costs) so far this year. He remarked: "The February number was high, higher than expectations, but we have it currently well below 30 basis points core PCE, which is not terribly high. So, it's not like the January number." He further commented: "I take the two of them together, and I think they haven't really changed the overall story, which is that of inflation moving down gradually, on a sometimes bumpy road, toward two percent."

By effectively dismissing the "hot" core inflation prints as merely "noise" and sticking to the three-cut trajectory for the year, Mr. Powell messaged to the market that he (and other Fed officials) is confident that inflation is anchored and is progressing toward the desired 2% target. Market participants will have to eagerly wait for future data to determine whether to take the recent upward surprise in inflation at face value or interpret it as statistical noise. Regardless, if the Fed is "truly" data dependent, a key test moving forward is whether the bank is willing to reset the base case lower (which currently calls for three cuts) should the path toward the intended inflation target be delayed further—or, as Mr. Powell put it, he encounters more "bumps" in the road. With that said, upsetting the consensus in what is likely to be a contentious election cycle in the U.S. is a tall task. Hence, we suspect the base case likely prevails and the commencement of an easing cycle sometime this summer remains on the table. This presumably bodes well for risk assets.

Russell 2000® Value Index Sector Returns – 1Q 2024



Strategy and Market Performance – 1Q 2024



Past performance does not guarantee future results. See the final page for standardized performance. Source: Zephyr & FactSet.

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Performance Attribution Relative to the Russell 2000® Value Index – 1Q 2024

Positive Contributors	Negative Contributors
Stock Selection & Underweight in Financials	**Stock Selection in Industrials;** *partially offset by overweight*
Stock Selection in Consumer Staples	**Stock Selection in Information Technology**
Underweight in Real Estate	**Stock Selection in Consumer Discretionary**
Overweight in Materials	**Underweight in Health Care;** *mostly offset by stock selection*
Stock Selection in Energy; *mostly offset by underweight*	**Stock Selection in Communication Services;** *mostly offset by underweight*

Source: FactSet.

PERFORMANCE BY SIZE AND STYLE

Large-cap equities outpaced both mid- and small-cap equities during the first quarter of 2024. Large-cap stocks, as measured by the S&P 500® Index and the Russell 1000® Index, posted returns of 10.56% and 10.30%, respectively. Mid-cap equities, as measured by the Russell Midcap® Index, returned 8.60% during the quarter, while small-cap equities, as measured by the Russell 2000® Index, returned 5.18%. Broken down by style, growth outpaced value within each of the three major size segments. Specifically, for small-caps, the Russell 2000® Growth Index returned 7.58%, outpacing its value counterpart, which returned 2.90%.

PORTFOLIO ATTRIBUTION – FIRST QUARTER

The Sycamore Small Cap Value Equity strategy outperformed the Russell 2000® Value Index (the “Index”) in the first quarter of 2024.

During the quarter, sector allocation and stock selection were both positive, with sector weighting having a greater impact on relative outperformance. Index returns were positive across six of the 11 major economic sectors, with only five sectors outpacing the broader Russell 2000® Value Index. Energy was the top-performing sector, returning 12.22%. By contrast, Communication Services was the worst-performing sector for the quarter, posting a return of -4.88%.

Specifically, for the portfolio, an underweight in Financials and Real Estate, as well as an overweight in Materials, contributed to relative performance for the quarter. Stock selection in Financials, Consumer Staples and Energy also had a favorable impact on relative return. However, an underweight in Energy (the top-performing sector) mostly offset the favorable impact of selection in the sector. Conversely, stock selection in Industrials, Consumer Discretionary, Communication Services and Information Technology detracted from relative performance. An overweight in Industrials partially offset the unfavorable impact of selection, while an underweight in Communication Services (the worst-performing sector) mostly offset the unfavorable impact of selection in the sector. An underweight in Health Care also detracted from relative return; however, stock selection mostly offset the unfavorable impact of the underweight.

TOP CONTRIBUTORS – FIRST QUARTER

Core & Main, Inc. (CNM), an industrial distributor that focuses on applications for the water and wastewater industries, was a top contributor for the second consecutive quarter. Shares have meaningfully outperformed since the company’s IPO. CNM is still experiencing solid pricing trends which have contributed to margin improvement. While the residential end market demand remains soft, the non-residential end markets, including Municipal, remain stable. Given the strength in non-residential, managements FY2024 guidance exceeded analyst expectations. Two of the top contributors were holdings within the best-performing Energy sector. **Magnolia Oil & Gas Corp. (MGY)** and **Matador Resources Co. (MTDR)** both likely traded in sympathy with the entire sector. Oil prices rallied due to concerns that geopolitical tensions coupled with the decision by OPEC+ members to extend voluntary output reductions may lead to supply disruptions. There were no changes to the investment thesis for both of these holdings. Shares of **Ryan Specialty Holdings, Inc. (RYAN)**, one of the largest wholesale insurance brokers, rallied after the company issued an upbeat earnings report that exceeded analyst expectations. Pricing was firm across all lines and RYAN is uniquely positioned to capitalize on the structural shift in the industry that is pushing more flows into the Excess & Surplus (E&S) market. E&S is a specialty market that provides coverage that standard insurance carriers will not underwrite. The E&S channel is poised to continue to grow at a rapid pace given the rise of social inflation and litigation funding. Management also announced a quarterly as well as a special dividend, which signaled to investors that the outlook is favorable. Rounding out the top contributors for the quarter was **Texas Roadhouse, Inc. (TXRH)**. The company is a well-run casual dining concept with a long track record of outperforming peers. TXRH posted a solid 4Q23 earnings report. The company continues to take share through its footprint growth cadence as well as the compelling value propositions for diners. Patrons can enjoy a quality cut of meat at a price-per-check that is generally 20% less than leading steakhouses. Management has also been friendly to shareholders—balancing growth with dividends and opportunistic buybacks. We maintain a position in TXRH as of quarter end.

TOP DETRACTORS – FIRST QUARTER

Shares in **E.W. Scripps Co. (SSP)** sold off during the quarter on the news that ESPN (a subsidiary of The Walt Disney Company), FOX and Warner Bros. Discovery are forming a new joint venture (JV) to build a platform that will house a sports streaming service. The news was perceived as a negative for cable/satellite providers as well as broadcasters that generate a large portion of their revenue from retransmission. Investors fear that accessing sports outside of traditional cable/satellite will lead to cord cutting. While not positive news for SSP, the reaction was overdone in our opinion. There are still many unknowns, such as the price of the bundle and which sports leagues will forge a partnership with the new JV. Nevertheless, the headline risk weighed on shares. Additionally, management’s FY24 guide disappointed with political spend projected to be less than initially anticipated. Overall, it was a messy quarter for the stock. As we do with all existing holdings, we are reassessing the thesis. **Independent Bank Corp. (INDB)**, a bank that operates in the Boston area, was another top detractor. Historically, INDB has been perceived as a well-run bank with a prudent underwriting culture. However, credit trends within the CRE portfolio stemming from the outsized exposure to office have shifted sentiment. While we continue to like the bank’s strong capital position and core deposit franchise, we believe that credit issues will likely remain a concern for investors. We are reevaluating our thesis for INDB. **NCR Voyix Corp. (VYX)**, a leading provider of point-of-sale (POS), self-checkout, and digital banking solutions for retailers, restaurants, and digital banking clients, was also a top detractor. VYX spun out of NCR Atleos Corp. (NATL) in October 2023. Shares have been under pressure given the noise surrounding the spin and subsequent messy earnings reports. Furthermore, we suspect that the holder base is turning over, which has injected added volatility into shares. Looking beyond the next couple of quarters, the Digital Banking business is well positioned for growth. The company’s Retail business does not have the growth profile of Digital Banking; however, VYX has a dominant position in this relatively stable segment. The Restaurant segment is an area of focus moving forward given increased competition. We believe that VYX has levers to pull as a stand-alone entity; however, patience is needed for management to demonstrate execution. We maintain our position in VYX. Shares of **Mercury Systems, Inc. (MRCY)**, a technology company leveraged to the aerospace & defense industries, reacted negatively to

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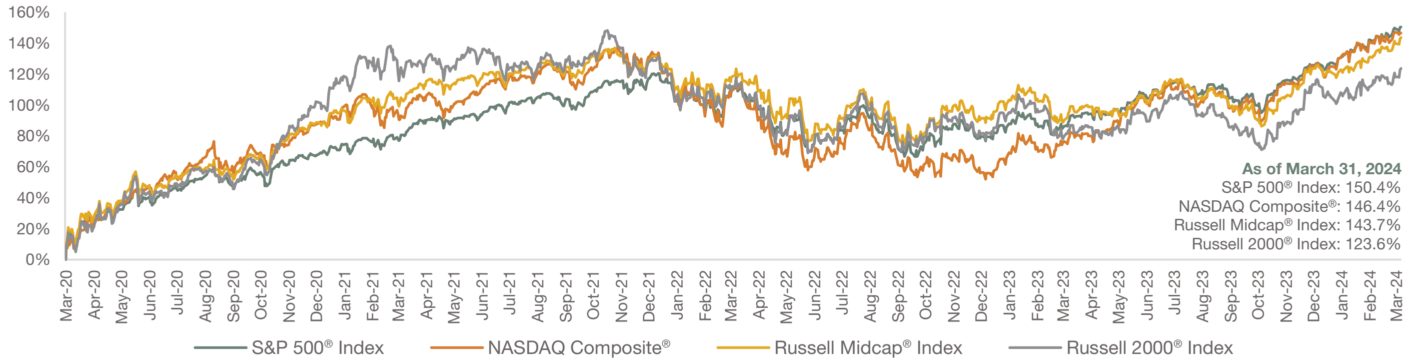
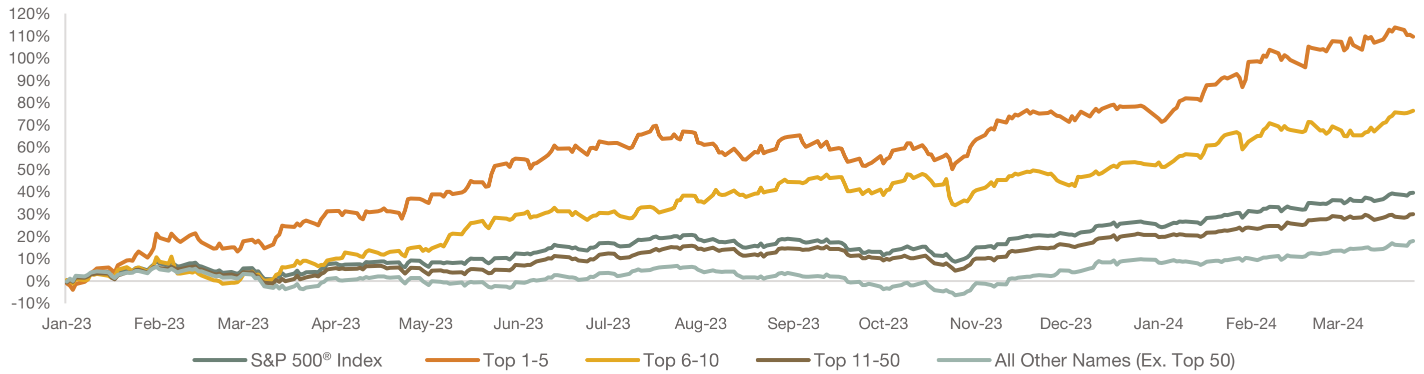
Illustration 1: U.S. Equities Mark 4 Years Since COVID-19 Bottom on Upswing



Source: Morningstar Direct. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures represent cumulative total return since the COVID-19 bottom on March 23, 2020.

Illustration 2: Gains for the S&P 500® Index Mainly Driven by Top 10 Largest Market Cap Stocks



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures represent cumulative total return since December 31, 2022.

an earnings report that was below consensus estimates. In light of the disappointing results, management withdrew its profit guidance. The company continues to face some headwinds associated with program delays, contractual terms and elevated costs, which has muddied visibility into future earnings. The bright side from the quarter was the record backlog, which was up 14% year-over-year. Nevertheless, we expect shares to remain under pressure until the management regains investor confidence. Our thesis for MRCY is under review. Rounding out the list of top detractors was **Air Transport Services Group, Inc. (ATSG)**, a newer position in the portfolio. ATSG is the largest dry (aircraft without a crew) lessor of aircraft in the U.S. The company reported 4Q23 results that were meaningfully under expectations. FY24 guidance also disappointed to the downside. Shares will likely be in the penalty box until management regains credibility with investors. The opportunity for ATSG is a rebound in Department of Defense passenger flying demand and releasing some of the aircraft that are scheduled to be returned by customers during the year. The road to recovery for ATSG is likely not going to be a smooth one, and we suspect much of the negative news is already reflected in the current valuation. As we do with all holdings, we will continue to monitor the thesis for signs of fundamental deterioration.

CONCLUDING REMARKS

Balancing Optimism With Caution

The market gains continued to defy expectations as U.S. equities posted solid gains to start the year. Aside from the sell-off in 2022 at the onset of the Fed's hiking cycle, the market has rallied meaningfully since the COVID-induced bottom with all major size segments gaining well over 100% cumulative return (Illustration 1). Naturally, there is a level of skepticism on whether the rally is sustainable. Understandably, some froth may need to be removed from the market; however, there are certain dynamics in the current backdrop that remain supportive of further gains. With that said, there are also some underlying risks that warrant monitoring.

Broadening Market Is a Welcome Sign

The market concentration that has unfolded over the past 15 months is widely understood by now. Mega-cap technology stocks—especially those tied to AI and language learning models (LLM)—continued their ascent during the first quarter (Illustration 2). However, there was a breakdown in the momentum within the Magnificent 7 ("MAG-7") group which saw a few of the key constituents (AAPL, GOOG, GOOGL, and TSLA) underperform the broader S&P 500® Index (Illustration 3). Undeniably, the mega-cap technology stocks remain key contributors to the S&P 500® Index's overall return; however, the momentum unwind is a welcome sign.

Further evidence of the market broadening is observed in Illustrations 4 and 5. While below the long-term average of roughly 48%, 40% of the constituents outperformed the broader index during the first quarter. That's a jump from approximately 30% for 2023—a figure last observed during the Tech Bubble in the late 1990s. Additionally, the percent of S&P 500® Index companies that are trading above their 200-day moving average hit roughly 83% at quarter end—another sign that market strength is broadening.

Opportunities Down the Market Cap Spectrum

Our readers may be aware that we've written about the valuation discrepancy that exists between mega-cap/large-cap stocks and those down the market cap spectrum on several occasions. As bottom-up fundamental investors focusing on mid- and small-cap equities, we are not tasked with asset allocation decisions (we'll defer to more qualified clients); however, we continue to believe that there remains an opportunity for investors with a long-term time horizon down market cap.

As observed in Illustrations 6 and 7, both mid-cap and small-cap equities trade at a relative discount to their mega-cap and large-cap brethren on several valuation metrics.

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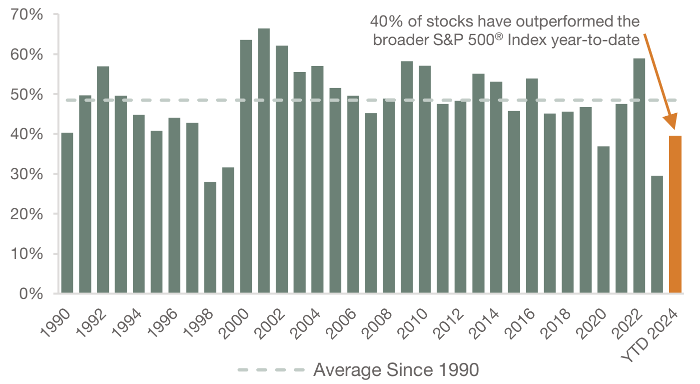
Illustration 3: A Momentum Unwind Within the Magnificent 7 ($ Billions)

	AAPL	AMZN	GOOG	GOOGL	META	NVDA	MSFT	TSLA	MAG-7	S&P 500® Index	Russell 2000® Index
Market Cap as of December 31, 2022	$1,943	$746	$470	$527	$271	$364	$1,788	$331	$6,438	$32,133	$2,266
Market Cap as of December 31, 2023	$2,815	$1,382	$702	$827	$786	$1,223	$2,795	$687	$11,216	$40,039	$2,508
Market Cap as of March 31, 2024	$2,489	$1,649	$751	$889	$1,068	$2,232	$3,126	$487	$12,692	$44,078	$2,641
% Change in 2023	*45%*	*85%*	*49%*	*57%*	*190%*	*236%*	*56%*	*108%*	*74%*	*25%*	*11%*
% Change Year-to-Date (2024)	*-12%*	*19%*	*7%*	*8%*	*36%*	*82%*	*12%*	*-29%*	*13%*	*10%*	*5%*
% of Total S&P 500® Index Market Cap	*5.6%*	*3.7%*	*1.7%*	*2.0%*	*2.4%*	*5.1%*	*7.1%*	*1.1%*	*28.8%*	*100.0%*	*6.0%*

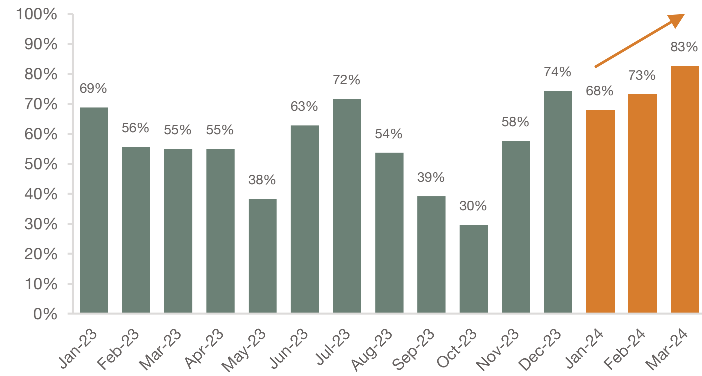
Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 4: Percent of S&P 500® Index Constituents Outperforming the Broader Index



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 5: Percent of S&P 500® Index Constituents Trading Above 200-Day Moving Average



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 6: Russell Midcap® Index Valuations Since 1990

	Current Multiple	Long-Term Average Multiple	Diff. From Long-Term Average	Valuation Discount to Large-Cap	Valuation Discount to Mega-Cap
P/E - TTM	20.8x	18.3x	14%	0.8x	0.8x
P/E - NTM	18.3x	16.7x	10%	0.9x	0.8x
EV/EBITDA	13.3x	10.2x	31%	0.8x	0.8x
P/S	1.8x	1.3x	44%	0.6x	0.6x
P/B	3.1x	2.4x	28%	0.7x	0.6x

Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. The S&P 500® Index and the Russell Top 200® Index are used to represent large- and mega-cap valuations, respectively.

Illustration 7: Russell 2000® Index Valuations Since 1990

	Current Multiple	Long-Term Average Multiple	Diff. From Long-Term Average	Valuation Discount to Large-Cap	Valuation Discount to Mega-Cap
P/E - TTM	16.1x	17.2x	-6%	0.6x	0.6x
P/E - NTM	15.4x	15.7x	-2%	0.7x	0.7x
EV/EBITDA	10.2x	9.7x	6%	0.6x	0.6x
P/S	1.4x	1.1x	29%	0.5x	0.4x
P/B	2.1x	2.0x	6%	0.5x	0.4x

Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. The S&P 500® Index and the Russell Top 200® Index are used to represent large- and mega-cap valuations, respectively.

Illustration 8: Cumulative Sector Performance Breakdown by Major Size Segment Since January 1, 2023

	S&P 500® Index			Russell Midcap® Index			Russell 2000® Index		
	Average Weight	Total Return	% Contrib. to Overall Index Return	Average Weight	Total Return	% Contrib. to Overall Index Return	Average Weight	Total Return	% Contrib. to Overall Index Return
Communication Services	8.5	80.5	15%	3.6	20.0	3%	2.5	3.1	0%
Consumer Discretionary	10.4	50.4	13%	11.0	38.7	15%	11.0	34.8	16%
Consumer Staples	6.7	8.1	1%	3.8	6.8	1%	3.6	24.8	4%
Energy	4.4	12.2	1%	4.9	18.5	3%	7.0	25.0	6%
Financials	13.1	29.0	9%	14.7	27.7	15%	16.4	9.7	7%
Health Care	13.5	11.1	3%	10.8	8.2	3%	15.9	13.1	10%
Industrials	8.6	30.6	6%	18.5	47.4	30%	17.0	38.0	27%
Information Technology	27.3	81.3	50%	13.7	43.3	21%	13.0	44.6	24%
Materials	2.5	22.6	1%	5.9	19.1	4%	4.5	19.1	4%
Real Estate	2.5	12.0	1%	7.7	11.7	4%	6.2	12.4	4%
Utilities	2.6	-2.8	0%	5.5	4.2	1%	3.0	-10.3	-1%
Total	**100.0**	**39.6**	**100%**	**100.0**	**27.3**	**100%**	**100.0**	**23.0**	**100%**

Source: FactSet. As of March 31, 2024. Performance figures shown represent cumulative performance since January 1, 2023. Data compiled and analyzed by Sycamore Capital.

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Should the market breadth continue to broaden, equities down the market cap spectrum could benefit. Furthermore, the potential easing of financial conditions should bode well for traditionally more interest sensitive, smaller companies. As shown in Illustration 8, about 50% of the S&P 500® Index's return since January 1, 2023, has been driven by Information Technology. The S&P 500® Index has a meaningful overweight to Information Technology relative to the mid-cap and small-cap benchmarks. By contrast, both the mid-cap and small-cap benchmarks are overweight traditionally more cyclical sectors. Therefore, there is a potential catch-up opportunity as capital rotates out of stocks with lofty multiples into areas with more compelling valuations.

Another potential tailwind for mid-cap and small-cap equities is fund flows. We suspect that some of the trillions of dollars resting in high-yielding money market funds may find their way into the equity market when the Fed cuts rates. Illustration 9 depicts the ballooning of deposits into higher-yielding money market instruments since the pandemic. Obviously, this is not a foregone conclusion; however, a 5%+ yield in a riskless instrument is a no-brainer for many investors (Illustration 10). The pendulum could swing when money market rates become less compelling. As observed in the table in Illustration 3, the total market capitalization of the small-cap Russell 2000® Index is approximately 6% of the S&P 500® Index's total market cap. Hence, it would not take much to move the needle down the market cap spectrum.

U.S. Economy Is Diverging From the Rest of the World

The divergence of the U.S. economy from other developed world economies could be another tailwind for U.S. equities. As observed in Illustration 11, the U.S. economy is projected to grow by approximately 2.2%, while other developed countries have slipped into a technical recession. Therefore, U.S. equities are in a position to attract capital as economic growth diverges from the rest of the world.

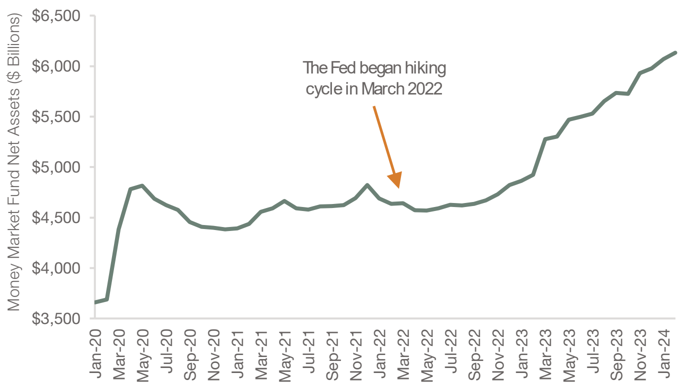
History Points to Possible Further Gains

Not considering the first quarter of this year, the S&P 500® Index has returned 10% or more (price return) during the first quarter on 14 other occasions since 1929 (Illustration 12). In those instances, returns for the remainder of the year were negative only twice. The S&P 500® Index ended the year down (when returning 10% or more during the first quarter) only once, in 1930. Therefore, the odds are favorable for further gains this year.

As highlighted above, conditions still exist that could extend the market rally. However, it behooves investors to acknowledge some of the risks that could ultimately impact the economy and financial markets. The resiliency of the U.S. economy (which has confounded skeptics) has been fueled by robust consumer spending. Something for investors to consider is whether the resilient consumer backdrop is sustainable given the interest rate backdrop.

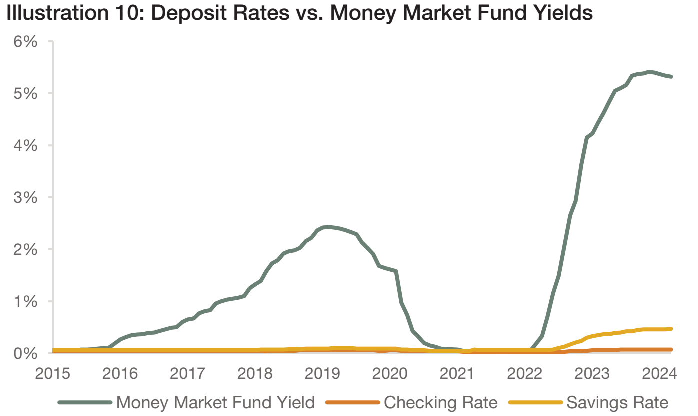
As observed in Illustration 13, saving rates swelled during the pandemic. However, they have been on a downward trajectory and the savings rate is now below the long-term average. Signs of cracks are emerging in the consumer backdrop, as evidenced by an uptick of household debt (Illustration 14) and delinquency rates (Illustration 15), especially for credit cards. Higher rates and stubborn inflation are beginning to bite. Consumers (especially low- to middle-income) are burning through their savings and relying more on credit for spending. An argument that we've heard on several occasions is that consumer spending habits have evolved since the pandemic, especially with a shift in employment arrangements. Historically, employees spent roughly two days at home (Saturday and Sunday). Now, many employees across the country are spending three to four days at home due to hybrid schedules. This has arguably resulted in a change in consumption habits. We are mindful

Illustration 9: Money Market Fund Deposits Ballooned During the Pandemic



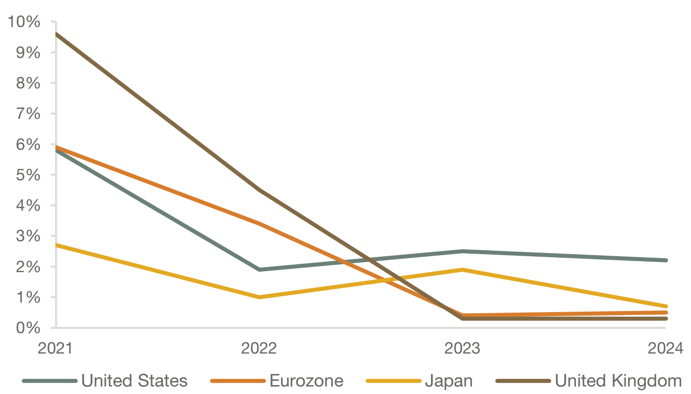
Source: Morningstar Direct. As of February 29, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 10: Deposit Rates vs. Money Market Fund Yields



Source: Bloomberg and Federal Reserve Economic Data (FRED). As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Money market yield data includes all U.S. money market funds with an S&P Global Rating of AAA or AA.

Illustration 11: Real GDP Growth Projections for 2024



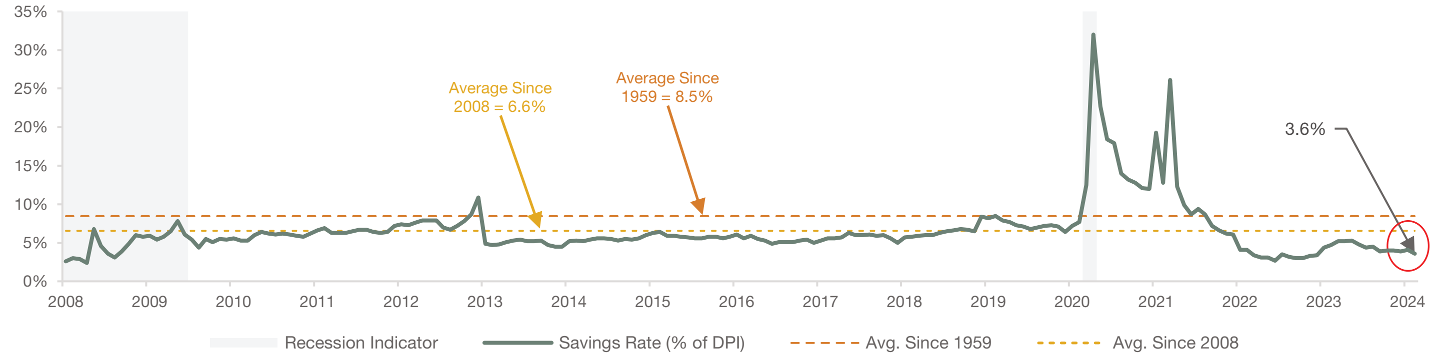
Source: Bloomberg Economic Forecasts. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Real GDP growth figures for 2024 are estimates.

Illustration 12: S&P 500® Index Returns When First Quarter Performance Exceeds 10% (Price Return)

Year	First Quarter	Second Quarter to Year-End	Full Year
1930	17.2%	-39.0%	-28.5%
1936	11.1%	15.1%	27.9%
1943	18.5%	0.8%	19.4%
1961	12.0%	10.0%	23.1%
1967	12.3%	7.0%	20.1%
1975	21.6%	8.2%	31.5%
1976	13.9%	4.6%	19.1%
1986	13.1%	1.4%	14.6%
1987	20.5%	-15.3%	2.0%
1991	13.6%	11.2%	26.3%
1998	13.5%	11.6%	26.7%
2012	12.0%	1.3%	13.4%
2013	10.0%	17.8%	29.6%
2019	13.1%	14.0%	28.9%
2024	10.2%	???	???

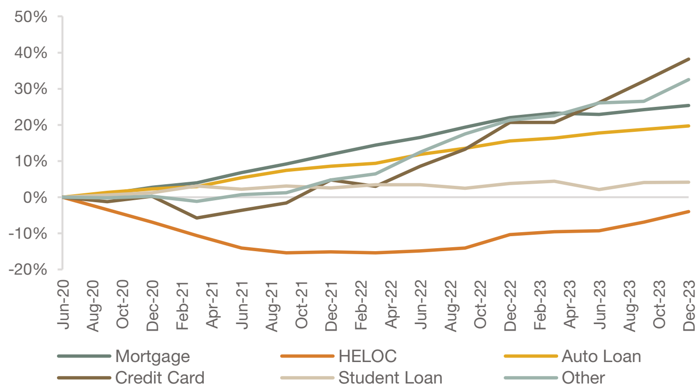
Source: Morningstar Direct. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Index level: price return.

Illustration 13: Personal Savings Rate Is Below the Long-Term Average



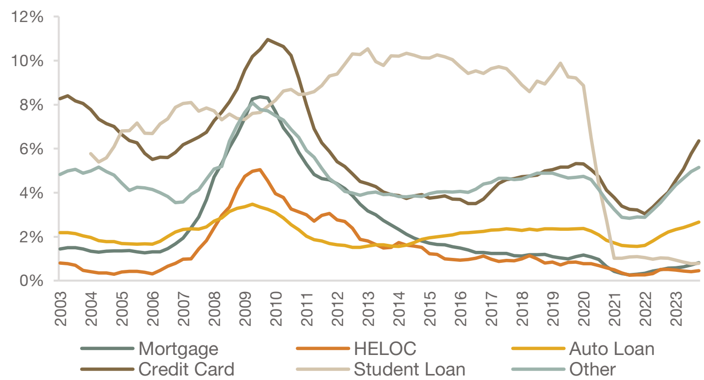
Source: Federal Reserve Economic Data (FRED) & NBER. As of February 29, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 14: Household Debt Load Continues to Grow



Source: Federal Reserve Bank of New York. As of December 31, 2023. Data compiled and analyzed by Sycamore Capital.

Illustration 15: A Notable Increase in Delinquencies in Recent Years



Source: Federal Reserve Bank of New York. As of December 31, 2023. Data compiled and analyzed by Sycamore Capital.

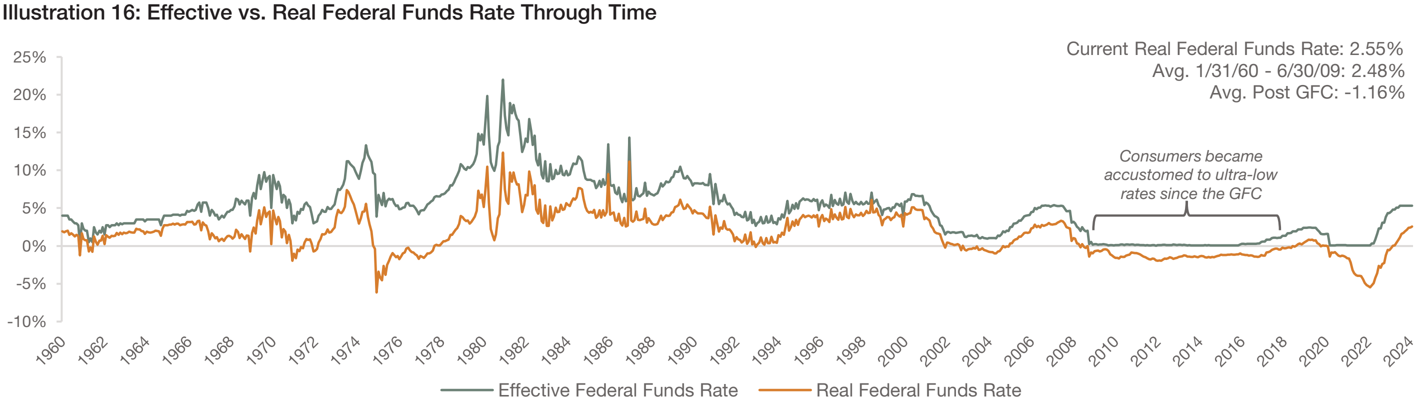
of this transformation; however, it is reasonable to be skeptical of the sustainability surrounding the "strong" consumer backdrop unless there is further progress on inflation and relief on the rate front.

A second risk that is worth pointing out involves the Fed. The predominant consensus now is that the Fed will deliver three cuts this year. What few (at least to our knowledge) are asking is whether the Fed "really" needs to cut, especially if progress on inflation stalls and the so-called "last mile" turns out to be less fleeting than anticipated. Inflation has already surprised to the upside this year. Understandably, the January print was interpreted as a statistical aberration. The February print demonstrated better progress.

Nevertheless, the Fed generally cuts rates when economic activity is softening. Currently, that is not the case; the economy is growing above potential, and the labor market remains resilient. One of the prevailing issues with rate expectations is that consumers became accustomed to ultra-low rates during the post Great Financial Crisis (GFC) period. However, as Illustration 16 shows, the real federal funds rate (nominal rates adjusted for inflation) averaged roughly 2.5% over the long term prior to the GFC. Currently, the real rate is approximately at that level. Therefore, the question is whether the economy can tolerate higher rates that are more in line with historical ranges. So far, the economy has demonstrated that it may in fact be able to handle higher rates.

It behooves investors to ponder the possibility that three rate cuts in 2024 is not a done deal if inflation surprises to the upside again. It would also be prudent to anticipate a rate environment that looks different than it did during the post-GFC era. That being said, by keeping rates higher, the Fed also opens up the door for the possibility of a policy error by remaining in restrictive territory for too long. While the current economic backdrop may support a high-for-longer stance, we suspect that the

Illustration 16: Effective vs. Real Federal Funds Rate Through Time



Source: Federal Reserve Economic Data (FRED). As of February 29, 2024. Data compiled and analyzed by Sycamore Capital.

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Fed wants to avoid a policy error at all costs especially in an election year. Therefore, it is likely that the Fed delivers the rate cuts that the market so badly wants even if the economic backdrop this year does not necessitate them.

Equity Market Returns Under Different Administrations

Delving into a political discourse today is a slippery slope given the polarization of the country. But we decided to take the plunge anyway to assess what's in store for investors in an election year. Our findings revealed that equity market returns were mostly positive under both parties dating back to President Reagan. Illustration 17 shows the performance by market cap and style segment from election day to year-end for U.S. presidents since Ronald Reagan. Returns were generally positive, with the two exceptions being the elections of George W. Bush and Barack Obama. President Obama was elected at the onset of the GFC, so it is not surprising that returns across the board were negative from the day he got elected until the end of 2008.

Returns across the board were more pronounced for both Presidents Trump and Biden. The market rallied meaningfully after President Trump was elected (the "Trump rally") as the market anticipated tax cuts, less regulation and tariffs (which favored small-cap equities) under his leadership. President Biden was elected around the time the COVID-19 vaccine was announced in November 2020. Consequently, there was a euphoric response, which resulted in a sharp rally in risk assets.

Illustration 18 examines the returns over a president's entire term. Results highlight that equity market returns were favorable, with George W. Bush's second term as the only exception. During the time, the U.S. was fighting wars on multiple fronts and the economy slipped into recession as the GFC unfolded.

Equity Market Returns Under the Presumed 2024 Presidential Candidates

Equity market returns as measured by the S&P 500® Index under Presidents Trump and Biden (so far) were positive (Illustrations 19 and 20). Returns during their first year in office were both robust, with the market posting solid gains. Returns during their second year diverged, but eventually the market ended the second year of both of their terms in negative territory (Illustration 20). The Fed attempted to normalize rates during President Trump's second year, which resulted in a sell-off during the fourth quarter of 2018. Consequently, the Fed reversed course in early 2019. During President Biden's second year, the Fed embarked on its tightening campaign in March of 2022, which also resulted in an equity market sell-off. Returns during the third year in office were similar for both presidents, with the market up sharply. President Trump's fourth year in office was marked by the onset of the global pandemic. The market bottomed in March 2020 and rallied meaningfully into 2021. President Biden's fourth year is off to a good start, with history suggesting that the market could end the year on a positive note.

The takeaway for us is that the market generally marches higher (with occasional bumps along the way) over the long term irrespective of the political party that is in power.

Closing Thoughts

In summary, the market will likely continue to confound investors as it has frequently done. What it will do next is anybody's guess. From our perspective, it would be prudent to balance optimism with caution for the remainder of the year. We believe that the increase in market breadth is a positive trend and could portend the sustainability of the rally. We also believe that the valuation discount down the market cap

Illustration 17: Historical Performance From Election Day Through Year-End

President	Political Party	Election Day	Year-End	S&P 500® Index	Russell 1000® Index	Russell 1000® Growth Index	Russell 1000® Value Index	Russell Midcap® Index	Russell Midcap® Growth Index	Russell Midcap® Value Index	Russell 2000® Index	Russell 2000® Growth Index	Russell 2000® Value Index
Ronald Reagan	R	11/4/1980	12/31/1980	7.3%	5.4%	7.7%	5.6%	5.9%	n/a	n/a	3.0%	5.7%	1.3%
George H. W. Bush	R	11/8/1988	12/31/1988	1.9%	1.9%	0.9%	0.0%	0.0%	1.2%	-0.8%	2.2%	0.8%	0.1%
Bill Clinton	D	11/3/1992	12/31/1992	3.6%	4.6%	4.4%	4.9%	7.9%	8.4%	7.5%	10.8%	12.3%	10.6%
George W. Bush	R	11/7/2000	12/31/2000	-7.6%	-8.6%	-18.6%	1.5%	-3.6%	-21.0%	7.4%	-3.8%	-14.9%	8.0%
Barack Obama	D	11/4/2008	12/31/2008	-6.0%	-5.8%	-5.8%	-5.9%	-6.1%	-6.5%	-5.6%	-6.9%	-7.5%	-6.3%
Donald Trump	R	11/8/2016	12/31/2016	5.4%	5.6%	3.3%	8.0%	6.5%	4.4%	8.2%	14.1%	10.5%	17.6%
Joe Biden	D	11/3/2020	12/31/2020	13.8%	15.1%	14.7%	15.6%	17.1%	18.0%	16.6%	26.2%	26.8%	25.6%

Source: Morningstar Direct & the Federal Election Commission (FEC). As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 18: Historical Performance Under Different Presidential Administrations

President	Political Party	First Day of Term	Last Day of Term	S&P 500® Index	Russell 1000® Index	Russell 1000® Growth Index	Russell 1000® Value Index	Russell Midcap® Index	Russell Midcap® Growth Index	Russell Midcap® Value Index	Russell 2000® Index	Russell 2000® Growth Index	Russell 2000® Value Index
Ronald Reagan	R	1/20/1981	1/20/1985	50.5%	51.9%	22.7%	71.7%	58.5%	n/a	n/a	62.3%	11.0%	109.3%
		1/21/1985	1/19/1989	98.3%	88.5%	79.6%	95.3%	87.4%	n/a	n/a	51.6%	46.2%	69.2%
George H. W. Bush	R	1/20/1989	1/19/1993	73.2%	76.6%	97.5%	68.1%	84.0%	99.4%	72.8%	60.9%	61.7%	60.9%
Bill Clinton	D	1/20/1993	1/19/1997	97.9%	94.0%	90.6%	96.7%	85.9%	78.8%	89.7%	73.7%	64.3%	88.3%
		1/20/1997	1/19/2001	83.1%	82.4%	89.9%	67.5%	70.4%	88.7%	54.6%	39.5%	28.3%	46.4%
George W. Bush	R	1/20/2001	1/19/2005	-5.8%	-4.4%	-27.8%	21.7%	33.1%	-9.5%	62.1%	33.4%	-1.4%	72.9%
		1/20/2005	1/19/2009	-22.2%	-21.5%	-21.0%	-22.6%	-20.1%	-21.9%	-19.7%	-20.6%	-21.7%	-20.1%
Barack Obama	D	1/20/2009	1/20/2013	90.8%	94.4%	102.1%	86.2%	121.0%	124.5%	116.3%	102.4%	114.5%	90.7%
		1/21/2013	1/19/2017	65.8%	65.3%	68.5%	61.8%	63.4%	59.0%	67.1%	59.3%	57.5%	60.5%
Donald Trump	R	1/20/2017	1/19/2021	81.4%	84.7%	136.3%	39.9%	68.7%	120.9%	37.3%	68.7%	109.0%	32.9%
Joe Biden*	D	1/20/2021	*3/31/2024*	45.4%	40.5%	43.8%	36.1%	24.3%	10.4%	32.2%	3.1%	-11.5%	19.2%

*Source: Morningstar Direct & the Federal Election Commission (FEC). As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures shown represent cumulative total return for the respective term of each president (inauguration day to the last full day in office). *Returns for current sitting president, Joe Biden, are through the first quarter of 2024.*

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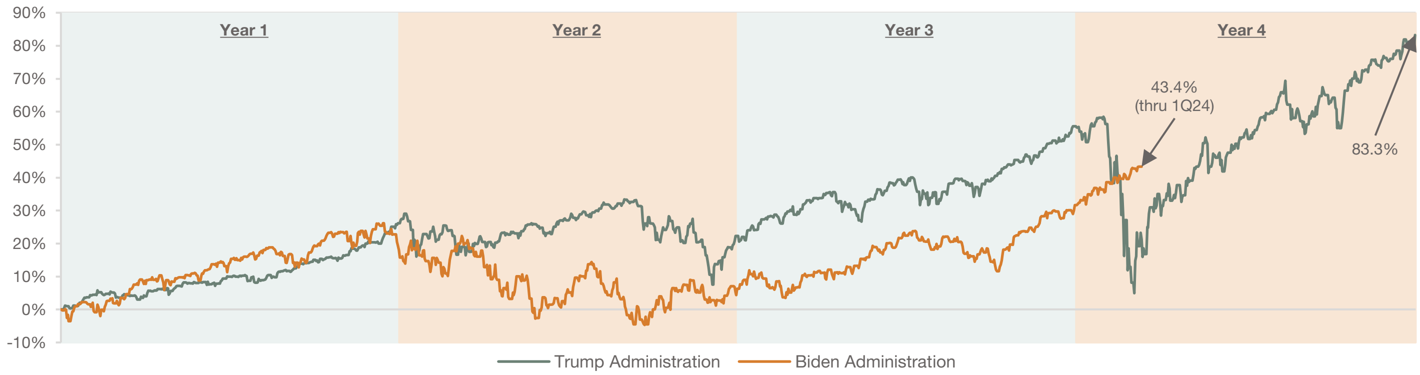
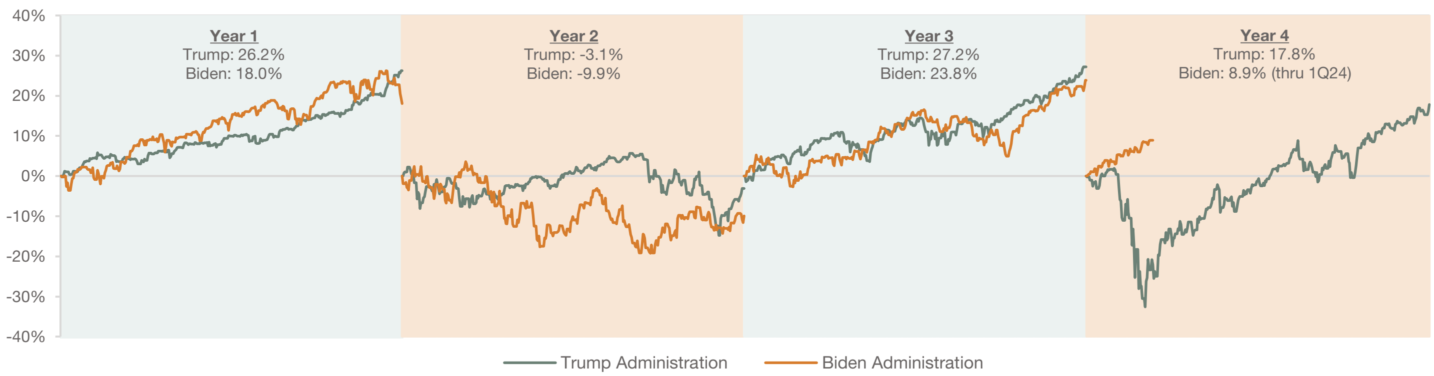
Illustration 19: Cumulative Performance of the S&P 500® Index Under Trump vs. Biden Administration



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures shown represent cumulative total return from Inauguration Day through the last full day of presidency for President Trump and President Biden, respectively.

Illustration 20: S&P 500® Index Performance Breakdown by Year Under Trump vs. Biden Administration



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance shown represents the 1-year total return from January 20 of each year of presidency for President Trump and President Biden, respectively.

spectrum is compelling, especially for investors with a long-term time horizon. Furthermore, we want to remind our readers that while it may be the topic *du jour*, momentum in the market often decays unexpectedly and violently as observed in the first quarter. That's why we believe that valuation discipline is critical in a market environment where momentum and "trend following" is pervasive. Finally, we are entering into what is likely going to be a politically charged season for the country. Investors should brace for more political and interest rate volatility the remainder of the year. Regardless of who will be in office one year from today, investors with a long-term time horizon should find comfort in knowing that the equity market generally ascends with occasional bumps in the road.

With that said, we will end on a befitting quote from Jeremy Siegel, given the season:

> *"Bull markets and bear markets come and go, and it's more to do with business cycles than presidents."*

On behalf of the Sycamore Capital team, we thank our clients for their long-term partnership and support.
We are grateful for the trust you have placed in our Team to manage your assets.

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Top Contributors (%)	
Core & Main, Inc.	0.3
Magnolia Oil & Gas Corp.	0.3
Ryan Specialty Holdings, Inc.	0.3
Texas Roadhouse, Inc.	0.3
Matador Resources Co.	0.2

Source: FactSet. The percent displayed is the contribution to return.

Top Detractors (%)	
E.W. Scripps Co.	-0.3
Independent Bank Corp.	-0.2
Mercury Systems, Inc.	-0.1
NCR Voyix Corp.	-0.1
Air Transport Services Group, Inc.	-0.1

Investment Performance (%)	QTR	YTD	1-YR	ANNUALIZED RETURNS 3-YR	5-YR	7-YR	10-YR	Since Inception*
Sycamore Small Cap Value Equity (gross of fees)	4.07	4.07	13.84	6.38	11.20	10.18	10.53	12.15
Sycamore Small Cap Value Equity (net of fees)	3.81	3.81	12.71	5.32	10.10	9.08	9.43	11.04
Russell 2000® Value Index	2.90	2.90	18.75	2.22	8.17	6.55	6.87	—

Source: Zephyr. Returns greater than one year are annualized and reflect the reinvestment of dividends and other earnings.
**Since inception start date: 01/01/1993.*

Past performance does not guarantee of future results.

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 are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model feel). 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 equity 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.

The Sycamore Small Cap Value Equity Composite includes all accounts, except wrap fee paying accounts, primarily invested in stocks of small/emerging companies with market capitalizations of less than $2 billion. The product generally has a minimum equity commitment of 90% and the composite inception date is January 1993. The composite creation date is 1Q93.

The benchmark of the composite is the Russell 2000® Value Index. The Russell 2000® Value Index measures the performance of those Russell 2000® companies with lower price/book ratios and lower forecasted grow the values. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000® Index.

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.

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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.

Contributors and Detractors Source: FactSet. The top contributors and detractors are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments. The percent displayed is contribution to return. Holdings are as of quarter end and may change at any time.

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