



Strong execution, strength in memory, and increased product evaluation from customers were all constructive data points for Axcelis Technologies, Inc. (ACLS). Harmonic Inc. (HLIT) was a negative as it reported disappointing earnings results and guidance due to order pushouts and delayed deployments resulting from customers' COVID-19 related business disruption.

Our average real estate holding outperformed (+21.2% versus +11.3%), led by Bluerock Residential Growth REIT Inc. Class A (BRG). The company rose 48% as rent collections from apartment tenants remained solid.

Industrials were helped by our machinery holdings as investor sentiment pivoted toward optimism with the economy starting to reopen. NN, Inc. (NNBR) and CIRCOR International, Inc. (CIR) were the largest contributors within machinery. NN, Inc. (NNBR) rebounded 174% as it produced results better than feared. CIRCOR International, Inc. (CIR) advanced 119% as it closed on a divestiture that improves cash flow and reduces oil exposure. Ongoing cost cutting also positions it for improved profitability.

Performance in consumer discretionary was about break-even. Three of the largest contributors were boating-related companies. They were Malibu Boats Inc. Class A (MBUU), OneWater Marine Inc. Class A (ONEW), and MarineMax, Inc. (HZO). Boat sales and boat usage remained resilient during the quarter as families shifted to activities that provided social distancing. Century Communities, Inc. (CCS) significantly outperformed (+111%) as homebuilders benefited from falling interest rates, lean inventories, decent demand, a better than feared earnings season, and a potential tailwind from deurbanization. However, this was offset by Potbelly Corp. (PBPB) and not owning some of the best performing discretionary stocks. Despite reporting improving sales trends and reduced cash burn, Potbelly Corp. (PBPB) failed to participate in the restaurant stock rally on liquidity concerns. This is a situation we continue to monitor closely.

Outlook

We back, we back, we back in the saddle
Back on the stage making the whole place rattle
Back with the A-Team, train on the track
Thought we were gone but you wrong, now it's on
We back.

– Jason Aldean

The once COVID-coma economy seems to be back on track, at least for the time being. After dramatic contractions in activity, the economy has been back in the saddle and exhibiting a V-shaped recovery path, not just in the US but around the world. PMIs in China, India and Australia have spiked. China's PMI is over 50, indicating expansion, and copper prices have risen, signaling stronger economic activity. In the US, employment, vehicle production, and existing home sales have recovered sharply. The reopening of economies, along with massive fiscal and monetary stimulus, has spurred this activity. Evercore ISI counts 519 stimulus initiatives around the world. The Federal Reserve's balance sheet is up 60% this year, while the balance sheet for the Bank of England has increased by 60%, and for the Bank of Canada by 350%.

Seemingly, this influx of cash has found its way into what have come to be perceived as defensive companies. The strong run in these large-cap growth stocks has brought out calls of "too far, too fast." The non-economically sensitive Nasdaq-100[®] Index is *up* over 16% this year, while the more cyclical Russell 2000[®] Value Index is *down* 23%. This whopping 39% differential appears indicative of investor pessimism regarding the virus and the economy. Certainly, the second wave of the virus is a risk to the recent economic good news. However, if death rates remain low and the economy continues to recover, we see the current valuation and performance disparity as a compelling investment opportunity. We talked last quarter about valuation spreads being as wide as they've been since 2008 and during the Great Depression. They have since receded some in the market rally. However, spreads are still greater than two standard deviations above the mean and historically attractive. We expect continued volatility around media reports on the virus and the economy.

We have worked diligently to build a portfolio that should benefit from a reduction in anxiety over the virus and the economy. We have been adding small positions in companies where we see enticing relative valuations with above-average snap-back potential as the COVID-19 and economic clouds begin to clear. The number of securities held in the portfolios has



expanded to try to capture this return while taking less company-specific risk. We believe our strategy of buying names with solid free cash flow characteristics, coupled with deeper discounts and some controversy surrounding them, is the right one that will add alpha for our clients going forward. Our largest risk lies in second-wave fears and the resulting economic worries and implications. Our performance was very strong during the first two months of the quarter; however, in the last few weeks of the quarter, second-wave COVID-19 cases increased, and we did lose some relative outperformance. This is certainly a concern, but we see it as performance delayed, not lost.

Composite Performance (%)

As of June 30, 2020

	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (02/01/11)
Integrity Micro Cap Value Equity (Gross)	21.12	-29.46	-22.73	-6.76	0.15	–	8.31
Integrity Micro Cap Value Equity (Net)	20.83	-29.80	-23.49	-7.69	-0.85	–	7.24
Russell Microcap [®] Value Index	22.93	-21.44	-14.93	-2.93	2.19	–	6.68

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

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 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 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 II of its Form ADV.

Supplemental information. Please see the GIPS[®] disclosure page for additional information on the composite.



INTEGRITY MICRO CAP VALUE EQUITY – REPRESENTATIVE ACCOUNT

TOP 10 ACTIVE OVERWEIGHTS

Ticker	Company Name	Active Weight
RDNT	RadNet, Inc.	1.1
MBU U	Malibu Boats Inc. Class A	1.01
PFC	Premier Financial Corp.	0.97
COW N	Cowen Inc. Class A	0.9
MPAA	Motorcar Parts of America, Inc.	0.84
MITK	Mitek Systems, Inc.	0.83
RTIX	RTI Surgical Holdings, Inc.	0.83
IIIV	i3 Verticals, Inc. Class A	0.82
ZUMZ	Zumiez Inc.	0.78
SCVL	Shoe Carnival, Inc.	0.77

TOP 10 ACTIVE UNDERWEIGHTS

Ticker	Company Name	Active Weight
SWBI	Smith & Wesson Brands, Inc.	-0.73
WKH S	Workhorse Group Inc.	-0.68
SNEX	Intl FCStone Inc.	-0.52
SPTN	SpartanNash Company	-0.47
SYBT	Stock Yards Bancorp, Inc.	-0.44
AGX	Argan, Inc.	-0.43
UTL	Unitil Corporation	-0.41
VND A	Vanda Pharmaceuticals Inc.	-0.38
UIS	Unisys Corporation	-0.38
CNOB	ConnectOne Bancorp, Inc.	-0.37

INTEGRITY MICRO CAP VALUE EQUITY – REPRESENTATIVE ACCOUNT

NEW POSITIONS

Ticker	Company Name
ADTN	ADTRAN, Inc.
BHE	Benchmark Electronics, Inc.
CALX	Calix, Inc.
CHUY	Chuy's Holdings, Inc.
CNDT	Conduent, Inc.
PLAY	Dave & Buster's Entertainment, Inc.
DX	Dynex Capital, Inc.
GIII	G-III Apparel Group, Ltd.
GCO	Genesco Inc.
GES	Guess?, Inc.
HA	Hawaiian Holdings, Inc.
PUMP	ProPetro Holding Corp.
VECO	Veeco Instruments Inc.
VPG	Vishay Precision Group, Inc.
VSEC	VSE Corporation

CLOSED POSITIONS

Ticker	Company Name
CALX	Calix, Inc.
CARO	Carolina Financial Corp.*
CRNC	Cerence Inc.
EXTR	Extreme Networks, Inc.
ICHR	Ichor Holdings, Ltd.
ONTO	Onto Innovation, Inc.
TGI	Triumph Group, Inc.
UBSI	United Bankshares, Inc.

* Carolina Financial Corp. (CARO) was acquired by United Bankshares, Inc. (UBSI).



Integrity Micro Cap Value strategy focuses on micro-cap companies that are currently trading below our estimate of intrinsic value and are characterized by improving investor sentiment.

Index returns are provided to represent the investment environment during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include transaction costs, management fees or other costs.

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 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 recommendations of security selection is available by request for the previous 12 months. Furthermore, 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.

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.

Victory Capital Management Inc. is a registered investment adviser. Integrity Asset Management is a Victory Capital Management investment franchise.

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VICTORY COMPOSITE PERFORMANCE

INTEGRITY MICRO CAP VALUE EQUITY STRATEGY

Year Ending	Gross Return	Net Return	Benchmark	3yr Annualized Standard Deviation (%) Composite	3yr Annualized Standard Deviation (%) Benchmark	Number of Portfolios	Internal Dispersion	Composite Assets (mm)	Total Franchise Assets (mm)	Total Firm Assets (mm)
12/31/2019	22.93%	21.71%	21.28%	16.69%	16.07%	≤5	N/M	\$224	\$5,326	\$147,934
12/31/2018	-14.69%	-15.54%	-11.96%	16.99%	16.55%	≤5	N/M	\$137	\$4,659	\$51,590
12/31/2017	12.13%	11.02%	11.09%	15.53%	15.47%	≤5	N/M	\$182	\$6,283	\$60,297
12/31/2016	31.06%	29.75%	30.59%	16.47%	16.71%	≤5	N/M	\$198	\$6,031	\$42,934
12/31/2015	1.08%	0.07%	-5.77%	14.28%	14.67%	≤5	N/M	\$110	\$5,182	\$30,889
12/31/2014	5.56%	4.52%	3.65%	13.26%	14.31%	≤5	N/M	\$117	\$5,164	\$33,679
12/31/2013	47.16%	45.74%	45.62%	N/A	N/A	≤5	N/M	\$112	\$4,816	N/A
12/31/2012	23.26%	22.06%	19.75%	N/A	N/A	≤5	N/M	\$75	\$3,283	N/A
12/31/2011*	0.75%	-0.17%	-8.31%	N/A	N/A	≤5	N/M	\$87	\$3,099	N/A

*2011 returns are for the 11-month period from inception on 2.01.11 through 12.31.11

Victory Capital Management acquired composite from Munder Capital Management on 10/31/14. Firm assets prior to 2014 are shown as "N/A" above as the composite was not part of the firm. The current composite benchmark is Russell Microcap[®] Value Index. Prior to 10/1/2015, the benchmark is the Russell Microcap[®] Index.

- Victory Capital Management Inc. claims compliance with the Global Investment Performance Standards (GIPS[®]) and has prepared and presented this report in compliance with the GIPS standards. Victory Capital Management has been independently verified for the period from January 1, 2001 through December 31, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Integrity Micro Cap Value Equity Composite has been examined for the periods January 1, 2014 through December 31, 2018. The verification and performance examination reports are available upon request.
- Victory Capital Management Inc. (Victory Capital) is a diversified global investment advisor registered under the Investment Advisers Act of 1940 and comprised of multiple investment franchises: INCORE Capital Management, Integrity Asset Management, Munder Capital Management, NewBridge Asset Management, RS Investments, Sophus Capital, Sycamore Capital, Trivalent Investments, USAA Investments, a Victory Capital Investment Franchise; and the VictoryShares & Solutions Platform. 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; and USAA Investments effective July 1, 2019.
- The Integrity Micro Cap Value Equity Composite includes all accounts, except wrap fee paying accounts, and focuses on micro-cap companies that are currently trading below our estimate of intrinsic value and are characterized by improving investor sentiment. The composite creation date is February 2011.
- The benchmark of the composite is the Russell Microcap[®] Value Index. Prior to October 2015, the benchmark is the Russell Microcap[®] Index. The benchmark was changed prospectively as the firm believes the current benchmark provides a more representative comparison of the composite strategy. The Russell Microcap Value Index measures the performance of the micro capitalization value segment of the U.S. equity market. It includes those companies with lower price-to-book ratios and lower forecasted growth rates in the Russell Microcap[®] Index, which comprises the smallest 1,000 companies in the Russell 2000[®] Index plus 1,000 smaller U.S. equities. You cannot invest directly in an index. The Russell Microcap[®] Index measures the performance of the microcap segment of the U.S. equity market. Microcap stocks make up less than 3% of the U.S. equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000[®] Index, plus the next 1,000 smallest eligible securities by market cap. The benchmark returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested, which includes the

reinvestment of income. The returns have been taken from a published source and do not include any transaction fees, management fees, or other costs.

- The internal dispersion of annual returns is measured by the standard deviation of asset-weighted gross returns of accounts included in the composite for the full year. If less than six portfolios are included in the composite for the full year, no dispersion measure is presented, as it is not considered meaningful (N/M). The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. It is not required to be presented for annual periods prior to 2011 or when a full three years of composite performance is not yet available.
- Composite and benchmark returns are presented net of non-reclaimable withholding taxes. 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 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 II of its Form ADV. The complete fee schedule for this product is:

Market Value	Annual Fee
First \$15,000,000	1.00% (Min. Annual Fee: \$50,000)
Next \$35,000,000	0.90%
Next \$50,000,000	0.80%
Thereafter	0.75%
- Valuations and returns are stated in U.S. dollars. Past performance should not be considered indicative of future performance. Composite returns reflect the reinvestment of dividends and other earnings. A list of composite descriptions and policies of valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Registration with the SEC does not imply a certain level of skill or training.
- The composite is managed by Integrity Asset Management, a Victory Capital investment franchise. Performance prior to October 2014 occurred while the team was affiliated with a prior firm. The investment management team has managed the composite strategy since inception and the investment process has not changed. The historical performance has been linked to performance earned at Victory Capital Management.