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July Commentary:

U.S. equities continued to rise in July, driven by a cooler-than-expected June CPI report that sparked a rotation from big tech and growth stocks to small-cap and value stocks. While it is too early to determine if this shift will be sustained, a long-awaited mean reversion seems likely, especially after the significant gains by the "Magnificent Seven" stocks over the course of the past 18 months.

Given the numerous factors influencing the stock market outlook, such as the upcoming U.S. election and interest rate changes, perhaps investors are starting to be mindful of the current market concentration. We have previously highlighted that just seven stocks account for nearly one-third of the S&P 500's weighting and were responsible for over 50% of the index's calendar year's gains. Slower economic growth, a cooling labor market, and reduced consumer spending are potential factors that could increase market volatility, potentially benefiting investors who maintain a diversified portfolio.

On July 31, the Federal Reserve kept interest rates steady for the eighth consecutive meeting and have not yet indicated if a rate cut is anticipated to happen in the next meeting in September. Fed Chair Jerome Powell reiterated that the Fed will continue to reassess conditions meeting by meeting and that they are willing to hold rates steady as long as needed. On a positive note, inflation continues to cool and has made progress toward the Fed's 2% target. The next FOMC meeting is scheduled for September 17-18.

In July, the Russell 2000 Value significantly outperformed the S&P 500, yet still lags in year-to-date performance by over 500 bps. We anticipate a favorable environment for smaller companies as post-peak rates and necessary consolidation in certain industries such as media, energy and banking should lead to a more robust year. M&A activity began the year strong, setting the stage for catalysts to emerge within our portfolio of companies.

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We remain optimistic in our outlook for small to mid-cap stocks, as valuations have proven to be a good indicator of the potential for long-term outperformance. The valuation of the Russell 2000 Value remains compelling, which currently trades at ~14x estimated earnings for the next twelve months versus ~23x for the S&P 500.

July 2024 Performance

(July 31, 2024)	**Growth**	**Core**	**Value**
Russell 1000 (Large Cap)	-1.7%	1.5%	5.1%
" 3000 (All Cap)	-1.3	1.9	5.5
" 2000 (Small Cap)	8.2	10.2	12.2

As value oriented stock pickers, we find the current market conditions exceptionally favorable for our methodology. Our focus remains steadfast on identifying exceptional businesses trading at a discount to Private Market Value, with catalysts to surface value. We will continue to use the volatility provided by Mr. Market to increase our stakes in great companies at attractive prices.

Kevin V. Dreyer   Christopher J. Marangi

This letter was prepared by Kevin V. Dreyer and Christopher J. Marangi with the assistance of many, including Charles LaRosa and Cameron Acito. The examples cited herein are based on public information and we make no representations regarding their accuracy or usefulness as precedent. The views are subject to change at any time based on market and other conditions. The information in this letter represents the opinions of the individuals as of the date hereof and

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