

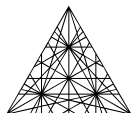
Commentary:

U.S. stocks rose in January, rebounding after a mostly lower finish to 2024. Political developments dominated headlines as President Trump began his new term in the White House. Markets reacted positively to expectations of deregulation and pro-growth economic policies. However, concerns over the potential impact of Trump's tariffs loom large for both domestic and international companies. The resilience of the market and elevated stock valuations will undoubtedly be tested in the coming months.

During the month, the AI-growth narrative faced pressure after China's low-cost DeepSeek AI model triggered a selloff in AI-linked stocks. The news raised concerns about the sustainability of U.S. tech spending on AI models, pricing power, and America's broader position in the global AI race. Nvidia was a notable laggard amid the DeepSeek-driven concerns, while Meta Platforms posted strong earnings, with takeaways highlighting broad product tailwinds from AI initiatives.

On January 29, the Fed held interest rates steady, pausing its recent easing cycle as it assesses an increasingly uncertain political and economic landscape. The Fed noted that recent indicators show economic activity has continued to expand at a solid pace, with the labor market remaining strong. Fed Chair Jerome Powell stated that the central bank would need to see "real progress on inflation or some weakness in the labor market before we consider making adjustments". The next FOMC meeting is set for March 18-19.

Small-cap value stocks underperformed their large-cap value counterparts, as concerns over "higher for longer" interest rates remained a near-term headwind. However, as rates trend lower, we believe small- and mid-sized companies are well-positioned to benefit through 2025/2026. Declining rates typically serve as a catalyst for equities by reducing borrowing costs, fostering robust M&A activity, increasing consumer spending, and driving higher valuation multiples.



The valuation of the Russell 2000 Value remains compelling, currently trading at ~14x estimated earnings for the next twelve months versus ~24x for the S&P 500. This attractive valuation differential underscores the importance of valuations as a strong determinant of long-term performance.

January 2025 Performance

<i>(January 31, 2025)</i>	<u>Growth</u>	<u>Core</u>	<u>Value</u>
Russell 1000 (Large Cap)	2.0%	3.2%	4.6%
" 3000 (All Cap)	2.0	3.2	4.5
" 2000 (Small Cap)	3.2	2.6	2.1

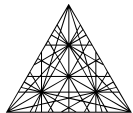
As value-oriented stock pickers, we find the current market conditions exceptionally favorable for our methodology. Our focus remains steadfast on identifying exceptional businesses trading at a discount to Private Market Value, with catalysts to surface value. We will continue to use the volatility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

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Important Disclosures

This letter was prepared by Kevin V. Dreyer and Christopher J. Marangi. 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 represent the opinions of the individuals as of the date hereof and is not intended to be a forecast of future events, a



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