Cramer Rosenthal McGlynn

Second Quarter 2024 Newsletter

Cramer Rosenthal McGlynn, LLC
300 First Stamford Pl, Suite 440
Stamford, CT 06902

T 212.326.5300
info@crmllc.com
www.crmllc.com

Cramer Rosenthal McGlynn, LLC is an established value equity manager with a focus on the U.S. small and mid-cap space. We believe our track record, spanning over 50 years, is a testament to our success in serving clients and providing strong risk-adjusted investment performance. Clients benefit from a consistent approach and application of a central philosophy and process, implemented by a team with diverse experience in identifying change, neglect, and the intrinsic value of businesses. In the investment world, as in life, change often unlocks hidden potential. Yet most investors sit on the sidelines while a transformation is underway, waiting to see evidence of positive results. This wait-and-see attitude is fertile ground for an investment manager structured to capitalize on change through intensive research. Cramer Rosenthal McGlynn, LLC is a firm that strives to recognize potential and seize opportunity. As of the most recent quarter-end, we manage over $2 billion for institutions and individuals, and we have followed a time-tested investment philosophy since 1973.

Why Invest in CRM

Specialist. CRM has been investing in the small/mid cap value space with the same time-tested philosophy and process since 1973.

Alignment. CRM's current generation of employees bought 100% of the company in 2019, signaling our long-term commitment to the firm and our clients. This alignment allows for retention of key talent.

Eclectic. CRM's history, connections, and process lead us to find companies that are under-followed or misunderstood by other investors.

Access. The experience and reputation of CRM and its research team allows for constructive interaction with company management. We have been able to identify and affect positive change with our portfolio holdings.

ESG. CRM integrates ESG analysis into our investment process. CRM consistently engages with our portfolio holdings on material ESG matters.

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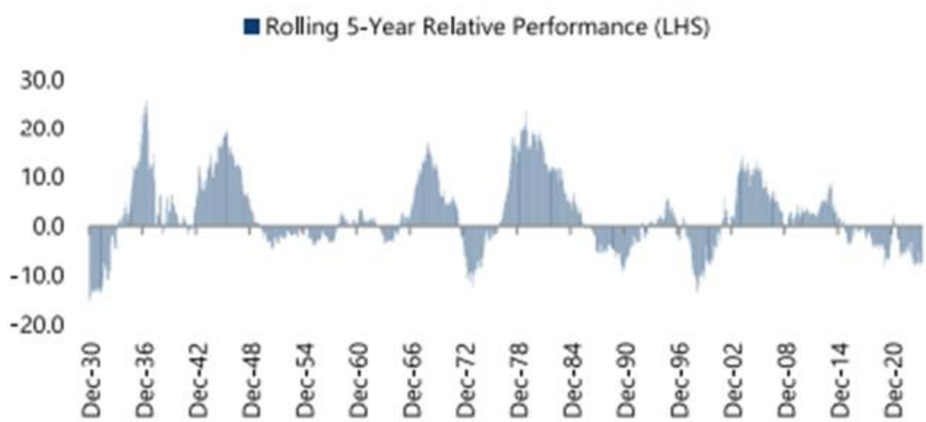
Signatory of: PRI Principles for Responsible Investment

SASB INSIDE

Market Commentary

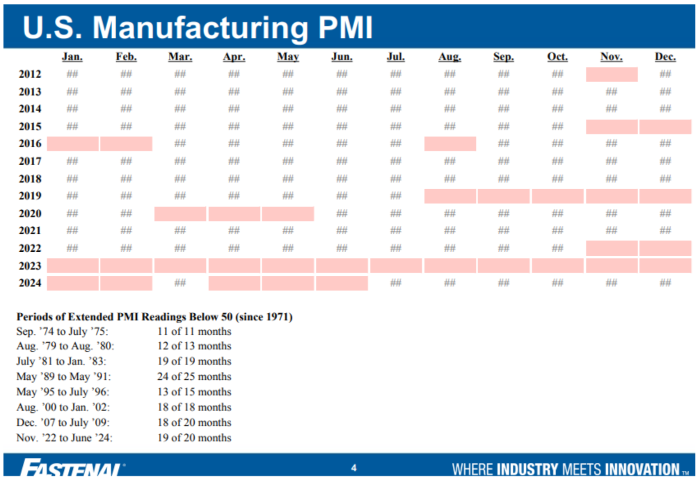
"It's always darkest before the dawn" is a phrase written in 1650 by English theologian and historian Thomas Fuller and in one translation means "things always seem the worst before they improve." This phrase best describes the market performance and sentiment for small and mid-cap value stocks relative to large cap stocks this quarter and the last few years. Down cap stocks declined this quarter as investors placed more weight on the recent slower economic growth reports than the retreat in inflation. This caused the market to gravitate toward large cap stocks again. The incredibly narrow leadership of the market this year is highlighted by the Magnificent Seven stocks accounting for two-thirds of the performance of the S&P 500 Index return in 2024 through June 30th. The chasm in performance between small and large has reached decade highs. As Jefferies quantified it, "we have to go back to 1973 to see a larger gap between" the performance of small cap and large cap stocks. As you can imagine, we have been proclaiming this anomaly to all that will listen but the catalyst to crystallize an inflection had not presented itself until post quarter end. A delay in publishing this quarterly commentary has allowed us the time to witness important economic data releases and political changes that may be the catalyst we have been discussing for some time to trigger the market towards the eventual rotation in leadership back to down cap value strategies. Some will ask, is this rally in July the "Trump Trade" or an actual small and mid-cap rotation? We would answer, "does it really matter?" We believe we will likely end up with the same answer – small and mid-cap value stock outperformance going forward.

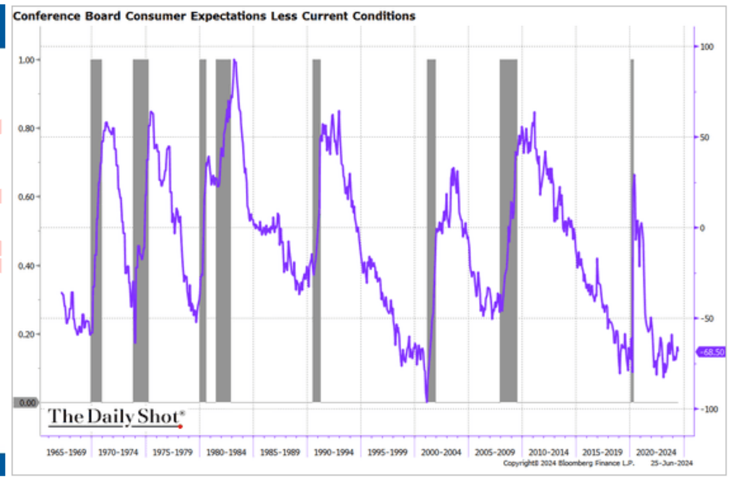
The rolling 5-year performance of Small vs. Large is in the 6th percentile



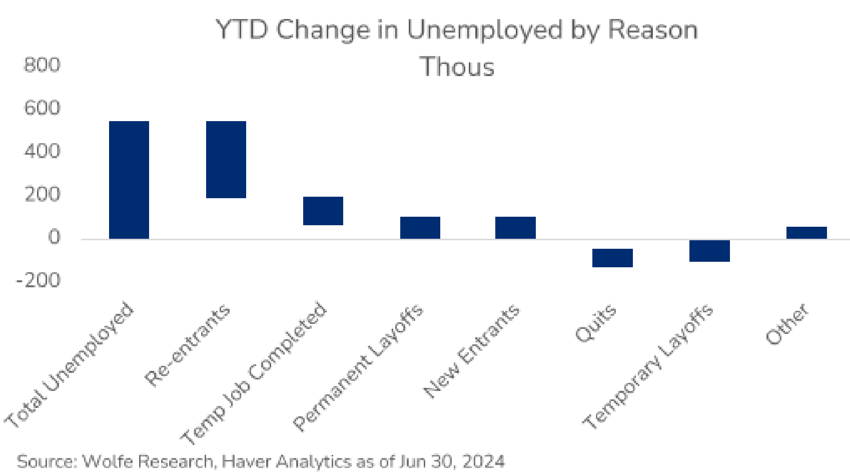
Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

The second quarter witnessed a movement of investor preference towards weighting economic growth (albeit weaker growth) over slowing inflationary reports. This fueled the debate over whether a potential rate cut would be a negative or positive for the market, i.e. is the Federal Reserve cutting rates to address an economic slowdown or just to normalize rate policy. This concern was exacerbated by worries the Federal Reserve Open Market Committee (FOMC) may make a policy error and not cut interest rates fast enough due to lingering concerns about services inflation remaining sticky while economic indicators were pointing towards a slowdown. One event that exemplified this was the May Consumer Price Index (CPI), which was reported on the final day of the June FOMC meeting. The May CPI was below expectations and was broadly endorsed by the market. However, this report did not sway Fed members, as they still reduced their outlook to one rate cut from three for 2024 in their Summary of Economic Projects (SEP). A troubling event since many market participants were witnessing multiple data points indicating a slower economic outlook for 2024 and weaker consumer confidence (see charts below).



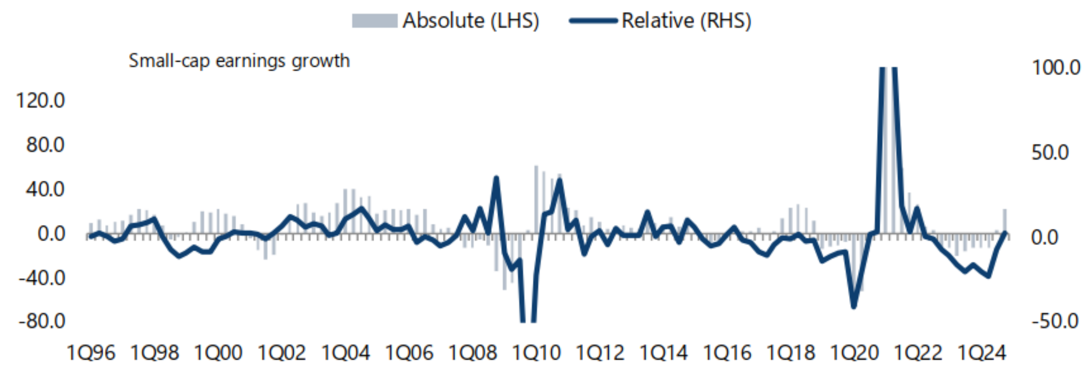


Since the June FOMC meeting, the market has enjoyed confirmatory economic data pointing to a lessening of inflationary pressures. The June CPI released in the second week of July reinforced the May report that inflation was slowing towards the Fed's target of 2%. In addition, the June employment report showed the labor market coming back into better balance. Yes, there have been concerns raised that the more than 50 basis points increase in the unemployment rate from its recent nadir typically signals a recession; however, we draw solace from the fact that the rise in unemployment rate has mainly been related to re-entrants into the labor market along with new entrants (see chart below), not meaningful layoffs. This supports the notion of a slowing pace of growth, not a hard stop. As a result of these cooling economic reports, the futures market is now pricing in 2-3 rate cuts by year-end 2024. As we have previously pointed out, an easing cycle has historically been highly beneficial to small and mid-cap stocks given their shorter duration liability structure and higher leverage profile compared to large cap companies.



On a more micro level, we believe the building blocks are being set for the rotation to small and mid-cap value stocks. One such area is the earnings potential for down cap stocks. We see an improving earnings outlook for small to mid-cap companies as we progress through 2024. Down cap companies' earnings were more negatively impacted by the inflationary pressures and rise in interest rates versus larger cap companies in 2023. As such, small and mid-cap value companies should have the strongest earnings recovery as we advance through 2024 and 2025. We see the best earnings leverage from certain sub-sectors that have endured recession-like environments in recent years such as transports, title/housing related companies, merger and acquisition advisory firms, real estate brokerage, and auto insurers to name just a few. These groups should enjoy a cyclical, and in some cases a secular, rebound in their earnings outlook over the next few years, which we believe is not fully appreciated by the market.

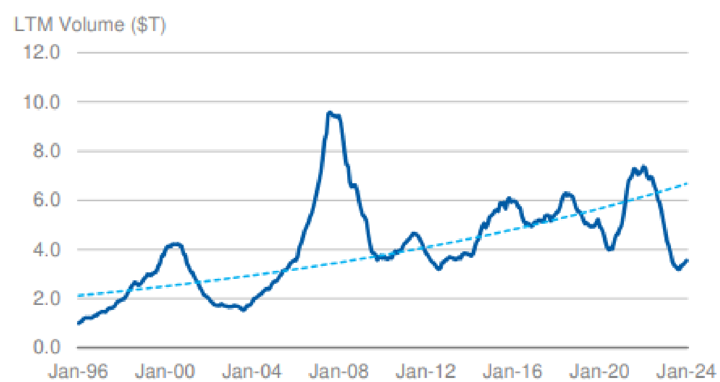
The narrowing of earnings growth between small & large helps performance…



Source: FactSet; Standard & Poor's; Jefferies

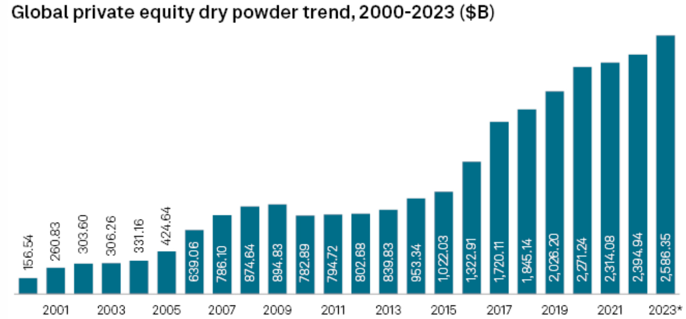
Another area that should support the valuation of small and mid-cap stocks is a recovery in merger and acquisition (M&A) activity. Despite the slower than expected pick-up in activity this year, we remain constructive on a rebound. As we have witnessed in the past, M&A activity typically has a 2-to-3-year downcycle and 5-to-7 year upcycle. We have yet to experience a resurgence in sponsor-led transactions, which tend to be more focused on small and mid-cap companies due to the uncertain outlook for Fed interest rate policy earlier this year. We believe that uncertainty is beginning to fade, and pipelines are building for a more robust finish to the year. As indicated below, global M&A volumes are significantly below trend and are set for a cyclical and secular rebound. We view the approximately $2.5 trillion of dry powder private equity has today along with the excess capital on strategic buyers' balance sheet as highly constructive for an acceleration in deal activity. We also believe limited partners will continue to pressure sponsors to generate realizations and distributions to recycle capital for future fund raising. Lastly, we expect the historically large discount small and mid-cap stocks are trading relative to large cap stocks will spur elevated consolidation until that spread narrows.

Global M&A volumes are significantly below trend.
We expect a cyclical and secular rebound.



Source: Dealogic, Morgan Stanley Research; Note: Exhibit shows trailing LTM volume of global announced M&A, excluding withdrawn transactions.

Global private equity dry powder trend, 2000-2023 ($B)



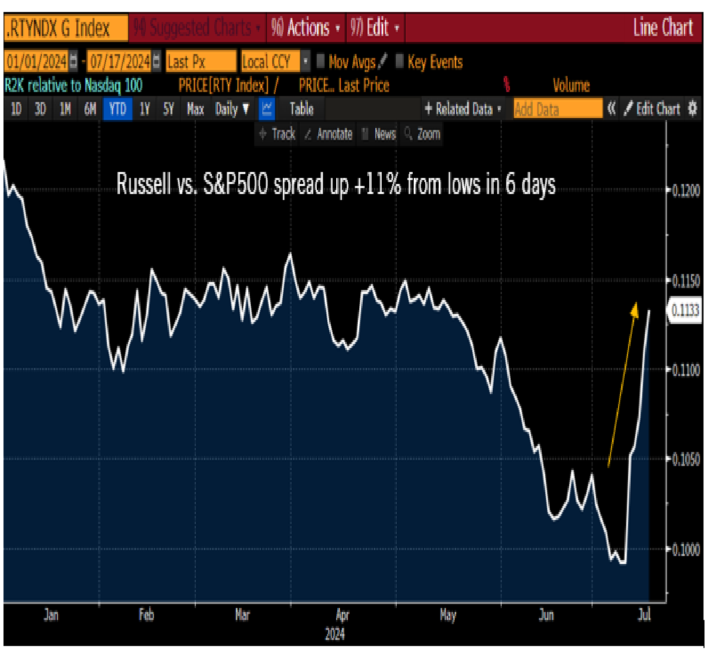
Data compiled Dec. 1, 2023.
* Year to date through Dec. 1, 2023.
Analysis includes aggregate dry powder of global private equity funds with vintage year between 2000 and 2023.
Dry powder data is supplemented by Preqin.
Source: S&P Global Market Intelligence.

Despite these more positive macro and micro drivers, we continue to be mindful of the tail risks here in the U.S. and across the globe in constructing our portfolios. As we have witnessed, the historical recession indicators (inverted yield curve, shrinking money supply, weak ISM Index readings, rising unemployment rate, etc.) have been flashing, but we believe other factors continue to mitigate these signals. That being said, we want to remain vigilant and need to continuously challenge our forecasts. As we have seen, it's been nearly two years since the inversion of the 2-year and 10-year treasury curve. The money supply (M2) turned negative at the end of 2022 but thankfully has recently turned positive. As we pointed out earlier, the ISM Index has been in contraction territory (below 50) for 19 of the past 20 months without a recession. Recently, the "Sahm rule" was triggered when the three-month moving average unemployment rate rose more than 50 basis points from its nadir this cycle. These are all important indicators that we need to be attentive and continuously monitor. Outside the U.S., we continue to scrutinize the impact of the conflict in the Middle East and the Russia/Ukraine war. The market has generally viewed these events to be contained, but more countries could be pulled into these conflicts at a moment's notice.

Another area of uncertainty that potentially appears to be coming into better focus today is the U.S. Congressional and Presidential elections. Given recent events, the market appears to be pricing in a higher probability of a Republican sweep. We do remind readers that we still have four months until election day and those odds can change quickly, as the events over the past month have proved. Either way, certainty following the election will be positive for small and mid-cap stocks. As Goldman Sachs points out, the Russell 2000 Index tends to outperform the Russell 1000 Index during the three months following the election by a median of 4.7% (70% hit rate) based on the past ten presidential election cycles.

Over our 50-year history, we have invested through various market environments that have been led by various areas of the market. As we have witnessed in the past, market leadership tends to change with inflections in economic, geopolitical, and/or monetary policies. Today, we believe we are on the precipice of such a market inflection. We have endured one of the most bifurcated markets in our history, which now has small cap stocks trading at their biggest discount to large cap stocks in decades. Not only are down cap stocks trading at historic discounts, but as we pointed out earlier, we believe micro and macro factors will be supportive of their fundamentals, which should allow them to close that valuation gap over the next few years. After resetting expectations during 2023, we believe small and mid-cap stocks are well positioned for a recovery in earnings over the next couple of years. We are highly constructive on the benefits the Infrastructure Investment and Jobs Act (IIJA), the CHIPS and Science Act, and the Inflation Reduction Act (IRA) will have on small and mid-cap value stocks and the "picks and shovels" companies, which tend to be more domestically oriented. In addition, a potential Republican sweep or at least control of Congress should be a tailwind to small and mid-cap stocks. Lastly, a recovery in M&A activity, particularly sponsor-led transactions, would be another positive multi-year catalyst for the group. As we have done in the past, we continue to focus on stocks with pricing power, healthy balance sheets and areas of self-help, which are under-earning, that generate alpha in various interest rate and inflationary environments.

Small cap performance vs S&P 500 Index year to date



Source: Bloomberg and Mizuho Americas

Small cap performance vs S&P 500 Index since 2000

Source: Bloomberg and Mizuho Americas

All Cap Value

Portfolio Commentary[1]

Strategy Inception: January 2002
Assets in Strategy[1]: $137 Million
As of June 30, 2024

Portfolio Management Team

Robert Maina
19 Years at CRM
31 Years of Financial Experience

Composite Characteristics[2]

	Composite	R3000V	R3000
Wtd Avg Mkt Cap (m)	$32,792	$139,035	$836,546
Wtd Median Mkt Cap (m)	$11,855	$72,072	$178,941
P/E FY2	17.6x	14.5x	19.2x
Price/Book	2.6x	2.4x	4.3x
Dividend Yield	2.3%	2.2%	1.4%
Number of Holdings	44	2,312	2,993
Active Share[3]	95%		

Top Ten Holdings[2]	% of Composite
Fidelity National Information Services, Inc.	3.7
Marathon Oil Corporation	3.6
Terreno Realty Corporation	3.1
Sun Communities, Inc.	2.9
CRH PLC	2.9
ChampionX Corporation	2.8
Burlington Stores, Inc.	2.8
Advanced Drainage Systems, Inc.	2.8
Biolife Solutions	2.7
PTC, Inc.	2.7
Total	**29.9%**

Sector Allocation[2]

	Composite	R3000V	R3000
Communication Services	--	4.2	8.7
Consumer Discretionary	9.1	6.3	10.2
Consumer Staples	1.5	7.6	5.5
Energy	6.7	7.7	3.9
Financials	18.1	21.3	13.1
Health Care	10.0	15.3	11.8
Industrials	20.0	14.3	9.4
Information Technology	12.2	9.3	30.2
Materials	10.2	4.6	2.5
Real Estate	9.7	4.9	2.6
Utilities	2.4	4.5	2.2

During the second quarter of 2024, the CRM All Cap Value strategy outperformed the Russell 3000 Value benchmark by 62 basis points on a net of fees basis, -1.63% versus -2.25%[2]. From a sector perspective, stock selection within the Health Care, Industrials, and Consumer Discretionary sectors was the largest contributor, while stock selection in the Consumer Staples, Information Technology, and Real Estate sectors was the largest headwind. Based on our bottom-up selection process, the portfolio continues to be overweight the Industrials, Materials, Real Estate, Information Technology, and Consumer Discretionary sectors versus the Russell 3000 Value benchmark. Conversely, the portfolio is currently significantly underweight the Consumer Staples, Health Care, and Communication Services sectors and has a more moderate underweight to the Financials and Utilities sectors.

Our top contributors this quarter were Kirby Corporation, LeMaitre Vascular, Inc., and SharkNinja, Inc. **Kirby Corporation (KEX)**, the leading provider of tank barges in the United States, reported better than expected first-quarter results. The company is benefiting from a tight market for barges, with utilization climbing to the low-to-mid 90% range, resulting in strong pricing. **LeMaitre Vascular, Inc. (LMAT)** is a global provider of medical devices for peripheral vascular and cardiac procedures, as well as human tissue cryopreservation services. The company was a contributor this quarter as their organic topline growth rate and gross margins continue to exceed expectations. We believe the company's pricing for its products and increasing volumes will translate to a stronger profit profile than expectations next year. In addition, LeMaitre continues to maintain a net cash position exceeding $100m, allowing for organic and inorganic investments, which we believe could be highly accretive and is not properly considered in current sell-side expectations. **SharkNinja, Inc. (SN)**, a product design and technology company, outperformed as the company reported better than expected 1Q24 results with momentum continuing into 2Q24. We continue to believe the company has a superior product innovation and marketing engine, which has allowed it to gain share as well as expand into new categories and markets.

Top detractors this quarter were Clarivate Plc, Intel Corporation, and The Estée Lauder Companies, Inc. Despite reporting in-line first quarter results and reaffirming the full year outlook, shares of science and healthcare information services company **Clarivate Plc (CLVT)** underperformed for the quarter due in part to the conversion of its convertible preferred shares to common shares in early June. We continue to expect the shares to trade higher in the second half of the year as the company delivers on its plan. **Intel Corporation (INTC)**, a provider of PC and server processors, guided to a disappointing second quarter due to weak near-term PC demand. While the company's turnaround remains on track, we exited the position during the quarter to invest in better risk/reward opportunities.

The Estée Lauder Companies, Inc. (EL) shares remained under pressure due to ongoing weakness in China. The recovery in earnings growth has continued to be pushed out despite aggressive cost cutting. We believe upcoming new product launches in the company's prestige beauty portfolio should eventually offset the China headwinds.

Our largest new positions this quarter were Bank of Hawaii, Xenia Hotels & Resorts, Inc., and Stericycle, Inc. We believe **Bank of Hawaii Corporation (BOH)**, a Hawaii based bank, has been overly penalized by concerns over its above average but high-quality investment portfolio, which has resulted in elevated unrealized losses in equity due to the sharp rise in interest rates over the past two years. We expect the bank's fixed rate assets, both investment securities and loans, to re-price higher as they mature over the next few years and provide a significant earnings tailwind. The company is also particularly well positioned to benefit from lower interest rates and a Federal Reserve easing cycle given its balance sheet positioning. Lastly, we believe a recovery in Japanese tourism to Hawaii, which is currently running at only 50% of pre-pandemic levels, would be another tailwind to earnings growth. We believe **Xenia Hotels & Resorts, Inc. (XHR)**, a hotel REIT with properties in the U.S. sunbelt, is positioned to see a material acceleration in EBITDA growth driven by occupancy recovery in business, transient, and group travel. In addition, we expect revenue per available room to benefit from recent capital expenditure projects at certain key properties over the past couple of years. Lastly, we believe there will be a meaningful improvement in cash flow later in 2024 into 2025 as the up-branding of Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch is completed. **Stericycle, Inc. (SRCL)** is an industrial services company that focuses on the collection and regulated disposal of medical waste, as well as the secure collection and disposal of paper from a variety of customers. The company was a contributor to performance this quarter as Waste Management, Inc. announced its intention to acquire the company for cash by the end of this calendar year.

Second Quarter 2024[4]

TOP CONTRIBUTORS	TOP DETRACTORS
Kirby Corporation	Clarivate Plc
LeMaitre Vascular, Inc.	Intel Corporation
SharkNinja, Inc.	The Estée Lauder Companies, Inc.

Year to Date 2024[4]

TOP CONTRIBUTORS	TOP DETRACTORS
Kirby Corporation	Clarivate Plc
LeMaitre Vascular, Inc.	QuidelOrtho Corporation
SharkNinja, Inc.	Intel Corporation

PRELIMINARY PERFORMANCE

Through June 30, 2024

	Gross	Net	R3000V	R3000
QTD	-1.55%	-1.63%	-2.25%	3.22%
YTD	7.68	7.44	6.18	13.56
1-Yr	14.57	14.01	12.93	23.13
3-Yr	3.47	2.81	5.14	8.05
5-Yr	9.17	8.33	8.89	14.14
10-Yr	8.37	7.23	8.10	12.15

Past performance is not a guarantee of future results. There is no guarantee our investment performance will achieve the performance metrics shown in this analysis.

The information presented for the Composite relates to a composite of CRM client separate accounts. CRM manages each component included in this composite using the same strategy. For information regarding this composite, please reference Important Disclosures, Performance Disclosure on page 14.

[1]As of June 30, 2024 CRM's total Assets Under Advisement ("AUA") were $2.1 Billion. Of the $2.1 Billion AUA, $1.8 Billion were assets managed on a discretionary basis and $254 Million were assets managed on a non-discretionary basis.
[2]Please reference Product Disclosures on page 8 for additional information pertaining to the calculation of fees, composite characteristics, holdings, and sector allocation among other things.
[3]Active Share is a measure of the percentage of the portfolio that differs from its benchmark on an average portfolio weightings basis.
[4]It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this commentary/list. Please reference Important Disclosures, Product Disclosure on page 8.

Important Disclosures

Performance Disclosure

Investments are subject to loss in value. Past performance is no guarantee of future results and it should not be assumed that recommendations made in the future will be profitable or will equal the performance shown in this analysis. There is no guarantee our investment performance will achieve the performance metrics shown in this analysis. Our investment theses are subject to change at any time and without notice.

The performance information for each portfolio relates to composites of client accounts with particular investment strategies. Valuations and returns are computed and stated in U.S. Dollars, are dollar-weighted, and reflect the reinvestment of dividends and other earnings. Performance is calculated monthly, and the gross performance results for each portfolio are presented before management fees but after all trading commissions. The net performance results are presented after deducting the applicable asset-weighted management fee.

The performance information includes a comparison to various benchmarks, which are rebalanced annually. The benchmarks used for each portfolio are as follows:

- All Cap Value: Russell 3000 Value Index and the Russell 3000 Index

The All Cap Value composite consists of all fully discretionary, fee-paying, taxable accounts by CRM managed using the same strategy as the other accounts in the composite. Accounts which were active during the quarter but are no longer with the firm are included in the composite.

Product Disclosures

Portfolio Commentary & Contributors/Detractors

The views expressed in this newsletter represent our opinion, which is based upon research and information available to us at time of publication. The views expressed in this newsletter should not be relied upon as fact and are subject to change at any time based upon a change in market conditions, a company's profile, or other factors. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities mentioned.

Upon request, CRM will furnish a list of all securities purchased, sold, or held in any of the portfolios referred to in this newsletter during the twelve month period preceding the date of the list of securities for that portfolio included in this newsletter. The methodology for calculating the top contributors and detractors is based on the contribution to return over the specified time period (i.e. quarterly) within the portfolios. The contribution to return methodology is the product of the average weight and total return (i.e., the contribution to return for a single day is the security weight multiplied by the daily security return). These returns are geometrically linked. The methodology for selecting the initiated positions during the quarter is based on an absolute dollar basis over the specified time period (i.e. quarterly) within the portfolios.

Composite Characteristics

Information pertaining to Composite Characteristics includes weighted average market capitalization, median market capitalization, and other preliminary numbers that have been derived from Refinitiv. As these numbers are preliminary, they are subject to change.

Top Ten Holdings

It should not be assumed that the Top Ten Holdings presented for each portfolio in this newsletter will, in the future, be profitable or will equal any references to performance in this commentary. Upon request, CRM will furnish a list of all securities purchased, sold, or held in any of the portfolios referred to in this newsletter during the twelve month period preceding the date of the list of securities for that portfolio included in this newsletter. Holdings are subject to change at anytime.

Sector Allocation

The Sector Allocation presented for each portfolio in this newsletter may not be representative of the portfolios' current or future investments. The source of the information for all Sector Allocations is Refinitiv, GICS Sectors. Holdings are subject to change at anytime.

Cramer Rosenthal McGlynn, LLC licenses and applies the SASB Materiality Map® General Issue Categories in our work. SASB's Materiality Map® identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry. Cramer Rosenthal McGlynn, LLC is a signatory of the PRI (Principles for Responsible Investment). The PRI, a UN-supported network of investors, works to promote sustainable investment through the incorporation of environmental, social and governance issues into investment analysis and decision making processes.

Sustainable and Impact Investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.