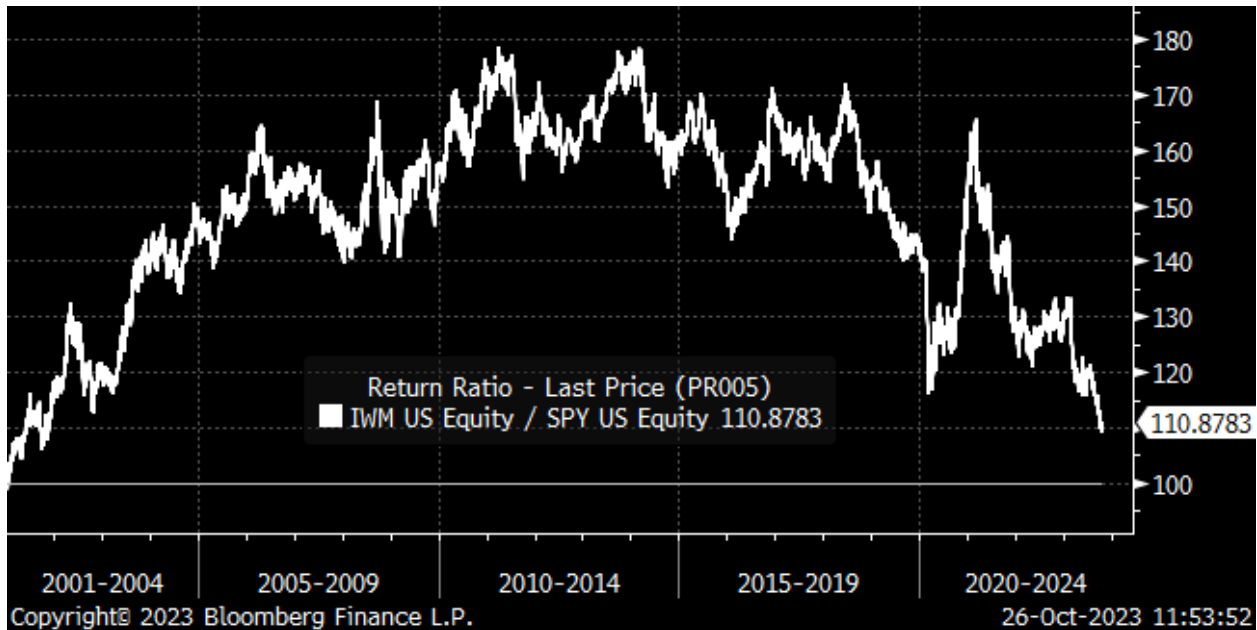


A PICTURE IS WORTH 1000 WORDS

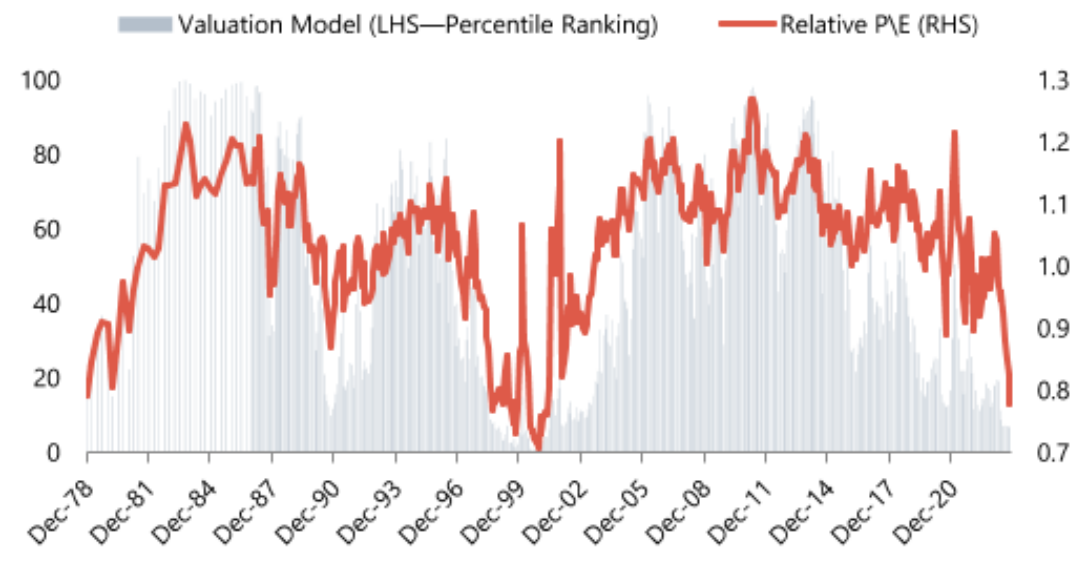
We have written a number of pieces over the last 18 months arguing that the small and microcap markets are incredibly undervalued. This time we decided to simply provide a series of charts and data that highlight just how undervalued we believe it is and, therefore, how much upside we believe there actually is for companies within these markets. We think this is one of the better buying opportunities for the small cap and microcap markets. And so with that as a very brief introduction, we will simply let these pictures tell the story with minimal discussion of each one.

The ratio of US small caps to US large caps is at the lowest level since early 2001



Anything that trades at 25-year lows is an event. We believe today's IWM/SPY ratio says nothing about the fundamentals of the businesses that comprise each index given those fundamentals have held up better for many microcap companies than the index performance would suggest.

## Relative valuation model and relative P/E are back to '02 levels



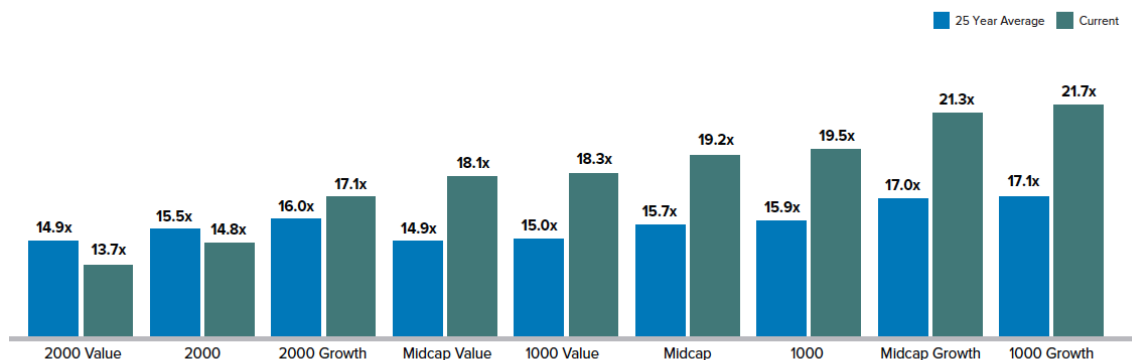
Source: FactSet; FTSE Russell; Jefferies

If you didn't think going back only 23 years as we did with the prior chart was sufficient, let's analyze the last 45 years to 1978 when Jimmy Carter was president and inflation was the same issue that it is today. That happens to be "the other time" the Russell 2000 Index was as cheap on a relative P/E ratio as it is today.

Are we at the end of the Fed rate-hike cycle? The answer to that question is likely dependent on the answer to the question: Has inflation peaked? The Consumer Price Index has gone from 9.1% to 3.7%. To a great extent, we believe that decline will have a defining impact on what the Fed does from here.

### Small-Cap Value and Small-Cap are the Only Indexes Cheaper than Their Historical Average

Current and 25-Year Average Median EV/EBIT<sup>1</sup> (ex Negative EBIT) Levels for Russell Indexes as of 9/30/23



<sup>1</sup> Enterprise Value/Earnings Before Interest and Taxes

Source: Royce Investment Partners US Small-Cap Market Overview, September 30, 2023.

As seen in Royce Investment Partners' most recent quarterly piece, Small-Cap Value and Small-Cap Core are the cheapest segments of U.S. equities on a relative basis. While it's understandable that multiples would contract in a rising rate environment it is only small cap value and small cap core that are below their 25-year average valuations. Every other index in the chart above trades at premiums to their 25-year average multiple.

Note: Past performance is no guarantee of future results. 2

### Exhibit 9: Small caps trade at a historical discount vs large on all metrics we track

Relative valuations for the Russell 2000 vs the Russell 1000 (1/31/1985-9/30/2023)

| Valuation Metric        | Relative Valuation |      |      | % Difference From |      |           |
|-------------------------|--------------------|------|------|-------------------|------|-----------|
|                         |                    |      |      | Long              | Long |           |
|                         | As of Sep-23       | Max  | Min  | Term Aver         | Max  | Term Aver |
| Trailing P/E            | 0.59               | 1.27 | 0.54 | 1.00              | -53% | 9%        |
| Forward P/E             | 0.72               | 1.30 | 0.59 | 1.00              | -44% | 21%       |
| Price/Book              | 0.46               | 1.11 | 0.45 | 0.76              | -59% | 1%        |
| Price/Sales             | 0.52               | 1.02 | 0.43 | 0.74              | -49% | 20%       |
| P/E To Growth           | 0.56               | 1.07 | 0.49 | 0.77              | -47% | 16%       |
| Enterprise Value to FCF | 0.61               | 1.22 | 0.56 | 0.84              | -50% | 8%        |

Note: P/E measures exclude negative earnings. Forward P/E is on I/B/E/S consensus N12m forecast earnings. EV/FCF excludes negative FCF.

Source: BofA US Equity & Quant Strategy, FactSet

BofA GLOBAL RESEARCH

No matter what valuation measure one looks at, small caps are trading at a historic discount versus large caps, and these data are not saying small caps are only slightly cheap. The relative valuation gap between small caps and large caps from a 28% discount on enterprise value to FCF to a 41% discount on trailing P/E is neither normal nor, we believe, justified.



Source: <https://finviz.com/map.ashx?t=sec&st=ytld>. Data as of November 10, 2023.

This heat map chart tells the story of where investors have captured their performance in 2023. If you owned MSFT, AAPL, NVDA, GOOG, AMZN, META, and TSLA, then congratulations you've had a great year. If you owned the massive majority of the rest of the S&P 500, you get a lump of coal in your stocking come the holidays. This level of performance of the largest and "safest" of names usually coincides with the bottom of an economy where scarcity of earnings growth abounds and is historically the bottom for stocks with far lower market capitalizations.

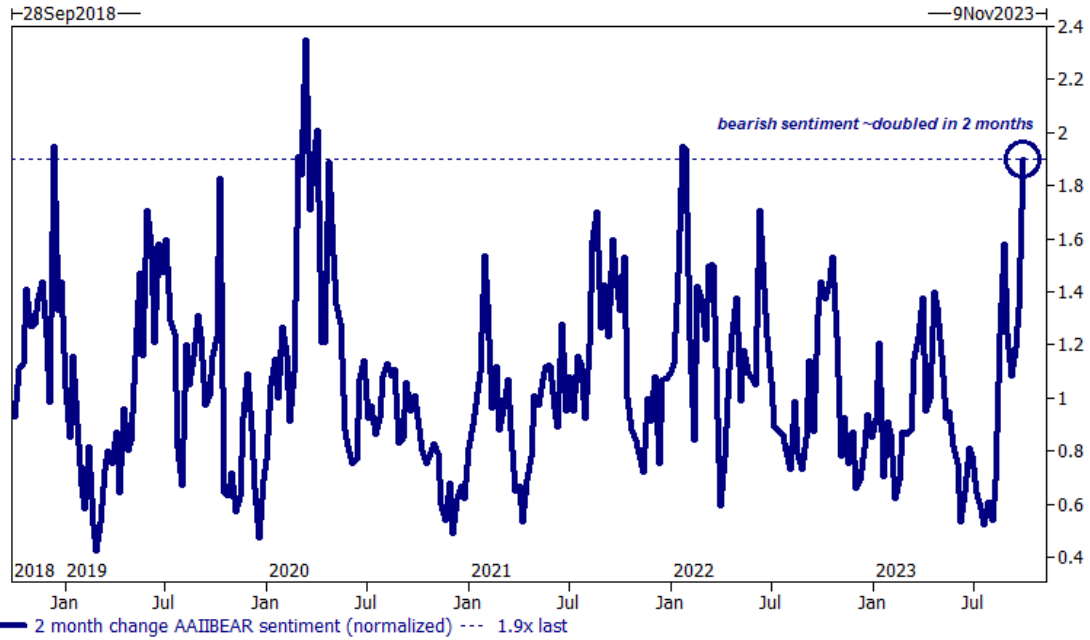
Note: Past performance is no guarantee of future results. 3

|                         | Q3 2023 | QTD   | YTD    | 1 Year | 3 Year | 5 Year | 10 Year | From Peak on 11/9/21 |
|-------------------------|---------|-------|--------|--------|--------|--------|---------|----------------------|
| NASDAQ 100              | -2.9%   | 5.6%  | 43.0%  | 30.1%  | 29.6%  | 133.3% | 392.8%  | -2.6%                |
| NASDAQ COMPOSITE        | -3.9%   | 4.4%  | 32.8%  | 21.3%  | 15.8%  | 96.8%  | 277.8%  | -11.7%               |
| S&P 500 INDEX           | -3.3%   | 3.1%  | 16.6%  | 9.9%   | 27.5%  | 73.9%  | 194.5%  | -2.7%                |
| RUSSELL 2000 INDEX      | -5.1%   | -4.4% | -2.0%  | -8.3%  | -2.7%  | 18.7%  | 70.4%   | -27.7%               |
| S&P 500 Growth          | -2.6%   | 3.3%  | 22.1%  | 12.8%  | 18.4%  | 81.9%  | 237.4%  | -12.1%               |
| S&P 500 Value           | -4.1%   | 2.9%  | 10.6%  | 6.3%   | 35.4%  | 58.4%  | 140.1%  | 6.7%                 |
| RUSSELL MICROCAP        | -7.9%   | -5.6% | -11.1% | -14.9% | -10.9% | 7.7%   | 45.8%   | -37.5%               |
| RUSSELL MICROCAP VALUE  | -5.6%   | -4.7% | -10.6% | -14.5% | 11.1%  | 19.2%  | 68.7%   | -28.5%               |
| RUSSELL MICROCAP GROWTH | -12.1%  | -6.5% | -13.4% | -17.0% | -35.1% | -9.2%  | 14.7%   | -48.5%               |

Source: Bloomberg. To date data in last column as of November 10, 2023.

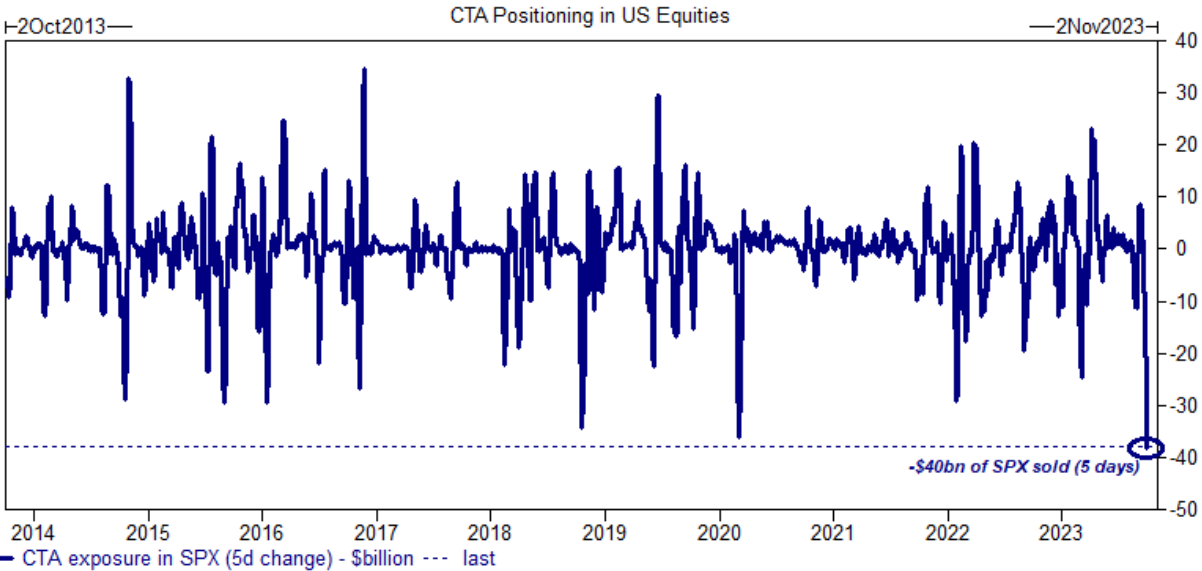
At least in 2008 when the economy actually melted down, most indices were down about the same amount. Back in 2008, the S&P 500 Index was -37%, the Nasdaq Composite Index was -40%, the Russell 2000 Index was -34% and the Russell Microcap Index was -40%. How is it that year-to-date the NASDAQ 100 can be +43% when the Russell Microcap Index is -11%? How can the S&P 500 be -2.7% from its high in November 2021, when the Russell Microcap Index is -37.5% and the Russell Microcap Growth Index is -48.5%?

While we understand the bearish effect of today's world of higher interest rates, it has had a significantly greater effect on small caps relative to the 2008 economic environment where nearly \$1 trillion of losses occurred from categories of loans and related securities issued in the United States secured primarily by residential real estate. 2008 was "an economic Pearl Harbor" as Warren Buffett said. 2023 is not the same economic calamity. The disparity of performance between the size of companies is as wide as it has ever been, and it makes no sense to us.



Source: Goldman Sachs & Co.

The above chart depicts bearish sentiment. Are there problems in the world? Yes, there clearly are a number of pressing issues. Higher interest rates, a war in Ukraine and, now, the Middle East, and inflationary pressures are all major concerns. But bottoms in stock markets nearly always occur when bearishness is at its highest levels. And the opposite is true of tops in markets.



Source: Goldman Sachs & Co.

Here is a chart that shows that the unwind of US equities has reached an extreme level as we exited the quarter and continued into the Fall. Bottoms usually occur with extreme levels of selling and that is what we have recently faced.

### Relative Valuations for Small Cap vs. Large Cap Growth Remain Near Their Lowest in 20 Years

Russell 2000 vs. Russell 1000 Median LTM EV/EBIT<sup>1</sup> (ex. Negative EBIT Companies) from 9/30/03 through 9/30/23



Last twelve months Enterprise Value/Earnings Before Interest and Taxes.  
Past performance is no guarantee of future results

There are few better experts in the small cap world than Royce Investment Partners, who have managed money in the space for over six decades. The story for the chart above posted in one of their recent publications is not just that the stocks of small caps have experienced historical underperformance versus those of the large cap space, but that the relative valuations for small cap versus large cap growth (last 12 months EV/EBIT) are at 20-year lows. One might posit that the reason for this disparity is because the S&P 500 has higher earnings estimates than the Russell 2000. That is actually not true. Consensus earnings estimates for the Russell 2000 Index indicate +24.7% growth in 2024 relative to 2023, as opposed to +11.11% for the S&P 500 Index.

### Small Cap P/Es Have Come Down Amid Lackluster Returns

Weighted Harmonic Average Price-to Earnings Ratio (Excluding Non-Earners) for the Russell 2000 from 9/30/98-9/30/23



It isn't only about relative valuations of one asset class to the next. The above chart, also from Royce, shows that the actual P/E ratio for the Russell 2000 has gone down measurably over the last few years. One would certainly expect that higher rates would lead to lower multiples, but the multiples are now lower than the long-term growth rates, arguing for an inexpensive asset class. Additionally, given we believe the Fed is likely near the end of its interest rate hiking cycle, it is possible that rates have hit or are close to hitting a peak and therefore multiples should be close to hitting or at a trough.

| Last Rate Hike | S&P 500<br>6mo Return | Russell 2000<br>6mo Return | S&P 500<br>12mo Return | Russell 2000<br>12mo Return |
|----------------|-----------------------|----------------------------|------------------------|-----------------------------|
| March 1980     | 12.11%                | 18.43%                     | 16.05%                 | 27.13%                      |
| December 1980  | -2.82%                | 13.10%                     | -9.50%                 | -0.65%                      |
| August 1984    | 7.36%                 | 12.59%                     | 12.71%                 | 13.53%                      |
| September 1987 | -15.60%               | -18.63%                    | -16.49%                | -14.48%                     |
| February 1989  | 21.67%                | 14.85%                     | 14.90%                 | 1.54%                       |
| February 1995  | 18.97%                | 20.75%                     | 35.73%                 | 28.44%                      |
| May 2000       | -6.39%                | -4.92%                     | -12.35%                | -1.85%                      |
| June 2006      | 11.43%                | 10.27%                     | 18.11%                 | 16.71%                      |
| December 2018  | 19.73%                | 17.91%                     | 30.55%                 | 26.09%                      |
| <b>Average</b> | <b>7.38%</b>          | <b>9.37%</b>               | <b>9.97%</b>           | <b>10.72%</b>               |

Source: Bloomberg, Putnam

If in fact we are at or near the end of the interest rate hiking cycle, the table above supports a conclusion that small caps are poised to perform well on an absolute basis and also outperform large cap names should the future play out similarly to the past when looking at the ensuing 6-month and 12-month periods following the last Fed rate hike.

| Negative Return Year | Russell 2000<br>Performance | Subsequent Year |
|----------------------|-----------------------------|-----------------|
| 1981                 | -1.50%                      | 20.66%          |
| 1984                 | -9.59%                      | 27.95%          |
| 1987                 | -10.25%                     | 22.42%          |
| 1990                 | -21.30%                     | 43.35%          |
| 1994                 | -3.26%                      | 26.47%          |
| 1998                 | -3.83%                      | 19.59%          |
| 2000                 | -4.32%                      | 1.02%           |
| 2002                 | -21.58%                     | 45.37%          |
| 2007                 | -2.75%                      | -34.80%         |
| 2008                 | -34.80%                     | 25.22%          |
| 2011                 | -5.45%                      | 14.64%          |
| 2015                 | -5.71%                      | 19.48%          |
| 2018                 | -12.18%                     | 23.72%          |
| 2022                 | -21.56%                     | ?               |
| <b>Average</b>       | <b>-10.50%</b>              | <b>19.62%</b>   |

Source: Bloomberg, Putnam

While there is no guarantee that past performance is indicative of future performance, small cap stock returns have been positive 92% of the time following a year in which they post negative returns, including posting twice the average annual performance in all other years. As seen above, when looking back to 1981, 2023 is set to be one of the “8%” years where a down year was followed by a second down year. Given where we are in the rate cycle, the historic underperformance of the indices coupled with historically low relative fundamental valuations, we strongly believe that 2024 will not be a repeat of 2023.

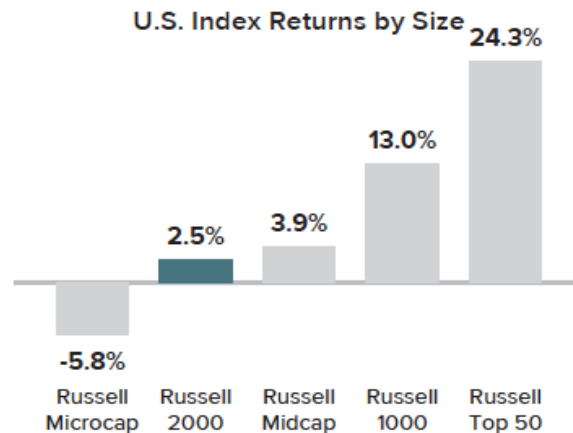
**Table 1 - Combined outflow of about \$1B from Small Caps; Big inflow to XLU**

| Ticker | Name                                    | Category         | Beg. '23 Assets | Curr Assets | 1Wk Flows | From Beg. '23 Flows | 1Wk % Flows | From Beg. '23 % Flows |
|--------|---|------------------|-----------------|-------------|-----------|---------------------|-------------|-----------------------|
| SPY    | SPDR S&P500 ETF                         | Large Cap        | 357,567.1       | 393,255.0   | -4,983.7  | -5,332.4            | -1.2        | -1.5                  |
| IVV    | iShares Core S&P 500 ETF                | Large Cap        | 290,187.0       | 340,682.8   | 3,024.2   | 20,497.1            | 0.9         | 7.1                   |
| VOO    | Vanguard S&P 500 ETF                    | Large Cap        | 262,923.3       | 322,616.9   | 2,060.8   | 31,937.2            | 0.6         | 12.1                  |
| IWF    | iShares Russell 1000 Growth ETF         | Large Cap Growth | 59,547.3        | 69,516.5    | 92.8      | -3,629.1            | 0.1         | -6.1                  |
| VUG    | Vanguard Growth ETF                     | Large Cap Growth | 68,331.7        | 89,805.7    | 250.9     | 2,106.0             | 0.3         | 3.1                   |
| IYW    | iShares S&P 500 Growth ETF              | Large Cap Growth | 28,153.2        | 33,695.9    | -73.0     | 991.6               | -0.2        | 3.5                   |
| IWD    | iShares Russell 1000 Value ETF          | Large Cap Value  | 54,401.8        | 46,963.1    | 22.4      | -6,328.0            | 0.0         | -11.6                 |
| VTV    | Vanguard Value ETF                      | Large Cap Value  | 99,547.4        | 96,210.0    | 181.6     | 846.4               | 0.2         | 0.9                   |
| IVE    | iShares S&P 500 Value ETF               | Large Cap Value  | 24,746.4        | 23,508.5    | -190.0    | -2,288.0            | -0.8        | -9.2                  |
| VIG    | Vanguard Dividend Appreciation ETF      | Dividend         | 65,728.6        | 65,607.0    | 138.3     | -600.3              | 0.2         | -0.9                  |
| DVY    | iShares Select Dividend ETF             | Dividend         | 23,098.0        | 17,457.3    | -63.4     | -2,682.9            | -0.4        | -11.6                 |
| VYM    | Vanguard High Dividend Yield ETF        | Dividend         | 50,334.1        | 46,484.0    | -258.8    | -245.6              | -0.5        | -0.5                  |
| SDY    | SPDR S&P Dividend ETF                   | Dividend         | 23,693.1        | 19,584.7    | -84.7     | -1,754.3            | -0.4        | -7.4                  |
| IJH    | iShares Core S&P Mid-Cap ETF            | Midcap           | 63,849.6        | 68,824.7    | -71.6     | 5,630.6             | -0.1        | 8.8                   |
| MDY    | SPDR S&P MidCap 400 ETF Trust           | Midcap           | 18,459.3        | 17,879.9    | -244.8    | -586.1              | -1.3        | -3.2                  |
| VO     | Vanguard Mid-Cap ETF                    | Midcap           | 50,095.8        | 51,168.0    | 133.2     | 1,369.9             | 0.3         | 2.7                   |
| IWR    | iShares Russell Mid-Cap ETF             | Midcap           | 27,335.1        | 26,775.8    | 0.0       | -547.9              | 0.0         | -2.0                  |
| IWP    | iShares Russell Mid-Cap Growth ETF      | Midcap Growth    | 11,831.5        | 12,076.6    | -103.9    | -554.9              | -0.8        | -4.7                  |
| IJK    | iShares S&P Mid-Cap 400 Growth ETF      | Midcap Growth    | 7,052.2         | 7,227.0     | 10.6      | -35.8               | 0.1         | -0.5                  |
| VOT    | Vanguard Mid-Cap Growth ETF             | Midcap Growth    | 9,354.5         | 10,278.2    | 34.2      | 385.4               | 0.3         | 4.1                   |
| IWS    | iShares Russell Mid-Cap Value ETF       | Midcap Value     | 13,036.3        | 11,610.9    | -137.8    | -1,001.4            | -1.1        | -7.7                  |
| VOE    | Vanguard Mid-Cap Value ETF              | Midcap Value     | 16,081.0        | 14,624.0    | -57.7     | -556.3              | -0.4        | -3.5                  |
| IJJ    | iShares S&P Mid-Cap 400 Value ETF       | Midcap Value     | 7,479.6         | 6,432.6     | 20.0      | -828.4              | 0.3         | -11.1                 |
| IWM    | iShares Russell 2000 ETF                | Small Cap        | 52,669.2        | 49,861.9    | -737.7    | -1,579.7            | -1.4        | -3.0                  |
| IJR    | iShares Core S&P Small-Cap ETF          | Small Cap        | 65,197.5        | 64,398.7    | -171.1    | 1,919.6             | -0.3        | 2.9                   |
| VB     | Vanguard Small-Cap ETF                  | Small Cap        | 40,702.9        | 42,343.7    | -4.8      | 1,904.3             | 0.0         | 4.7                   |
| IWO    | iShares Russell 2000 Growth ETF         | Small Cap Growth | 9,542.6         | 9,021.8     | -130.5    | -703.3              | -1.4        | -7.4                  |
| VBK    | Vanguard Small-Cap Growth ETF           | Small Cap Growth | 12,051.7        | 13,048.2    | 13.8      | 592.5               | 0.1         | 4.9                   |
| IJT    | iShares S&P Small-Cap 600 Growth ETF    | Small Cap Growth | 5,242.4         | 4,751.3     | 5.4       | -494.5              | 0.1         | -9.4                  |
| VBR    | Vanguard Small-Cap Value ETF            | Small Cap Value  | 23,948.1        | 23,182.4    | -103.3    | -11.7               | -0.4        | 0.0                   |
| IWN    | iShares Russell 2000 Value ETF          | Small Cap Value  | 11,980.1        | 10,029.5    | -1.5      | -1,367.0            | 0.0         | -11.4                 |
| US     | iShares S&P Small-Cap 600 Value ETF     | Small Cap Value  | 6,843.5         | 6,157.2     | 52.6      | -257.4              | 0.8         | -3.8                  |
| USMV   | iShares Edge MSCI Min Vol USA ETF       | Low Volatility   | 30,047.4        | 27,709.8    | -129.5    | -2,064.3            | -0.5        | -6.9                  |
| SPLV   | PowerShares S&P 500 Low Volatility      | Low Volatility   | 10,862.4        | 7,896.8     | -174.6    | -1,970.6            | -2.2        | -18.1                 |
| XMLV   | PowerShares S&P MidCap Low Volatility   | Low Volatility   | 1,166.1         | 833.5       | -2.4      | -237.2              | -0.3        | -20.3                 |
| XSLV   | PowerShares S&P SmallCap Low Volatility | Low Volatility   | 711.4           | 381.8       | 0.8       | -248.5              | 0.2         | -34.9                 |
| VNQ    | Vanguard REIT ETF                       | Real Estate      | 33,545.1        | 28,836.9    | -59.3     | -1,104.0            | -0.2        | -3.3                  |
| IYR    | iShares U.S. Real Estate ETF            | Real Estate      | 3,858.9         | 2,351.4     | -230.9    | -1,245.5            | -9.0        | -32.3                 |

Source: Jefferies

Never underestimate the effect of flows of investor capital on the value of public market assets, especially equities. And, as you can see above, there was \$5.1 billion of year-to-date inflows into the iShares Core S&P 500 ETF and the Vanguard S&P 500 ETF; at the same time there was combined outflow of \$1 billion from small cap funds. In the case of the Russell 2000 Value ETF, the outflow was a staggering 11.4% of the entire asset base. There is almost no question that the price dislocation seen in the small cap universe is a direct result of indiscriminate selling by ETFs and other funds facing redemptions. Again, this trend is normal for equity market bottoms, not tops.



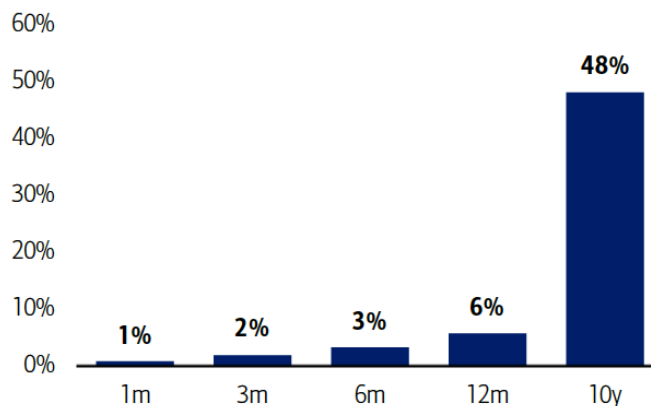


Source: Royce Investment Partners

In this chart you can see the effects of the outflows on specific performance of stocks based on size. Through September 30, 2023, there is a historically large 3,000+ basis point disparity between small and large indices.

**Exhibit 26: Valuations have the highest explanatory power over long-term (ten-year) returns**

R<sup>2</sup> of relative forward P/E vs subsequent return spread over various time horizons (since 1985): Russell 2000 vs Russell 1000, as of 9/30/2023



Note: Represents the relationship between the relative forward PE for the Russell 2000 vs the Russell 1000 (since 1979) and subsequent rolling returns differential. Source: BofA US Equity & Quant Strategy, FactSet

We have long stated that the price you pay for the business you are buying is a key factor in determining one's ultimate success in an investment. If you buy a good business at the wrong time, you may lose money. If you buy a less than good company at the right time, you may make money. The above chart, published by Bank of America, shows that while valuations tend to be a poor short-term timing indicator, they do matter for longer term returns. Note that this above chart represents the relationship between the relative P/E for the Russell 2000 versus Russell 1000 and subsequent rolling returns differential. Simply put, valuation has the highest explanatory power over long term returns; and we know today small caps are historically attractive using that metric.

**1- and 3-Year Performance from Initial Fed Tightening (%)**  
As of 9/30/23

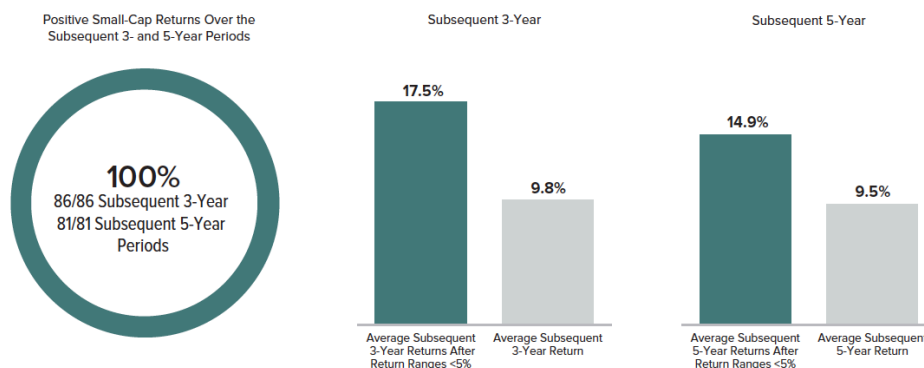
| Rate Hike Dates                   |            | 1-Year Return Following Initial Rate Hike |            | 3-Year Annualized Return Following Initial Rate Hike |            |
|-----------------------------------|------------|---|------------|--|------------|
| INITIAL                           | FINAL      | RUSSELL 2000                              | S&P 500    | RUSSELL 2000   | S&P 500    |
| 3/1/1972                          | 5/1/1974   | —   | 6.4        | —  | -5.4       |
| 4/21/1976                         | 3/3/1980   | —   | 0.6        | —  | 4.2        |
| 8/7/1980                          | 5/8/1981   | 27.0                                      | 12.2       | 25.7   | 15.3       |
| 5/2/1983                          | 8/21/1984  | -2.4                                      | 4.4        | 13.1   | 18.1       |
| 3/29/1988                         | 2/24/1989  | 13.7                                      | 16.6       | 8.9  | 17.1       |
| 2/4/1994                          | 2/1/1995   | -2.7                                      | 4.8        | 13.9   | 21.9       |
| 6/30/1999                         | 5/16/2000  | 14.3                                      | 7.2        | 1.7  | -9.2       |
| 6/30/2004                         | 6/29/2006  | 9.4                                       | 6.3        | 13.4   | 11.7       |
| 12/16/2015                        | 12/19/2018 | 20.6                                      | 11.3       | 8.6  | 10.1       |
| 3/16/2022                         | —          | -11.5                                     | -7.6       | —  | —          |
| <b>Average</b>                    |            | <b>8.6</b>                                | <b>6.2</b> | <b>—</b>   | <b>—</b>   |
| <b>Avg. not including 3/16/22</b> |            | <b>11.4</b>                               | <b>7.8</b> | <b>12.2</b>  | <b>9.3</b> |

Here is another table from Royce Investment Partners' September Small Cap Market Overview. In this piece, Royce states:

*"History shows that one year after the initial tightening by the Federal Reserve, the average returns for the Russell 2000 and the S&P 500 were positive. Yet today, 18 months after the initial Fed tightening in March of 2022, returns for both the Russell 2000 and the S&P 500 were negative through the end of September. This diversion from the historical norm shows that the market may have already priced in a potential recession."*

We agree with this assessment and see it as another piece of evidence that we are closer to a bottom than is likely appreciated by most investors.

**Subsequent Average Annualized 3- and 5-Year Performance for the Russell 2000 Following 5-Year Annualized Return Ranges of Less Than 5%**  
From 12/31/83 through 9/30/23



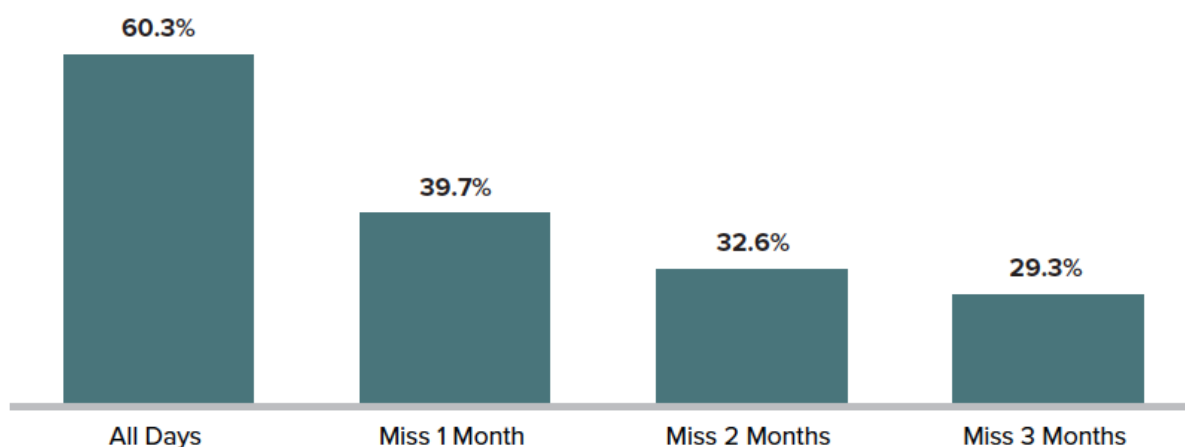
The above chart above and commentary below is again attributed to Royce Investment Partners. We love any statistic which has a 100% success rate.

*"Small cap's historical return pattern shows that below-average return periods have been followed by those with above-average returns, with a much lower-than-average frequency of negative return periods. Specifically, the Russell 2000 had positive annualized three-year returns 100% of the time—that is, in all 86 periods—averaging an impressive 17.5% following five-year periods of less than 5% annualized returns. At the same time, five-year returns had positive annualized returns 100% of the time—that is, in all 81 periods—averaging 14.9%."*

While the future may be different than the past, it is hard to ignore this trend given its accuracy to date.

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**Average Returns for the Russell 2000 During the First 12 Months of a Recovery Depending on Entry Point**  
From 10/5/79 through 6/16/22



And finally, regarding market timing, this chart from Royce Investment Partners shows that missing the rally's earliest stage has been costly in terms of maximizing return potential. When is this period going to end? We don't know, but we do know that many companies are trading at historically low valuations, and, just like late 2008 and early 2009, it's possible the environment could change for the better at any time.

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We can debate opinions, but we can't debate facts. Every chart depicted above shows historically low valuations and significant underperformance for small cap stocks. We are very comfortable with our view that stocks in these markets have discounted a lot of bad news, that quite simply, has not occurred in 2023. The starting point is price, and we believe the price is right for the potential for material upside in these markets.

### **Forward-Looking Statements and Disclaimers**

This shareholder letter may contain statements of a forward-looking nature relating to future events. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. These statements reflect the Company's current beliefs, and a number of important factors could cause actual results to differ materially from those expressed in this press release. Please see the Company's securities filings filed with the Securities and Exchange Commission for a more detailed discussion of the risks and uncertainties associated with the Company's business and other significant factors that could affect the Company's actual results. Except as otherwise required by Federal securities laws, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new events or uncertainties. The reference and link to any websites have been provided as a convenience, and the information contained on such website is not incorporated by reference into this shareholder letter. 180 Degree Capital Corp. is not responsible for the contents of third-party websites. The information discussed above is solely the opinion of 180 Degree Capital Corp. Any discussion of past performance is not an indication of future results. Investing in financial markets involves a substantial degree of risk. Investors must be able to withstand a total loss of their investment. The information herein is believed to be reliable and has been obtained from sources believed to be reliable, but no representation or warranty is made, expressed or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinions.