



## SMALL CAP CORE

### INVESTMENT COMMENTARY & REVIEW

by Quinn Stills

First Quarter 2024

PIA's small-cap investment strategy is built from the bottom-up, on a stock-by-stock basis, not based upon any top-down macroeconomic forecasts. Interestingly, however, the bottoms-up research has led to a significant reduction in our technology sector weight and a significant increase in the portfolio weight of the health care and industrial sectors. This pivot has been fairly dramatic and is consistent with how the portfolio has moved through sectors over time.

During the quarter, the top performing sectors for the portfolio included information technology, industrials, and consumer discretion. The weakest performing sectors included utilities, real estate and financials.

We believe the strategy is well positioned in certain businesses that we believe will thrive. Please recall that in 2023, we stated numerous times that there would be no recession. For 2024, we believe the economy will continue to experience moderate growth through the rest of the year just as it did

in 2023. On the value side, we are looking at regional banks but are not yet comfortable with their grasp of the issues surrounding legacy commercial real estate assets, thus, as of quarter-end, we maintain our underweight in regional banks. Please note that the strategy benefited immensely from artificial intelligence in 2024 (should this be 2023), however, we harvested substantial gains there and have moved on to companies that we believe are growing disruptors in health care and industrials. The strategy is invested in the following key themes: include gene therapy and organ transplantation, water desalination, smart locks, smart electric grids, electric school buses and autonomous drone technology.

Going forward we continue to invest in companies with positive business momentum, high quality balance sheets, little-to-no debt, and attractive cash flow dynamics. We strongly believe that companies with these characteristics will outperform their peers over time.

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*Investing involves risk of loss, including the loss of principal invested. A few of the main risks associated with Small Cap Equities are liquidity, capital financing, lack of operational history and lack of information about the company. For a full description of these and other risks facing the portfolio please review the Risk of Loss section in our ADV Client Brochure. Past performance is not an indicator of future results.*

*<sup>1</sup> For informational purposes only, the specific investments shown represent only the top contributors and detractors for the relevant performance time period. The selection criteria used to determine the top contributors and detractors remains the same across performance measurement periods.*

*The Russell 2000 index measures the performance of the 2,000 smallest companies in the Russell 3000 index. The Frank Russell Company created the index in 1984, and it was one of the first broad benchmarks of the U.S. equity market. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly.*

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