



## SMALL CAP CORE INVESTMENT COMMENTARY & REVIEW

by Quinn Stills

Second Quarter 2024

PIA's small-cap investment strategy is built from the bottom-up, on a stock-by-stock basis and not based upon any top-down macroeconomic forecasts. Interestingly, however, the bottoms-up research has recently 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. We believe the pivot has been dramatic and is consistent with how the portfolio has moved through sectors over time.

During the quarter, the top performing sectors were health care, industrials, and information technology. The weakest performing sectors included real estate, utilities, and consumer discretionary. <sup>1</sup>On the individual stock level of analysis, the top performing stocks included Transmedics, American Superconductor, ADMA Biologics and Camtek Ltd. <sup>1</sup>The weakest performing stocks included Guess, Virtra, Sprinkler and Docebo.

The PIA Small Cap Core strategy seeks to capitalize on several intriguing innovations including:

1. Advances in gene therapy.
2. Improvements in organ transplantation and transportation.
3. Growing advances in the market for electric school buses.
4. Important developments in water desalination technology and infrastructure.
5. US investment in industrial infrastructure.

We believe the portfolio is well positioned in businesses with strong growth potential. 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 the issues surrounding legacy commercial real estate assets, therefore, we maintain our underweight. Please note that the portfolio has benefited immensely from holding artificial intelligence (AI) securities in 2024; however, we harvested substantial gains there and have moved on to growing disruptors in health care and industrials. The portfolio is invested in key themes, which include gene therapy and organ transplantation, water desalination, smart locks, smart electric grids, electric school buses and autonomous drone technology.

We continue to expect modest economic expansionary activity with stable-to-lower interest rates in the near-term. We are seeing a healthy number of companies for which business is booming. We believe PIA's portfolio is strategically positioned in several companies that are in the process of leading their fields with significant, secular innovations. These companies should prosper irrespective of the direction of interest rates.

Going forward we aim to 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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