



SMALL CAP CORE

INVESTMENT COMMENTARY & REVIEW

by Quinn Stills

First Quarter 2025

Our outlook has more uncertainty than usual due to the turmoil, chaos and upheaval created by new US political leadership. The new policies, if implemented as advertised, are likely to be inflationary and may lead to a recession. Shockingly high tariffs, large tax cuts, and mass deportation, among other policies, have the potential to be quite inflationary on wages as well as wholesale and retail prices. For now, our outlook is changing, as we expect declines in growth of overall economic activity.

During the quarter the top performing sectors included defensive utilities, real estate, and healthcare. The weakest performing sectors included information technology, consumer cyclicals, and industrials. On the individual stock level of analysis, the top performing stocks included SpringWorks Therapeutics, FirstCash Holdings, and ADMA Biologics¹. The weakest performing stocks for the quarter included Intuitive Machines, TSSI, and Sterling Infrastructure¹.

PIA builds its portfolios from the bottom up, on a stock-by-stock basis. We do not invest based upon top-down macro-economic trends, although our positive stock selection often dovetails naturally with macro trends. Our strategy is overweight industrials, health care, and technology, and notably underweight energy, materials, and financials. Our emphasis on particular economic sectors will evolve based upon emerging opportunities from individual stocks. At this time, we are particularly intrigued by a company that has a treatment for an incurable disease, a company that supports AI's evolving computational needs, and a company at the forefront of supplying AI companies with annotated data for large learning models (LLMs) and other parts of AI platforms. We believe several of our companies are consequential innovators in their industries. As a result, they should have decent demand for their products irrespective of what happens to the overall economy.

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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.

¹ 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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