INTEGRITY ASSET MANAGEMENT

Catalyst

Portfolio Update and Market Outlook

As of August 31, 2026

"Workin' 9 to 5, what a way to make a livin'
Barely gettin' by, it's all takin' and no givin'
They just use your mind and they never give you credit
It's enough to drive you crazy if you let it"
— Dolly Parton, "9 to 5"

Small-cap stocks have been the blue-collar 9 to 5 workers of the market this year, doing all the work and getting no credit. Through the end of August, the Russell 2000® Index was up 20.7%. The Russell 2000® Value Index was up 24.1%, and the Russell 2000® Growth Index was up 17.5%. This compares favorably to the S&P 500® Index, up 13.5%, and even the tech-heavy Nasdaq 100® Index, up 17.1%.

Despite the strong absolute and relative performance, small caps seem to be, to use another Dolly Parton lyric, a "diamond in a rhinestone world." ETF flows into small caps have been negative this year as investors continue to be enamored with AI-related stocks.

In past commentaries, we wrote about the compelling setup for small caps – strong relative earnings growth combined with attractive relative valuations. Second quarter earnings proved our point. According to Bloomberg, small caps had one of their best earnings quarters in the last five years with over 60% beating revenue projections. In addition, over half revised earnings and revenues higher.

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Composite Performance (%) as of August 31, 2026

	MTD			QTD			YTD		
	Gross	Net	BM	Gross	Net	BM	Gross	Net	BM
Micro Cap Value	2.78	2.70	3.30	1.94	1.77	0.86	40.01	39.07	31.42
Mid Cap Value	0.84	0.76	1.63	2.88	2.74	3.13	20.12	19.44	21.26
Small/Mid Cap Value	-0.10	-0.18	1.01	0.87	0.70	1.08	20.07	19.27	25.50
Small Cap Value	-0.77	-0.85	0.30	0.33	0.17	0.31	24.70	23.87	23.38

Past performance does not guarantee future results. Returns for periods greater than one year are annualized. Returns reflect the reinvestment of dividends and other earnings and are expressed in U.S. dollars. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs. Net-of-fees returns reflect net-of-model fees and are calculated in the same manner as gross-of-fee returns using the Time Weighted Rate of Return method. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV. High, double-digit returns are highly unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions. *Please see benchmarks on page 3.

Market Returns (%) as of August 31, 2026

	MTD	QTD	YTD
S&P 500® Index	2.72	2.66	13.14
Nasdaq-100 Index®	4.24	-2.63	17.14
Russell 2000® Growth Index	1.64	-4.31	16.91
Russell 2000® Value Index	0.30	0.31	23.38

Past performance does not guarantee future results. Indices are shown to represent different market segments. Except for the Russell 2000® Value Index, the benchmark for Integrity Small Cap Value Equity, they are not the strategies' benchmarks.*

CELEBRATING 20 YEARS OF INTEGRITY 2003-2023

Composite Performance (%) as of August 31, 2026

	1 Year		5 Year		10 Year	
	Gross	Net	Gross	Net	Gross	Net
Micro Cap Value	45.79	44.34	14.53	13.38	13.78	12.65
Mid Cap Value	22.20	21.16	11.31	10.37	11.90	10.98
Small/Mid Cap Value	23.63	22.39	10.87	9.77	12.10	10.98
Small Cap Value	27.61	26.34	10.49	9.38	11.12	10.02

Past performance does not guarantee future results. Returns for periods greater than one year are annualized. Returns reflect the reinvestment of dividends and other earnings and are expressed in U.S. dollars. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs. Net-of-fees returns reflect net-of-model fees and are calculated in the same manner as gross-of-fee returns using the Time Weighted Rate of Return method. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV. High, double-digit returns are highly unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions.

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The question we have been getting is – "Is the small-cap rally over?" In our view, based on historical relative valuations, we don't see relative performance even close to being back to trend. However, reversion to the mean rests on rates and the economy.

The long end of the rate curve has been trending higher. This could be good or bad for small caps. If rates rise because of growth expectations, that should be viewed as a positive. However, if it is due to inflation, it introduces some risk to the story. New Fed Chairman Warsh, while not giving guidance, seems intent on bringing inflation back down to the Federal Reserve's two percent target. If that ushers in a rate-tightening cycle, that could be negative for small caps.

The other wild card, not just for small stocks, is the mid-term elections. The party in power typically loses seats. The Republicans currently have slim leads in both houses, and the president's approval rating is low. We are not sure how all this filters through the market, but in the last couple of mid-term elections there has been sector volatility pre- and post- election. We are not making any predictions or portfolio changes based on the upcoming election. We will monitor any volatility looking for opportunities.

We don't know the path of rates, inflation, or the economy. We do know that small stocks are at a statistical discount to their larger counterparts. While all of these unknowns and others play out, we will continue to seek the right company at the right price at the right time, making what we believe is the next best decision for our clients. As the late Ms. Parton once said, "Find out who you are and do it on purpose."

Market Commentary

US equities finished August in positive territory despite headwinds such as rising Treasury yields and growing skepticism around the AI trade. Technology companies led the advance. Small caps, as measured by the Russell 2000® Value Index (+0.30%), underperformed the tech heavy Nasdaq 100® Index and the S&P 500® Index, which were up 4.2% and 2.7%, respectively. For the month, growth outperformed value in three of our four benchmarks with microcap value the lone exception. All four of our strategies lagged their respective benchmarks for the month.

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Integrity Asset Management

Celebrating 20 Years of Integrity 2003-2023

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All investing involves risk, including the possible loss of principal. An investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice from qualified tax and financial experts regarding the best options for your circumstances.

A **composite** is a grouping of individual investment portfolios that share a similar investment strategy, objective, or mandate – aggregated together to represent the overall track record of that strategy.

*The Integrity Small-Cap Value Equity Strategy is benchmarked to the Russell 2000® Value Index. The Integrity Small/Mid-Cap Value Equity Strategy is benchmarked to the Russell 2500™ Value Index. The Integrity Mid-Cap Value Equity Strategy is benchmarked to the Russell Midcap® Value Index. The Integrity Micro-Cap Value Equity Strategy is benchmarked to the Russell Microcap® Value Index.

Indexes are unmanaged; their returns include reinvestment of dividends and other income but do not reflect management fees, transaction costs or expenses. It is not possible to invest directly in an index. **Past performance does not guarantee future results.**

The Russell 1000® Index is a market-capitalization-weighted index that measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 92% of the total market capitalization of the Russell 3000® Index.

The Russell 2000® Index is a market-capitalization-weighted index that measures the performance of the 2,000 smallest U.S. stocks by market capitalization in the Russell 3000® Index.

The Russell 2000® Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000® Growth Index is a market-capitalization-weighted index that measures the performance of Russell 2000® Index companies with higher price-to-book ratios and forecasted growth values.

The Russell 2500™ Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2500™ Index with higher composite value scores.

The Russell Midcap® Value Index is a market-capitalization-weighted index that measures the performance of Russell Midcap® Index companies with relatively lower price-to-book ratios and lower forecasted growth.

The Russell Microcap® Value Index is a market- capitalization-weighted index that measures the performance of Russell Microcap® Index companies (1,000 smallest stocks in the Russell 2000® Index plus 1,000 smaller U.S.-based listed stocks) with relatively lower price-to-book ratios and lower forecasted growth values. It represents the value-oriented micro-cap segment of the U.S. equity market.

The Russell Midcap® Value Index is a market-capitalization-weighted index that measures the performance of Russell Midcap® Index companies with relatively lower price-to-book ratios and lower forecasted growth.

The Nasdaq-100 Index® is a modified-capitalization-weighted index designed to measure, based on market capitalization, 100 of the largest nonfinancial domestic and international companies listed on The Nasdaq Stock Market®.

The S&P 500® Index is a market-capitalization-weighted index that measures the performance of the common stocks of 500 leading U.S. companies.

Beta measures the price volatility, or the level of risk, of a stock relative to the broader market. A beta of 1 indicates that the security's price has moved with the market. A beta of less than 1 means that the security has been less volatile than the market. A beta of greater than 1 indicates that the security's price has been more volatile than the market.

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