

Catalyst

Portfolio Update and Market Outlook



As of March 31, 2025 — Special Edition

**Should five percent appear too small
Be thankful I don't take it all
'Cause I'm the taxman
Yeah, I'm the taxman Taxman**

– The Beatles

The Trump administration has rolled out its tariff plan. The plan has caused market turmoil. I'm not going to go into the details of the plan, as these have been well documented in the media.

We have received questions regarding any portfolio actions we are taking in response. The short answer, for now, is none. There is a vacuum of information of what the tariffs will entail and how long they will last. Acting on what was announced, in my opinion, amounts to speculation rather than investing. We simply don't know, nor do we have any probabilistic sense of the outcome. Furthermore, market

volatility has been very high. We know from past analysis that our investment decisions in high volatility markets have had low hit rates.

Our consumer investments have been impacted significantly by the threat of tariffs and the tariff announcement. Consumer discretionary has been one of our worst performing sectors on a year-to-date basis. However, it is also one of the areas where we see potential valuation discrepancies and upside. In our underperforming strategies this year, the consumer sector has been a significant drag.

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Preliminary Performance (%)

Representative Accounts	MTD			QTD			YTD		
	Gross	Net	vs Benchmark	Gross	Net	vs Benchmark	Gross	Net	vs Benchmark
Small Cap Value	-5.40	-5.42	+0.60	-8.25	-8.42	-0.50	-8.25	-8.42	-0.50
Small/Mid Cap Value	-5.99	-6.06	-0.56	-6.22	-6.42	-0.39	-6.22	-6.42	-0.39
Mid Cap Value	-4.66	-4.73	-0.98	-2.00	-2.19	+0.12	-2.00	-2.19	+0.12
Micro Cap Value	-5.89	-5.92	+2.69	-7.64	-7.82	+4.64	-7.64	-7.82	+4.64

Past performance does not guarantee future results. Representative accounts are those of the Integrity Small Cap Value Equity Strategy, Integrity Small/Mid Cap Value Equity Strategy, Integrity Mid Cap Value Equity Strategy, Integrity Micro Cap Value Equity Strategy. Performance is preliminary and subject to change. Benchmark comparison is versus gross performance.

Source: SEI

Market Returns (%)

	MTD	QTD	YTD
S&P 500® Index	-5.63	-4.27	-4.27
Nasdaq 100® Index	-7.61	-8.07	-8.07
Russell 2000® Growth Index	-7.58	-11.12	-11.12
Russell 2000® Value Index	-6.00	-7.74	-7.74

Past performance does not guarantee future results. Indices represent different segments of the market and are not correlated to the strategies above, with the exception of the Russell 2000® Value Index, which is the benchmark for Integrity Small Cap Value Equity.



Regarding the tariffs themselves, we foresee several potential scenarios. This is by no means an exhaustive list but provides a range of outcomes that illustrate why we believe reacting now would be speculative.

Worst case scenario: The announced tariffs persist, even into the next administration as the Trump 1.0 tariffs did. In this scenario, we believe globalization would effectively end. The era of globalization witnessed a significant rise in returns on invested capital (ROIC) and free cashflow (FCF) margins. In some areas of the market, this resulted in multiple expansion and increased stock prices. Rolling back ROIC and FCF margins would possibly result in multiple contraction and significant stock price declines. How much? We don't know but likely much more than what we have experienced so far.

Best case scenario: The Trump administration changes its mind and removes the tariffs. We see this as unlikely.

Second best scenario: Countries come to the table to negotiate and/or the courts rule against the tariffs and they are subsequently removed. The timeline for this scenario is indeterminate.

If we go with the second best scenario, there will be a time lag before clarity emerges. We don't believe that rational managements will make long-term investment decisions in

a period of uncertainty. We also don't think they will make significant investment decisions based on the policy of a final term president. Therefore, we think the most likely outcome is an air pocket in economic activity as marketplace participants wait to see what the rules of the game are. This could, or could not, lead to recession.

In short, we don't know. Current price movements, in our opinion, contain no meaningful information. We will continuously reassess the tariff situation and its potential impact on our companies but will not speculate on outcomes. Instead, we will look for opportunities where the worst-case scenario is nearly priced in. If such opportunities arise, we will aggressively pursue value. While we haven't reached that point yet, we continue to monitor developments closely.

Attribution

U.S. equity markets slumped in March amid renewed concern and uncertainty surrounding President Trump's tariff plans. The Russell 2000 Value Index, down 6.0%, slightly underperformed the S&P 500 (-5.6%) and outperformed the tech heavy Nasdaq 100 (-7.6%). For the month, value outperformed growth across all four of our benchmarks. Our small cap value and micro cap strategies outperformed their respective benchmarks, while small/mid cap value and mid cap value underperformed.

Composite Performance (%) as of December 31, 2024

	1 Year		5 Year		10 Year	
	Gross	Net	Gross	Net	Gross	Net
Small Cap Value	5.87	4.82	10.19	9.09	8.43	7.35
Small/Mid Cap Value	10.63	9.53	11.00	9.90	9.28	8.19
Mid Cap Value	12.87	11.92	10.56	9.62	9.49	8.59
Micro Cap Value	13.05	11.92	10.12	9.03	9.70	8.61

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 for the representative account are presented before management and custodial fees but after all trading expenses.

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All investments carry a certain degree of risk including the possible loss of principal, and 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.

Each representative account serves as the model against which all accounts in each respective strategy are managed. The representative accounts are actual portfolios and the information provided, including performance, will vary for other accounts. The representative accounts are being used solely as tools to help demonstrate how performance can be attributed to the investment policies applied in the management of each strategy.

Net-of fees returns reflect gross performance less investment management fees, which are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. 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 in Part 2A of its Form ADV.

*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.

Index returns reflect the reinvestment of dividends and other income but do not reflect advisory fees or any other expenses. Indexes are unmanaged and one cannot invest directly in an index.

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