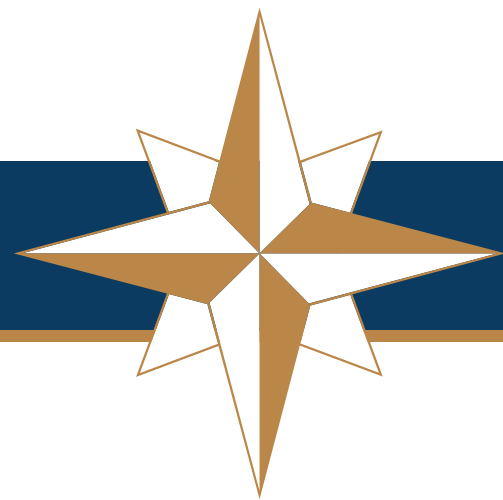


Catalyst

Portfolio Update and Market Outlook



As of October 31, 2025

**History shows again and again
How nature points out the folly of men**

– Godzilla - Blue Oyster Cult

2025 could possibly be the worst year ever for active managers in the small cap space. Less than 2% of managers outperformed their respective Russell 2000 benchmarks in October. Year-to-date performance (YTD) is only slightly better. In fact, the average small cap value manager has trailed the Russell 2000 Value by over 500 basis points this year, and roughly only 15% of managers have beaten the benchmark. The last six months have been worse with the average manager trailing by

over 600 basis points. (Jefferies: SMID- Mgr Scorecard 11/2/2025)

Why has this happened? The market experienced significant shifts towards low quality, low/no profitability companies with the first Federal Reserve easing and reaccelerated after the market bottom following "Liberation Day." Since that time, stocks with negative earnings have outperformed by over 27 percentage points while lower beta, higher



Daniel G. Bandi, CFA
is Integrity's Chief Investment Officer and Lead Portfolio Manager for the Small Cap Value and Small/Mid Cap Value equity strategies.

Continued on Page 2

Performance (%) as of October 31, 2025

Representative Accounts	MTD			QTD			YTD		
	Gross	Net	vs Benchmark	Gross	Net	vs Benchmark	Gross	Net	vs Benchmark
Small Cap Value	-1.19	-1.27	-1.44	-1.19	-1.27	-1.44	2.29	1.43	-7.03
Small/Mid Cap Value	-1.27	-1.35	-1.01	-1.27	-1.35	-1.01	6.06	5.18	-2.94
Mid Cap Value	-1.82	-1.89	-0.82	-1.82	-1.89	-0.82	7.93	7.21	-0.46
Micro Cap Value	-0.85	-0.93	-4.56	-0.85	-0.93	-4.56	10.62	9.70	-6.80

Source: SEI. **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. Benchmark comparison is versus gross performance.

Market Returns (%) as of October 31, 2025

	MTD	QTD	YTD
S&P 500® Index	2.34	2.34	17.52
Nasdaq 100® Index	4.81	4.81	23.78
Russell 2000® Growth Index	3.24	3.24	15.27
Russell 2000® Value Index	0.25	0.25	9.32



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.*

Composite Performance (%) as of September 30, 2025

	1 Year		5 Year		10 Year	
	Gross	Net	Gross	Net	Gross	Net
Small Cap Value	1.94	0.92	18.08	16.90	9.63	8.54
Small/Mid Cap Value	6.32	5.26	17.91	16.73	11.12	10.01
Mid Cap Value	7.38	6.47	16.33	15.35	11.52	10.60
Micro Cap Value	15.55	14.40	20.22	19.02	11.29	10.18

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.

quality stocks have underperformed by 9 percentage points. That low quality/high quality spread in performance has only been greater 10% of the time. (Empirical Research: Small Caps: Big Mo in Small Co's 10/27/2025)

Retail investors are adding fuel to the fire. Stocks in the highest quintile of momentum and highest quintile of retail participation outperformed by 44% over that six-month period. That's the best relative performance ever.

Meanwhile, valuations have become stretched. The free cashflow yield of the small cap market leaders is about 315 basis points below the market average, expensive by historical standards. Interestingly, the profitable stocks in the small cap market trade at a 20% discount to large caps on a forward price-to-earnings basis. This is the largest discount since the end of the 2000 tech bubble.

The composition of the Russell benchmarks doesn't help. From our perspective, the value benchmarks contain stocks that shouldn't be in a value benchmark. For example, the largest company in the Russell 2000 Value benchmark, an index that should represent smaller, value-oriented companies, is a \$24 billion market cap company that has no revenue and no earnings. This company is forecasted to lose money for the next three years. How is that small or value? At the end of Q3 2025, it was almost 1% of the index. Like this company, other story stocks have become the "tale" wagging the dog. Bitcoin miners, rare earth miners, precious metals companies, nuclear/power related firms, biotech, and AI plays have dominated the benchmark's performance.

As of 9/30/2025, the Russell 2000 Value returned 9.04%. The S&P 600 Value index, which has a prior four quarter profitability requirement for inclusion, increased only 3.15%, more in line with the average active small value manager.

Rallies like the ones described above have tended not to last long. Companies with cashflow and earnings tend to outperform over time relative to money losers. Data going back to 1965 show that over 5-year rolling periods: Companies with high free cashflow margins outperformed low free cashflow margins; companies with higher free cashflow yields outperformed low free cashflow yields; and companies with earnings outperformed companies with no earnings.

We certainly haven't been perfect from a stock-selection basis. However, we believe our performance relative to our respective benchmarks doesn't tell the whole story. To wit, while our performance trailed the benchmark in the third quarter, our small value fund ranked in the top quartile on Morningstar. The same is true for the month of October, our small value strategy trailed the Russell 2000 Value but ranked top quartile on Morningstar. Additionally, while the S&P 600 Value isn't our benchmark, our 2.36% YTD return is more in line with its 2.80% return. We continue to focus on buying value companies with catalysts. History has shown that this is the best long-term risk/reward option for our clients.

Attribution

U.S. equities continued their ascent to new highs amid a sixth consecutive month of gains. A combination of positive third quarter earnings, continued Federal Reserve interest rate cuts, and progress in trade negotiations with China drove equities higher. The Russell 2000 Value Index (up 0.3%) lagged the tech heavy Nasdaq (+4.8%) and the S&P 500 (+2.3%). On a benchmark basis, growth beat value across the board in October. All four of our strategies underperformed their respective benchmarks for the month.

**If you would like more information about our firm
and investment strategies, please contact:**



Patrick Kennedy

Portfolio Specialist

E: pkennedy@integrityasset.com

T: 216.920.5281



Crystal D. Doyle

Director, Account Management

E: cdoyle@integrityasset.com

T: 216.898.2410

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.

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.

*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.

The information in this article is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in this report are subject to change without notice and are not intended as individual investment advice. The securities highlighted, if any, were not intended as individual investment advice. A complete list of all recommendations of security selection and the calculation methodology used to select the partial list of portfolio holdings is available by request for the previous 12 months.

Advisory services offered by Victory Capital Management Inc.

©2025 Victory Capital Management Inc.

V17.399 // October 2025 INTGY Catalyst ME