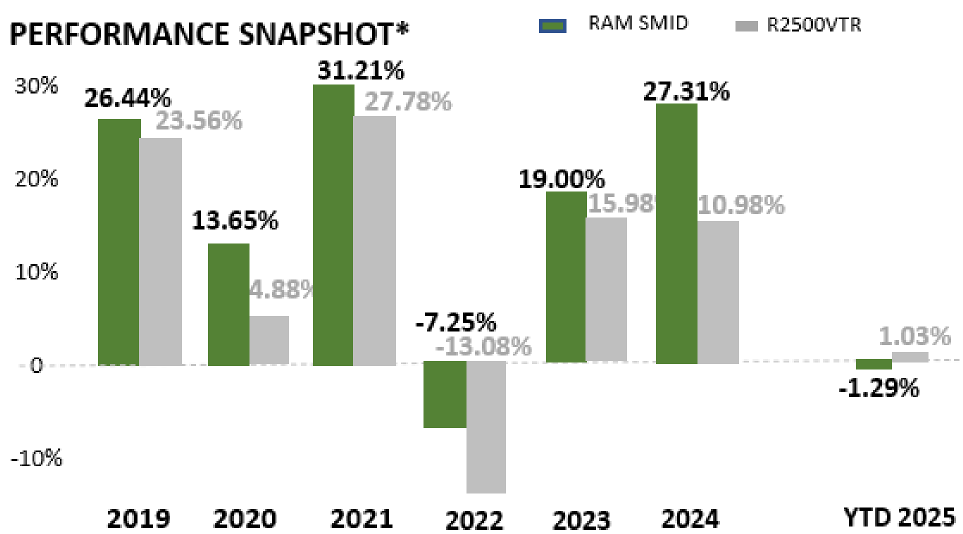
July 2025

Our RAM Smid composite gained 6.11% in 2Q25, slightly trailing the Russell 2500 Value Total Return index which rose 7.29%. Given the strategy's concentrated nature, with 28 positions at quarter end, some performance variability relative to the benchmark is expected. On a year-to-date basis, the RAM Smid composite returned -1.29% vs. 1.03% for the Russell 2500 Value Total Return index.

We note that the Smid composite has a substantial amount of small-cap exposure, with an average market cap of $3.69 billion compared to $9.33 billion for the Russell 2500 Value, and $2.87 billion for the smaller cap Russell 2000 Value index. Thus, market cap size was likely a factor, as the Russell 2000 Value Total Return index fell 3.16% in 1H25.

Overall, we view the quarter as broadly in-line and remain optimistic about the Smid value sector heading into 2H25.[1,2,3]



Source: Rewey Asset Management, Index returns sourced from Bloomberg 3/31/2025.

**Note that there are material limitations inherent in any comparison between RAM Smid strategy and the R2500 Value Total Return Index. The R2500 Value Total Return Index is unmanaged, and you cannot invest directly in an index. The RAM portfolio is actively managed and holds concentrated investments in the equity securities of small-mid capitalized companies. Please see important disclosures at the end of this letter.*

Stocks Powered Through Market Uncertainty in 2Q25

The market does not like uncertainty, and we were swamped with uncertainty in 2Q25 with geopolitical issues including the two major self-imposed deadlines from the administration on 1) the "Big Beautiful Bill" and 2) the extended deadline for tariffs on 7/9, as well as the U.S. military action against Iran. Even

Fed Chair Powell, citing uncertainty around tariffs, signaled a pause on potential rate cuts during his June 18 remarks. However, the market shook these concerns off, with most indices rising in 2Q25.[4]

The Economy Remains Strong and That is What Mattered

We believe continued U.S. economic strength supported the market's performance, contrary to fears of rising inflation and negative GDP growth.

While the reported 1Q25 GDP estimate was -0.5%, this number was impacted heavily by imports, which count as a negative to GDP. Net exports in 1Q25 (exports less imports) were a negative 4.83%. Two factors impacted this result, record gold imports, estimated to be between 2% and 3% and the likely pre-buying of goods ahead of expected tariffs. We agree with the Fed's dot plot estimate that 2025 U.S. GDP should grow around 1.4% and we don't see the U.S. rolling into a recession in 2H25.[5,6,7]

Rotation to Small and Smid Caps?

If the U.S. economy remains stable, we think investors are likely to rotate away from the S&P 500, which is dominated by the large cap technology Magnificent 7. In 1H25, investor focus appeared to be shifting back to individual stock selection, as evidenced by the mixed year-to-date performance of that group with two names posting negative returns and one flat.

As the influence of broad macro drivers like quantitative easing, stimulus programs, and COVID-era spending fades, we expect greater dispersion in equity performance. This environment should favor active stock selection and benefit small- and SMID-cap stocks.

A modest reallocation, just 1% of S&P 500 market value, to the Russell 2500 Value Index would equate to buying 10.6% of that index and buying a significant 33.3% of the Russell 2000 Value. In our view, this shift in investor behavior could be a meaningful catalyst for the small- and SMID-cap space in 2H25.[8]

We think Small and Smid Remained Undervalued

We believe the small and smid caps remain neglected and undervalued. Many names fit our criteria for long-term selection of i) financial strength, ii) the ability to grow and iii) valuation. We are active investors – and believe active stock selection is appropriate for smaller caps due to:

i) Limited liquidity and efficiency in small-cap ETFs,
ii) The ability to avoid weaker, unprofitable companies within benchmarks, and
iii) A vast, under-researched universe, with many names lacking index inclusion or analyst coverage.

With over 5000 equities in our investible universe of small- and smid-cap domestic stocks, we think there is plenty of opportunity to find alpha generation.

Tariffs Remain a Risk, but Fear Likely Overdone

While Trump's negotiating style might be contentious, we do not expect the worst-case reciprocal tariff levels. We recommend listening to Scott Bessent's comments closely, as he seems to be the representative that has been most correct on administration actions.

Tariffs are likely to cause some inflation, but imports were 11.4% of GDP in 2024, so that would imply just over a 1% inflation impact if tariffs were to fully settle at 10%. This would also assume that none of the tariffs were absorbed by manufacturers and distributors at some level and there would be no mitigation efforts by companies, including changing countries of origin for sourcing.[9]

We think recent announcements regarding tariffs show the worst-case outcome as unlikely:

a. The U.S. and the UK have completed a favorable trade deal.
b. Progress with China appears likely to ease unsustainable tariffs.
c. The administration is giving good moral suasion on multiple deals, including Vietnam.
d. They have also indicated they expect more deals ahead of the 7/9 deadline and that they are open to extending that deadline if negotiations are continuing.

While there is still the risk, or even likelihood of higher inflation from a 10% (or in some cases higher tariff level) many companies are working on mitigation plans to redirect sourcing to reduce purchasing goods from high tariff locations.

Portfolio Highlights

We added two new and sold six holdings in 2Q25. As we wrote in our 1Q25 letter, we saw good opportunities to increase weightings in existing portfolio positions. The combined weight of our top 10 holdings increased 370 basis points to 47%. At quarter end, cash was 5.35% of the portfolio, down from the tariff related defensive level 9.3% level at 1Q25.

Five of our composite holdings had net cash on the balance sheet and eight others had net debt to EBITDA less than or equal to 1.5x. Fifteen holdings were trading at less than 1.5x book value.[10]

Ducommun (DCO)

Ducommun, highlighted in our 1Q25 letter, was our top performer in 2Q25, rising 42.39%. Our thesis on DCO and the Commercial Aerospace & Defense sector remains intact, supported by strong order flows and production from Boeing and Airbus. Additionally, European NATO countries have committed to increasing military spending to 5% of GDP over time. Ducommun also continues to improve margins, progressing toward its Vision 2027 targets alongside a robust revenue outlook.[11]

Lakeland Industries (LAKE)

Lakeland Industries was our weakest performer in 2Q25, declining 31.40% following a soft FY1Q26 report with revenue and earnings below expectations due to delayed orders and tariff disruptions. We believe the market overreacted and remain optimistic about LAKE's prospects. The company is in the early stages of transitioning to a full-service provider of firefighter gear and is expected to improve margins through the integration of recent acquisitions and the fulfillment of delayed orders. Tariff impacts should be mitigated by shifting production to favorable regions, including USMCA-covered facilities. We increased our position on the price weakness during the quarter.[12]

Orthofix Medical (OFIX)

In 2Q25, we increased our position in Orthofix Medical, Inc. (OFIX) following a 45.6% decline from its February high and a 36.1% drop from its 2024 close. We view this as a compelling valuation opportunity, supported by recent insider purchases by its CEO and also by its top shareholder, a 13D filer.

We believe Orthofix's strong financial position should continue to improve throughout 2025, as it is largely complete with the integration of its Seaspine merger. In November 2024, OFIX extended its credit agreement through 2029, with net debt to adjusted EBITDA at 1.2x and $115 million in undrawn capacity. On its 1Q25 call, management reaffirmed guidance for positive free cash flow in 2025, with further improvement expected in 2026 and 2027.

We believe part of OFIX's 2Q25 share weakness stemmed from a $10 million reduction in annual revenue guidance given on its 1Q25 call, driven by one-time factors rather than a slowdown in long-term growth. This included a $5 million impact from a canceled U.S. AID contract and transitional effects from a new distributor and a merger between two customers. We view this as a temporary setback that has led to an overreaction by momentum and quant investors.

We think OFIX should continue to gain share in its key markets, supported by its prolific new product introduction schedule across all three segments, Spine, Bone Growth Therapy (BGT), and Orthopedics. Over the past three years, it has launched 50+ new or refreshed products, fueling above-market growth in Spine, where it holds just a 4% share. Its innovative 7D FLASH navigation system, which reduces radiation by 97% and offers faster setup, is expanding into new applications, including cranial surgeries. Its Biologics portfolio further complements its spinal offerings.

Orthofix's BGT segment promotes healing in spinal and fracture markets. We think the market overlooked the 1Q25 announcement that OFIX's AccelStim 2.0 offering was approved earlier than projected and thus is likely to drive revenue growth throughout 2025. Additionally, the Orthopedic segment should continue strong growth, driven by existing products and the recent FDA 510(k) clearance of Truelock Elevate, a first-of-its-kind device targeting the $1.2 billion diabetic amputation prevention market.

We expect management to improve EBITDA margins to the mid-teens by 2027, up approximately 700 basis points from 2024. Since early 2024, the new leadership team (CEO appointed January, CFO February) has established strong operational momentum. Notably, they made the difficult but disciplined decision to discontinue the M6C cervical spine product due to low demand. Despite the 2025 exit charge, this should accelerate revenue and earnings growth by eliminating a loss-making product, which in our view demonstrates management's commitment to margin improvement.

We think the 2025 sell-off in the shares has created a compelling valuation opportunity. Despite modestly lowering its 2025 expected revenue guidance, management affirmed its EBITDA and positive free cash flow targets for 2025, offsetting the revenue impact with accelerated cost reduction efforts. The street now projects adjusted 2025 EBITDA at $82.6 million, at the low end of its guided $82-$86 million range, but still up 22.5% over 2024. Using this street consensus EBITDA estimate, OFIX is trading at only 6.4x EBITDA, at the low-end of its 6x-20x EBITDA range for the last three years. Our AFV price target is $18.50, based on 10x 2025 EBITDA, representing a 65.9% upside from quarter-end levels. This target may be conservative if OFIX meets its 2027 margin goals.

While our AFV price targets exclude external catalysts, several noteworthy developments merit consideration. On June 3, Hologic (HOLX), a fellow RAM Smid portfolio holding, reportedly received a $16 billion bid from Blackstone and TPG at 12x EBITDA, an offer it declined as too low. This offer underscores the broader neglect and undervaluation in the SMID-cap Medtech sector, which in our view faces less political risk than pharmaceutical, insurance and distribution healthcare sectors. Notably, the 12x EBITDA offer highlights the attractive valuation opportunity we see in OFIX.

We do not appear to be alone in our conviction. In May, the CEO purchased $125,400 of stock, while board member Alan Bazaar acquired nearly $75,000 in May and June. Additionally, Engine Capital Management, the largest shareholder and a 13D filer, reported increasing its stake by over 500,000 shares in May, raising ownership to 10.85%.[13]

Looking Forward

Despite ongoing geopolitical uncertainties, we believe the economy's resilience should support markets through 2H25. With QE and stimulus fading, we believe investors are increasingly focused on security selection, which could drive strong performance in small- and smid-cap stocks.

Our investment approach prioritizes financial strength to withstand volatility, paired with a clear plan for value creation over the next 2–3 years. A robust investment case and a long-term view creates time as a powerful ally for value creation and provides a roadmap for purchasing securities at potentially attractive long-term valuation levels.

We appreciate your trust and support. As always, please feel free to contact us to discuss our commentary or to share your thoughts.

Chip

---

1. Past performance is no guarantee of future results. The RAM SMID Value Composite schedule of net investment performance of Rewey Investment Management LLC (the "Schedule") represents the activity of separate customer trading accounts managed collectively (collectively the "Accounts") for the annual and cumulative periods from January 1, 2019 through Mar. 31, 2025. 2022-2024 performance unaudited. Please see full Marcum footnotes for RAM Smid composite 2019-2021 at Microsoft Word - {A44BB912-3141-4B59-AE8E-3D695C6B8BD4} (reweyassetmanagement.com). Performance graphic not to scale. The performance results for the period of 1/1/19-11/8/2021 are from accounts managed by Chip Rewey while affiliated with Advisory Services Network.

2

- The Russell 2500 Value Total Return Index, Russell 3000 Value Total Return Index, Russell 2000 Value Total Return Index are sourced from Bloomberg. Each of these indices are an unmanaged group of securities considered to be representative of the small and mid-cap stock market, and the large-cap stock market in general, respectively. Indexes are unmanaged and do not incur management fees, costs, or expenses.
- The Russell 2500 Value -Dynamic Index® measures the performance of the small to mid-cap value-dynamic segment of the US equity universe. It includes Russell 2500 Index companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years) and relatively less stable business conditions that are more sensitive to economic cycles, credit cycles, and market volatility based on their stability variables.
- S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.
- It is not possible to invest directly in an index. There are material differences between the RAM SMID Value Composite portfolio and the indexes used for comparison purposes. The RAM portfolio is actively managed and holds concentrated investments in the equity securities of small-mid capitalized companies. An index is generally designed to illustrate the performance of a specific asset class (i.e. small cap) but is not actively managed and the index performance does not reflect the impact of advisory fees and other investment costs.
- Company level member data for the S&P 500 Index and Russell 2500 Value index are sourced from Bloomberg.

3, 10. All portfolio discussions are based off our model RAM Smid portfolio of separately managed accounts. Company financial estimates sourced from Rewey Asset Management proprietary analysis, and Bloomberg BEST company estimates. Historical pricing and company financial data sourced from company 10Q and 10K filings, and Bloomberg. Individual portfolios may hold slight deviations in position sizes, cash levels and positions held. Portfolio statistics discussed are from December 31, 2024. These statistics will likely change over time. Debt/EBITDA ratio comments exclude financial companies due to non-comparability.

4,7. Federal Reserve Board meeting statement and Federal Open Market Committee release economic projections from the June 17th-18th 2025 FOMC meeting Federal Reserve Board - Federal Reserve issues FOMC statement, Summary of Economic Projections, June 18, 2025.

5. U.S. 1Q25 GDP sourced from the Bureau of Economic Analysis through Bloomberg.

6, 9 U.S. 1Q25 Net Export and Import data sourced from the AltantaFed GDPNow GDPNow - Federal Reserve Bank of Atlanta

8. Company level member data for the Russell 2500 Value index, the Russell 2000 Value index and the S&P500 Index is sourced from Bloomberg and Rewey Asset Management proprietary analysis.
11. All financial ratios, statistics, and projections discussed in the Duocommun (DCO) commentary are sourced from DCO 10K, Proxy, 10Q filings, company press releases, company public conference calls and webcasts, company slide presentations, RAM discussions with management, Bloomberg, DCO company webpage and Rewey Asset Management proprietary financial analysis and Rewey Asset Management industry due diligence. Historical share price information sourced from Bloomberg.
12. Lakeland Inc. (LAKE) quarterly performance information sourced from Bloomberg. Other LAKE commentary sourced from company earnings releases, 10Q, 10K filings, company presentations, RAM discussions with management, Bloomberg and Rewey Asset Management proprietary analysis.
13. All financial ratios, statistics, and projections discussed in the Orthofix International (OFIX) commentary are sourced from OFIX 10K, Proxy, 10Q filings, company press releases, company public conference calls and webcasts, company slide presentations, RAM discussions with management, Bloomberg, OFIX company webpage and Rewey Asset Management proprietary financial analysis and Rewey Asset Management industry due diligence. Historical share price information sourced from Bloomberg.

All information contained herein is derived from sources deemed to be reliable but cannot be guaranteed. All economic and performance data is historical and not indicative of future results. These views/opinions are subject to change without notice. No one can predict or project performance, and forward-looking statements are not guarantees. Past performance is not indicative of future results. Investing involves risk, including the loss of principal.

This material is for informational purposes only and is not a recommendation or advice. Investments and strategies mentioned are not suitable for all investors. This does not constitute a recommendation or a solicitation or offer of the purchase or sale of securities. There is no assurance that any securities discussed herein will remain in the portfolio at the time you receive this report or that the securities sold have not been repurchased. Securities discussed do not represent the entire portfolio and in aggregate may represent only a small percentage of the portfolio's holdings. Before investing or using any strategy, individuals should consult with their tax, legal, or financial advisor.

Rewey Asset Management is a registered investment advisor in the State of New Jersey