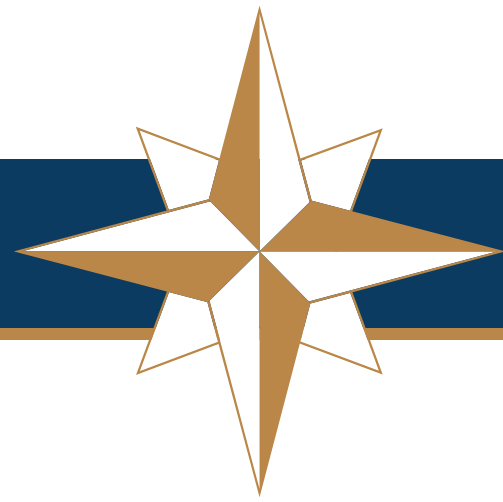


Catalyst

Portfolio Update and Market Outlook



As of January 31, 2025

**They call me the seeker
I been searchin' low and high**

– The Who

Monday, January 27th saw a selloff in all things AI. A new AI platform out of China called DeepSeek, roiled the prevailing AI narrative. I'm by no means an AI or technology expert so I consulted a competing AI chatbot to find out what is so special about DeepSeek. Here's what I found.

DeepSeek is billed to be a much more cost-effective AI solution. The company claims to have spent only \$6million to develop the product compared to the billions of dollars spent on the more popular AI platforms like Chat GPT. Despite the low cost of development, the performance of DeepSeek allegedly is better than other AI models. DeepSeek has shown the ability to solve tough problems twice as fast as ChatGPT by segmenting its knowledge base and activating only the parts necessary to solve the problem.

Last month's catalyst detailed some of the extremes in the market. Notably, we mentioned that the "Magnificent Seven" tech stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) surged by an astounding 67% in 2024. Moreover, only 19% of stocks within the S&P 500 outperformed the index itself for the full year, and momentum stocks were the big winners.

Momentum markets need a constant flow of positive information. They become hard to sustain once the "story" is called into question. AI and the buildout necessary has been the main drumbeat of the market. Could this be the crack in the armor? We don't know. However, we do know that value stocks and small caps trade at a significant discount to large growth stocks. Could this be the catalyst we've been waiting for?

Continued on Page 2



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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	1.88	1.88	-0.17	1.88	1.88	-0.17	1.88	1.88	-0.17
Small/Mid Cap Value	4.15	4.15	0.75	4.15	4.15	0.75	4.15	4.15	0.75
Mid Cap Value	4.77	4.77	1.25	4.77	4.77	1.25	4.77	4.77	1.25
Micro Cap Value	1.53	1.53	0.97	1.53	1.53	0.97	1.53	1.53	0.97

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	2.78	2.78	2.78
Nasdaq 100® Index	2.39	2.39	2.39
Russell 2000® Growth Index	3.16	3.16	3.16
Russell 2000® Value Index	2.05	2.05	2.05

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.



Our small value strategy lagged the Russell 2000 Value by 2.18% in 2024. Not our best or worst year. Compared to our Morningstar peers, though, we finished the year in the 82nd percentile, one of our worst years. The discrepancy between the relative performances raised the question: is it us or them? What are our peers doing that is so different than us? The performance of our peers on that DeepSeek Monday gave us a clue. We were 22nd percentile on Morningstar that day. We track a peer group of 20 small value managers, several of them were the best-selling funds of 2024, others we have competed against. That Monday, when all things growth and AI sold off, 16 of those 20 peers underperformed the Russell 2000 Value. One of them was down over 3% while the benchmark was basically flat. Like some S&P 500 index investors that believe they are in a diversified portfolio and not a concentrated tech fund where the top 10 holdings make up over 35% of the index, we believe a lot of small value investors own small core/growth funds disguised as small value. Our philosophy and process, though flexible, is designed to give our clients value exposure. Performance has its ups and downs. Providing value exposure for our clients does not.

Attribution

U.S. equity markets advanced in January despite increased volatility in the final week of the month. Corporate earnings, the Federal Reserve's latest decision to keep interest rates steady, the revelation that Chinese start-up DeepSeek had launched an effective and low-cost AI model, and tariff headlines fueled the choppy last week of the month. The Russell 2000 Value Index, up 2.1%, underperformed both the tech heavy Nasdaq 100 (+2.4%) and the S&P 500 (+2.8%). For the month, growth outperformed value across three of our four benchmarks (Russell Micro Cap Value Index outperformed the Russell Micro Cap Growth Index). Three of our four strategies outperformed their respective benchmarks with small cap value the exception as it narrowly 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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