

Catalyst Portfolio Update and Market Outlook



As of June 30, 2025

**Your everlasting summer you can see it fading fast
So you grab a piece of something that you think is gonna last
Well you wouldn't even know a diamond if you held it in your hand
The things you think are precious I can't understand**

– Steely Dan

The first half of the year has been nothing short of challenging. Tariffs, Department of Government Efficiency (DOGE) spending cut noise, deficit concerns, wars, and interest rate volatility all created bouts of short-term heartburn. It is said that the market doesn't like uncertainty—you wouldn't know that looking at where equities ended the first half of 2025.

The major indices all posted positive returns:

S&P 500 +6.2%; Dow Jones Industrial Average +4.55%; and NASDAQ +5.85%. Meanwhile, the VIX (a measure of market volatility) is down.

Small cap stocks weren't as fortunate. Amid uncertainties, investors gravitated toward larger, more stable, and more expensive stocks. While the Russell Mid Cap Value Index and Russell 2500 Value Index delivered positive returns (3.12% and 1.03%, respectively), the

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Performance (%) as of June 30, 2025

Representative Accounts	MTD			QTD			YTD		
	Gross	Net	vs Benchmark	Gross	Net	vs Benchmark	Gross	Net	vs Benchmark
Small Cap Value	3.18	3.09	-1.77	1.86	1.60	-3.11	-6.54	-7.01	-3.38
Small/Mid Cap Value	3.95	3.88	-0.57	4.98	4.76	-2.31	-1.55	-1.97	-2.58
Mid Cap Value	3.75	3.68	+0.24	5.21	5.00	-0.13	3.11	2.70	-0.01
Micro Cap Value	6.33	6.24	-0.76	9.50	9.23	-2.75	1.14	0.63	+2.67

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 June 30, 2025

	MTD	QTD	YTD
S&P 500® Index	5.09	10.94	6.20
Nasdaq 100® Index	6.34	17.86	8.35
Russell 2000® Growth Index	5.89	11.97	-0.48
Russell 2000® Value Index	4.95	4.97	-3.16



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 March 31, 2025

	1 Year		5 Year		10 Year	
	Gross	Net	Gross	Net	Gross	Net
Small Cap Value	-8.00	-8.91	19.99	18.79	7.07	6.00
Small/Mid Cap Value	-4.72	-5.67	20.17	18.97	8.20	7.13
Mid Cap Value	0.13	-0.71	19.59	18.58	9.00	8.11
Micro Cap Value	0.77	-0.23	20.76	19.56	8.28	7.20

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.

Russell 2000 Value dropped 3.16%. More telling, the most expensive quintile (measured by cashflow yield) significantly outperformed the cheapest quintile:

- **Russell Mid Cap Value:** Most expensive quintile outperformed cheapest by ~600bps
- **Russell 2500 Value:** Most expensive quintile outperformed by ~400bps
- **Russell 2000 Value:** Most expensive quintile outperformed by ~500bps

(Source: FactSet, Integrity Asset Management)

Cashflow yield and valuation are cornerstones of our investment approach. We typically overweight cheaper quintiles and underweight the most expensive. This dynamic created a performance headwind for us in the first half of the year.

Small Cap Value Performance

Year-to-date, our small cap value strategy faced the greatest challenges. Beyond the valuation headwind, underperformance was concentrated in three sectors: consumer discretionary, industrials, and materials.

Consumer stocks suffered from tariff uncertainty. Despite stock underperformance, earnings generally met our expectations. We believe this sector is over-discounting tariff concerns and offers compelling upside at current valuations.

Industrial holdings were hurt by our cheaper valuation tilt and one significant stock decline following an unexpected acquisition announcement. We exited that position, and the stock has continued to decline since our sale.

Materials performance was hurt as we do not own any gold or silver mining companies in the portfolio. Precious metals mining companies in the benchmark rose significantly because of the rapid increase in gold prices this year (+27% YTD).

SMID Cap Value Performance

Year-to-date performance was impacted by the same consumer trends mentioned above, accounting for approximately 80% of our underperformance.

Financials also detracted, primarily from not owning Robinhood (HOOD). Our analysis shows this company trades at elevated multiples across price-to-book, price-to-sales,

price-to-cashflow, and price-to-earnings. With substantial debt and bitcoin exposure, we don't view it as a value stock. Two holdings negatively impacted relative performance: Flagstar (FLG) sold off based on New York City democratic primary results, where the winner promised rent freezes that could impact FLG's loan portfolio. Brighthouse (BHF) declined after reports of only two potential acquirers at prices below expectations. We maintain conviction in both positions.

Mid Cap Value Performance

This strategy experienced minor underperformance for both the year-to-date and second quarter, with financials detracting most significantly—again driven by not owning Robinhood (HOOD).

Outlook

The path forward remains uncertain. The tariff reprieve ends soon, potentially reintroducing volatility. Tension between the President and Federal Reserve Chairman continues, with President Trump suggesting a new appointment before Chairman Powell's term concludes. Budget negotiations change by the minute. Yet major indices remain at or near all-time highs. We acknowledge our recent performance challenges but remain committed to our disciplined value approach. In our view, the current performance disparity between the valuation quintiles presents a compelling long-term investment opportunity. In our experience, these periods of differential performance have normalized, creating potential outperformance for those who maintain discipline. We continue focusing on fundamentally sound companies trading at attractive valuations, positioning ourselves to benefit when market sentiment returns to these unloved companies.

Attribution

U.S. equity markets rallied to record highs in June. Hopes that the U.S. will reach trade agreements that result in lower tariffs, optimism that the Federal Reserve could cut rates, and a calmer geopolitical scenario following a cease-fire between Israel and Iran boosted market sentiment. The tech heavy Nasdaq (+6.3%) and the S&P 500 (+5.1%) outperformed the Russell 2000 Value which was up 5.0%. For the month, growth outperformed value across all four of our benchmarks. Our mid cap value strategy outperformed its respective benchmark for the month, while the remaining three strategies underperformed.

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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.

*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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