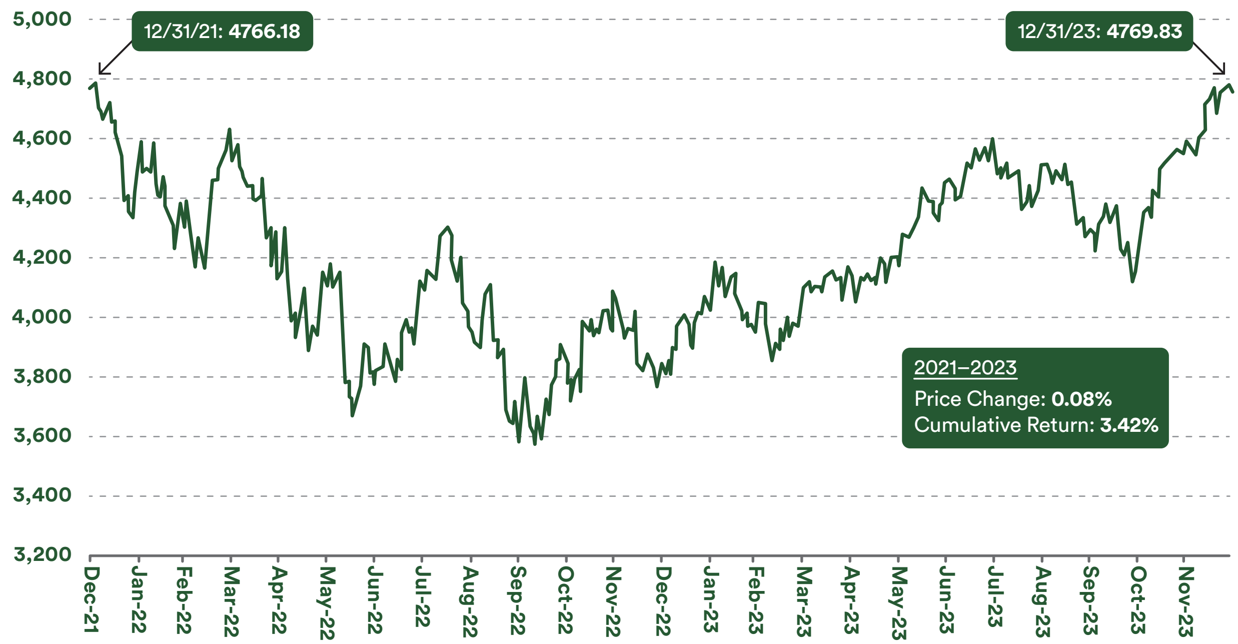
HUNTER CAPITAL
MANAGEMENT, LLC

2023 YEAR END COMMENTARY

The roller coaster that is the US stock market was on full display in 2023 with dramatic ups and downs that can be interestingly observed over a two year period. After a 19% loss for the S&P 500 and an 8% loss in the Russell 3000 Value in 2022, we experienced a significant rebound in 2023. Combining the past two years, the S&P 500 generated a price return of 0%. Despite all the turbulence, "the market" as measured by the S&P 500, ended 2023 essentially right back to where it started in 2022.

S&P 500 PRICE HISTORY: DEC. 31, 2021 – DEC. 31, 2023



Source: FactSet

Our All Cap Value ("ACV") composite performance the last two years was similar. On a two-year basis HCM ACV was within 30 bps of the benchmark, but with less volatility. Our goal is to outperform our benchmarks with less risk over a market cycle. It is worth noting that some accounts in our composite have higher cash levels in accordance with client conservatism.

Focusing specifically on 2023, it was a year we entered with caution given concerns on inflation, interest rates, risk of a recession and geopolitics. The market experienced downside volatility late in the first and third quarter driven by a mini banking crisis and interest rates. But, the year concluded far better than we anticipated given dovish commentary from the Fed and general optimism for a soft landing. As a result given our defensive positioning and higher cash levels in some accounts, we were not surprised that the 9.8% (net) return in our ACV composite lagged the Russell 3000 Value.

Our positioning as we enter 2024 is still focused on downside risk to the market. This is a stance we feel comfortable taking with valuations hovering near historically high levels, and most of the same macroeconomic risks still on the table. Our investment process has been steadfast since our predecessor firm was founded in 1980 and we believe playing sound defense is critical to our long-term success. Thus, we remain focused on investing in quality companies at what we believe are attractive valuations. The result is a diversified portfolio that should outperform our benchmarks with less risk over a full market cycle.

Despite our defensiveness, disinflation, the Fed pivot, healthy labor markets, and fiscal support provide favorable underpinnings for U.S. economic growth in 2024. Lower relative valuations in small and mid-cap companies, with P/E disparities at multi-decade highs (below), signal opportunity for our ACV strategy where we can continue to selectively take advantage of this imbalance. In addition, we launched a small cap strategy in August of 2022 that is well positioned for this opportunity. Our SCV composite has outperformed the Russell 2000 Value since inception and also for 2023.

RATIO OF S&P 500 P/E VS. S&P 600 SMALL CAP P/E: LAST 25 YEARS

Source: Bespoke

Turning to attribution, **in both strategies we saw positive total effect in healthcare, staples and industrials.** Most of the positive attribution was from equity selection. In industrials we found quality companies in the building products space with strong competitive positions and balance sheets that should be more resilient despite operating in a highly cyclical industry.

Healthcare was one of the worst performing sectors allowing us find several attractive businesses trading below our view of intrinsic value.

Our attribution in both strategies lagged in financials and REITs due in part to the negative impact from higher interest rates throughout the year. Banks were a particular issue at the beginning of the year during the banking crisis. While we had limited exposure to distressed banks, our overweight to the smaller cap regionals detracted from performance. We spent considerable time reevaluating our bank positions both during and after the crisis and made adjustments. **We believe we are better positioned to weather any future problems in the sector.**

As we wrote in previous commentary, we continue to look at utilities and health care given both sectors have been out of favor. Utilities have been negatively affected by rising rates. Health care was impacted in part by pressure in life sciences spending, the impact of GLP-1 and questions about growth in big pharma.

We are also looking for bargains in technology and industrials where we believe competitive advantages are often the strongest on a long term basis. Though we acknowledge that it is challenging to find reasonable valuations in technology.

After a very strong relative showing for value stocks versus growth in 2022, last year was once again another year of growth outperforming value. This is a continuation of an almost decade long move that we believe will reverse and be to our benefit at some point, although the timing is difficult to predict.

At the firm level, we are pleased to report that Schwab added our small cap value fund, HSCVX, to their platform. Our ACV strategy is also available in SMAs on Schwab, Envestnet and Adhesion. In addition, we updated our website **www.huntercapitalmanagement.com**

Thank you for your consideration of our value strategies. Have a happy and healthy 2024.

Respectfully,

The HCM Team