LYONS INVESTMENT MANAGEMENT

QUARTERLY NEWSLETTER

Q1 2022

CONTENTS

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The first quarter saw a couple of major developments, neither of which were positive for stock prices. First, the Fed has completely shifted into inflation fighting mode. Second, Russia invaded Ukraine, kicking off not only a ground war in Europe but marking another step towards a new Cold War between the West and China. The major averages had relatively modest declines, continuing into April, but growth stocks continued to fall sharply. It feels like a completely different environment than 2021. Here's where I think we stand now:

The invasion of Ukraine is horrible and tragic on a human level. The economic aspects are an afterthought by comparison but are nonetheless very real. In the short term, there are a number of effects all combining to push Europe's economy into a downturn. Longer term, it re-inserts geopolitics into world trade and investment, providing more fuel for de-globalization.

Inflation remains higher than we've seen in four decades and has broadened out to wages and the service economy. The rate will most likely start to come down, and some goods prices like used cars already are, but this no longer is the key question. What matters is how sticky it is. The history here is not promising.

The Fed is now a bull in a china shop. They are desperate and may actually prefer for stocks to fall. With inflation out of control they want to reduce demand in the economy immediately. That happens partly by real economic costs such as more expensive mortgages and partly by signaling, such as a weak stock market. They will hike interest rates quickly and will also reduce their huge holdings of Treasury bonds.

The bond market has reacted. Interest rates are shooting up, and the yield curve has flattened. This has immediate effects in the real economy. 30 year fixed mortgages are at 5%. The housing and commercial real estate markets will cool off quickly. That's not a minor statement, given that housing is tightly correlated to the overall economy.

The current strength of the economy is important for understanding the Fed's urgency to act right now. This is both to prevent more inflation and because they believe that it can withstand higher rates. It unfortunately does not predict that the economy will stay strong, because busts often follow booms.

Predictions of a future recession are also academic at this point. What matters for asset owners is that there is a slowdown in economic growth happening right now which will continue throughout the Fed's hiking campaign. It's not a binary outcome between a soft landing and a recession, and the depth of the coming downturn isn't really predictable.

The environment for stocks has become riskier in terms of a wider range of outcomes and more uncertainty about where prices will be. However, the history of similar periods where the Fed begins to tighten is actually a good one for stock returns. This cycle is certainly not typical in its speed, however, so parallels have to be considered carefully.

The character of the market is naturally changing with the economic environment. A rapid rise in interest rates is usually bad news for the most expensive stocks, which are most sensitive to the market's direction, as well as cheap cyclicals that depend on a strong economy. At the moment only inflation beneficiaries, such as energy, are being rewarded. This is usually a time when investors start to pay up for quality, defined as the ability to prosper even in challenging times. Many bargains will be created during this period, but the adjustment takes time.

Regardless of what the Fed has been saying, most now agree that this time inflation really isn't transitory and isn't going away soon. This has serious implications for the market going forward. We may be entering a new economic period that is different from what we've gotten used to. If true, it will likely turn the lessons investors have learned over the past decade on their head. The key question is if the strange condition of ultra-low interest rates is gone or if it will return as soon as the economy slows down.

To begin to answer this we need to start with the period just completed, from the recovery after the Great Financial Crisis up until the Covid crash in 2020. During this period, world central banks (primarily the Fed, ECB, and BOJ) invented new stimulus plans. Initially, this was done to save the world from a second Great Depression following a banking crisis. With that accomplished, their mission morphed into a variety of other economic goals for each specific region. The central banks found that their new tool, Quantitative Easing, was very useful for getting the markets to do what they wanted. QE basically injects money directly into investors' pockets. At the time many were concerned that this would cause immediate inflation (more money, same amount of stuff). Instead, after a decade, we found out that the QE money doesn't go directly to spending but instead moves around the world into various assets. For example, the Nasdaq Composite Index has had a high correlation with the total amount of central bank QE during this period. Japanese QE didn't go into the Japanese economy in the form of inflation. Importantly, the flood of extra liquidity did have the effect of keeping longer term interest rates low.

This all sounds great, and for a time did launch a virtuous cycle. Higher stock prices unleash innovation in free economies as investors chase the positive returns. Low interest rates encourage investment in long term fixed assets. High stock prices also make investors feel wealthy, so they spend more. However, we're finding out now that it's not a free lunch. The effect of QE isn't always a virtuous cycle, and it naturally changes with the economic environment. QE is money creation, which does different things in a boom economy compared with a slack economic environment.

The change began with the Trump tax cuts and trade policy. These launched a domestic boom in the US while also marking a political turn against globalization. At first, the "supply side" nature of the tax cuts were non-inflationary, even though deficits were bigger because the economy had excess capacity and supply was also being added. The large standard tax deduction incentivized work by making income tax rates very low for workers below the median wage. At the same time, lower capital gains taxes along with continued QE incentivized capital. Money flowed into the US, pushing up stocks and real estate. The Post-GFC period of slow economic growth had ended.

Then came Covid. The policy response to the Covid economic crash was the flame that lit the inflation spark. The Fed wheeled out it's crisis response playbook, stabilizing bond and stock markets. Then the stimulus came. Trillions of dollars were provided directly to consumers and businesses to "fill the hole" of frozen economic activity. This was done side by side with the typical monetary policy of zero interest rates and money injected through QE. The idea was a really noble one, to prevent unnecessary economic damage and suffering. However, it created a bizarre situation. Covid had (and still has today) the effect of reducing supply. Work, production, and transportation are all disrupted. Large parts of Chinese goods production that the world relies on are offline even as I write this. Matching this lower supply was a mountain of cash. US spending on goods in nominal terms (raw $) is much higher today than it was pre-pandemic. The fear was that the Covid recession would crush demand, but instead the stimulus payments caused demand to spike. More dollars chasing less supply in units is the definition of inflation.

Some of these effects should clearly be temporary, meaning "one time". Supply is incentivized to catch up as quickly as possible. However, this was true in past inflation bouts also. The data shows that it costs more to add supply today, and no one wants to make a long-term investment only to have demand evaporate in the next bust. De-globalization also plays a role because it's harder to add supply in China. Behavior tends to become ingrained, so that what seems to be a one-off really is a pattern. The most obvious example is work from home. There's a lower labor supply of in person workers in the US even as Covid risk dissipates. Some baby-boomers permanently left the full-time workforce during Covid, and the US is "missing" prime age workers. In the US and Europe there is a combination of an aging demographic with an expansion of the welfare state. Good luck adding manufacturing capacity in these economies. Regarding stimulus, the debate over student loan repayments (the moratorium was just extended) shows how hard it is to withdraw a government benefit once it has been given. There are many more examples. As the economy slows there will be an impulse towards more stimulus not less. Just like in past inflation episodes, there's no magic supply response to short circuit price increases. The economic cycle plays a role but isn't the whole story.

The longer-term question is if we can go back to the pre-Covid status quo of low interest rates after the current cycle. I think we will still have very large central bank balance sheets left over from past QE along with large government deficits. It was the expansion of QE that enabled super low rates, along with economies slowly recovering from the Great Financial Crisis. Can that be repeated? Future rate cuts and stimulus will come, but now we start out with those large balance sheets. Also, it looks like inflation will be structurally higher. We'll see. Some will say that slower world economic growth (which is likely, from multiple sources) will logically mean low interest rates, as it has in Japan. I think this is mistaking correlation for causation and was due to how QE was absorbed in that unique economy. More likely is that we have a continued government response, through the combination of regulation, taxation, and stimulus, that both fails to ignite growth and keeps inflation and interest rates high.

Lyons Investment Management

Fundamental Small Cap Value Strategy

Q1 2022

PERFORMANCE AS OF 3/31/2022

	QTR	YTD
Small Cap Value	-2.46%	-2.46%
Russell 2000	-7.53%	-7.53%

PORTFOLIO STATS AS OF 3/31/2022[1]

	SCV	S&P 500
Number of Holdings:	59	505
Mkt Cap Mil (Avg).:	$1,848	$79,794
P/E (TTM):	8.6	24.1
P/B:	1.7	5.0
ROE (Median):	15.2%	18.5%

TOP 5 HOLDINGS AS OF 3/31/2022[2]

AMRK	A-Mark Precious Metal
CUBI	Customers Bancorp Inc.
EGY	VAALCO Energy
PKBK	Parke Bancorp
PLUS	ePlus Inc.

LARGEST CONTRIBUTORS Q1 2022[3]

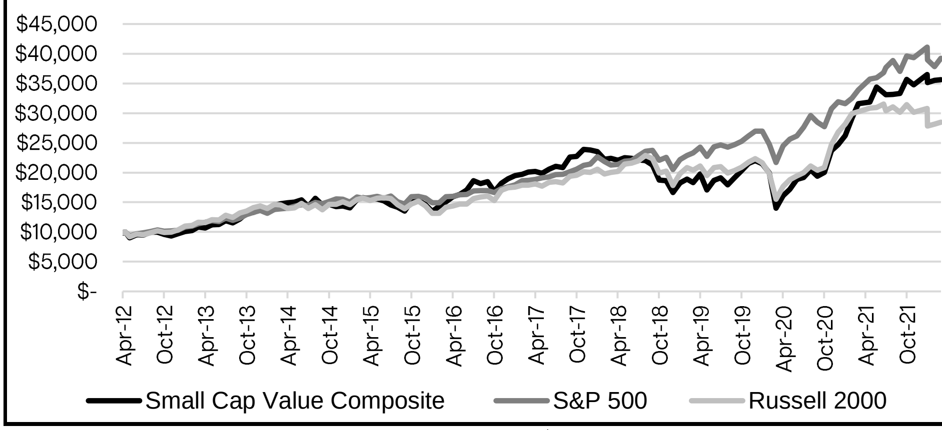
		Impact
EGY	VAALCO Energy	2.23%
AMRK	A-Mark Precious Metals	1.13%
BELFB	Bel Fuse Inc.	0.84%
SBOW	SilverBow Resources	0.76%
TMST	TimkenSteel Corp	0.53%

LARGEST DETRACTORS Q1 2022[3]

		Impact
ECOM	ChannelAdvisor	-0.91%
CUBI	Customers Bancorp	-0.89%
SHYF	Shyft Group Inc	-0.72%
RCII	Rent-A-Center	-0.61%
LEGH	Legacy Housing Corp	-0.52%

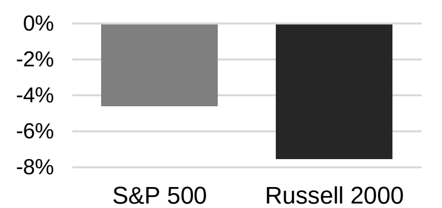
GROWTH OF HYPOTHETICAL $10,000

(APRIL 1, 2012 – MARCH 31, 2022)



This chart illustrates the performance of a hypothetical $10,000 investment made in the strategies ten years ago or on commencement of operations (whichever is later). Figures include reinvestment of capital gains and dividends. These charts are not intended to imply any future performance.

S&P 500 V RUSSELL 2000 Q1 2022



RUSSELL 2000 VALUE V RUSSELL 2000 GROWTH Q1 2022

SECTOR WEIGHTS AS OF 3/31/2022

Energy	6.61%	Financials	22.47%
Materials	8.07%	Real Estate	1.12%
Industrials	22.18%	Technology	19.54%
Consumer Discretionary	14.58%	Telecommunications Services	0.23%
Consumer Staples	0.00%	Utilities	0.00%
Healthcare	1.97%	Cash	3.23%
		Total	**100.00%**

Past performance is no guarantee of future results. An index is unmanaged and is not available for direct investment. Allocations, holdings, sector weightings, and performance contributors and detractors are subject to change and should not be considered as investment recommendations. It should not be assumed that an investment in any of these securities will be profitable. This is supplemental information. Please refer to the end of this document for important disclosures. Portfolio information is derived from a representative account managed against the index noted and included in the composite. The representative account was selected based on objective criteria, including, but not limited to, the nature of the client, the client's benchmark, and the ability for the mandate to be implemented without material restrictions or limitations.

[1] Statistics in this table are weighted averages except where otherwise noted. Index data provided by Standard & Poors, except for ROE.

[2] Top 5 Holdings: The securities identified are based on the largest positions in the representative account, as a percentage of assets, and do not represent all of the securities purchased, sold, or held in the account.

[3] Largest Contributors and Largest Detractors: The securities identified are the largest performance contributors and detractors in the representative account, and do not represent all of the securities purchased, sold, held or recommended for advisory clients. In order to obtain the calculation methodology and/or a list showing every holding's contribution to the representative account's performance during the quarter, please contact us at info@lyonsinvest.com.

COMMENTARY BY VAIDAS PETRAUSKAS

The first quarter of 2022 was especially bad for Japanese investments as both Japanese stocks and the currency fell at the same time. So we were hit by a double whammy. Such depreciation of both the currency and the stock market is unusual because the Japanese economy is considered by foreign investors to be an export machine and they typically bid stocks up when the yen depreciates and vice versa. But in the first quarter the inverse relationship between the yen and Japanese stocks has broken down. The yen depreciated by 5.4% in the first quarter and the main Nikkei 225 stock index lost 3.4%.

The weakness in the yen is especially unusual given the geopolitical events – the war in Ukraine. In the past, during periods of great geopolitical tensions, the yen was regarded as a safe place to park money until tensions ease, appreciating even against the US dollar which itself is considered a safe haven. The main reason why the yen is losing value against other currencies is the yen carry trade. The idea behind this trade is to borrow in a currency with low rates like Japan, park the money in a country with higher rates, and pocket the difference. It's a free lunch until the yen starts appreciating or the interest rate differential diminishes. The strategy of betting against the yen this way has surged to an all-time high.

It is easy to see why people feel comfortable betting against the yen. It is due to central bank actions and the path of expected interest rates. The Bank of Japan is the only remaining major central bank still committed to an ultra-loose monetary policy. In fact, in March the Bank of Japan announced that they will buy unlimited amounts of 10-year bonds at a fixed rate of 0.25%, and by doing this they put a ceiling on rates. Countries with higher interest rates tend to attract capital from countries with lower interest rates and currencies of the former countries strengthen as a result. The yen carry trade seems like a no-brainer given the stance of the Bank of Japan. Investors can borrow almost interest-free in Japan, park the money in a country with higher rates, meanwhile the yen keeps depreciating and when investors repay the loan in yen, they make money on both the interest rate differential and the currency. But it is a dangerous game. Historically the yen carry trade had big blow-ups, like in 2008 when the yen appreciated significantly against the Australian dollar.

What could cause the yen to reverse its course? There is no hope of the Bank of Japan reversing its monetary policy. The only thing the Bank of Japan (BoJ) could do is currency intervention and they already hinted that they, together with the US authorities, are looking into ways of reducing volatility in exchange rates. The BoJ could intervene and put a floor under the yen, but this is not likely to happen unless the yen weakens further, probably after it breaks the 130 level. At the start of the year the yen could be exchanged for 115 yen to one dollar. In March the yen depreciated to 125. As a reminder: the yen lost 10.5% against the US dollar in 2021. Although I do not foresee the yen getting back to the 115 level anytime soon, whenever it starts to strengthen, we can expect the move to be dramatic as the yen carry trade positions will be closed. It will be similar to a margin call when everyone runs to exit at the same time.

But for now, Japan is a source of funds for risk taking elsewhere and a depreciating yen appears to be a self-fulfilling prophecy.

International confidence in Japanese stocks is very weak. This is driven entirely by sentiment, rather than the performance of Japanese companies. These companies continue to deliver consistent earnings growth and the profits of exporters will benefit greatly from a weaker yen. There is less of a cost inflation problem in Japan compared to the U.S. because there is no wage growth in Japan. The valuations are getting more and more extreme as earnings and dividends are rising, but stock prices keep falling. For now, none of this matters as Japanese stocks have been a classic value trap. There needs to be some spark which attracts foreign investors to Japan, like when Shizo Abe sold Abenomics to the world. There was hope that corporate governance improvements would make a big difference to valuations by improving capital allocation and pushing returns on capital higher. These changes are definitely happening but slowly.

To give you an idea of how cheap Japanese stocks can be, there is a company in the portfolio which is valued in the market for less than net cash value (cash minus all debt). Yet the company is always profitable, growing earnings, and consistently delivering returns on equity of more than 10%. The market is simply not giving any credit for the cash they built up because the market knows that the management will not do anything value-enhancing with it. Capital allocation is where Japanese management teams are weak and where a lot of value could be unlocked.

Thai stocks continue to perform well for us. We eked out a gain in Thailand in both local currency and US dollar terms. This is a good result given the performance of stocks elsewhere. The Thai baht lost only -0.2% against the US dollar in the first quarter of 2022.

Singapore stocks and UK stocks which are included in Global portfolios finished the quarter in the red, given the market environment.

Portfolio Stats As of 3/31/2022[1]

	AA	S&P 500
Number of Holdings:	61	505
Mkt Cap Mil (Avg):	$565	$79,794
P/E (TTM):	8.5	24.1
P/B:	1.2	5.0
ROE (Median):	13.6%	18.5%
Dividend Yield	3.6%	1.4%

Top 5 Holdings As of 3/31/2022[2]

Thantawan Industry PCL. (Thai)
Sahamitr Pressure Container PLC. (Thai)
Information Planning Co. (Japan)
MCS Steel PCL. (Thai)
Nippon Pillar PCL. (Japan)

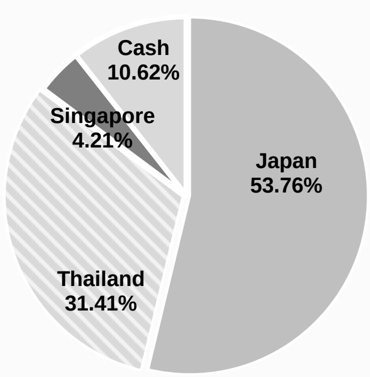
Largest Contributors Q1 2022[3]

	Impact
S.Kijchai Enterprise PCL	0.67%
Thantawan Industry PCL	0.54%
Sahamitr Pressure Container	0.41%
Contec Co.	0.36%
Srinanaporn PCL	0.34%

Largest Detractors Q1 2022[3]

	Impact
GL Science Co.	-0.77%
Nippon Pillar Co.	-0.70%
Central Automotive Co.	-0.60%
Kuriyama Co.	-0.59%
Halcyon Technology PCL	-0.52%

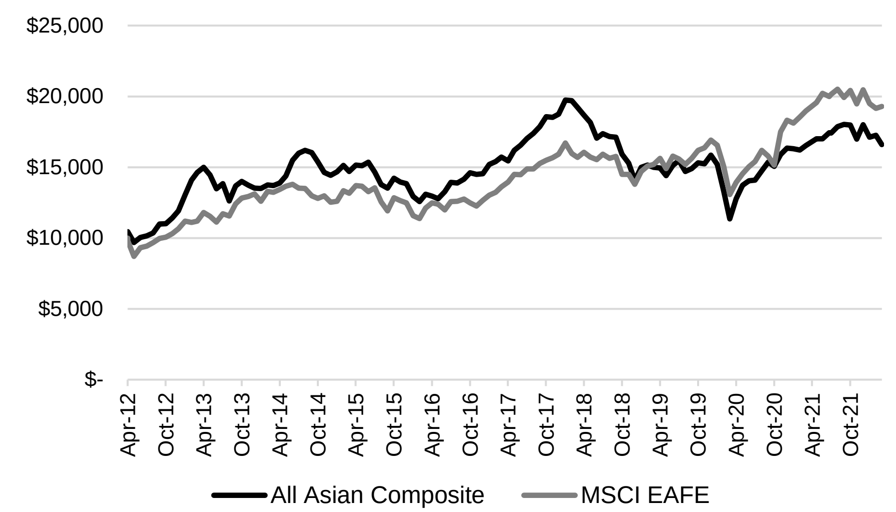
Country Allocations
As of March 31, 2022



Performance As of 3/31/2022

	Quarter	YTD
All Asian	-7.83%	-7.83%
MSCI EAFE	-5.79%	-5.79%
Nikkei 225	-3.37%	-3.37%
Thai SET index (Baht w divs)	3.20%	3.20%
Singapore FTSE All Share	7.71%	7.71%
Japanese Yen vs USD	-5.38%	-5.38%
Thai Baht vs USD	-0.21%	-0.21%
Singapore Dollar vs USD	-0.35%	-0.35%

Growth of Hypothetical $10,000
(April 1, 2012 - March 31, 2022)



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COMMENTARY BY MARK ZAVANELLI

The market reversed direction and fell in the first quarter, but many of the underlying performance trends within the market remained the same. Company size mattered again, with large outperforming small. The average large cap stock lost only 2.5% while the average microcap stock lost 10.5%.

Many factors lined up according to their correlation with profitability. Unprofitable companies saw large losses again this quarter and this drove factor performance. Energy stocks saw large gains, and this also helped both Value and Momentum.

Within microcaps, here is how factors performed:

Value factors worked, continuing the good performance they have had for the past year. The best formulation was Cash Flow/Market Cap, which did a better job of capturing energy stocks in the positive rankings. Every way of constructing value worked, however. This quarter the biggest spread was on the expensive side of the distribution. The most expensive quintile of Forecast PE, for example, lost 21.09%.

- Price Momentum worked. Trends in place continued this quarter. Many growth companies had poor momentum coming into the quarter, and Energy stocks had positive momentum.
- Profitability was useful, but mostly because unprofitable firms did badly. The worst quintile had bad returns while the other four quintiles had similar returns to each other.
- Volatility was a good predictor this quarter. The most volatile firms did the worst.
- Volume was only modestly helpful this quarter, which was disappointing. High volume firms did underperform, as we would expect in this environment, but low volume firms barely outperformed the average.
- Short Interest was helpful as highly shorted firms performed poorly.

Overall, it was a positive backdrop for our quantitative strategies and all three outperformed the average microcap stock. Unfortunately, size was a negative factor and microcaps did poorly as a group. The benefit we got from good stock selection within microcaps wasn't very helpful to absolute returns because of the poor performance of the whole category. Volume Momentum did a little better than the other two as SuperMo had a good quarter.

PERFORMANCE AS OF 3/31/2022

	Quarter	YTD
Volume Value	-6.40%	-6.40%
Volume Winners	-7.32%	-7.32%
Russell 2000	-7.53%	-7.53%

PORTFOLIO STATS AS OF 3/31/2022[1]

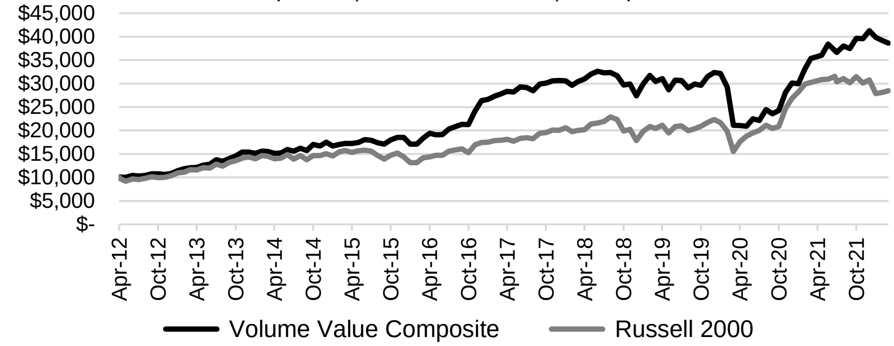
	Volume Value	S&P 500
Number of Holdings:	41	505
Mkt Cap Mil (Avg):	$443	$79,794
P/E (TTM):	7.6	24.1
P/B:	1.0	5.0
ROE (Median):	15.2%	18.5%

	Volume Winners	S&P 500
Number of Holdings:	24	505
Mkt Cap Mil (Avg):	$388	$79,794
P/E (TTM):	11.8	24.1
P/B:	1.5	5.0
ROE (Median):	14.0%	18.5%

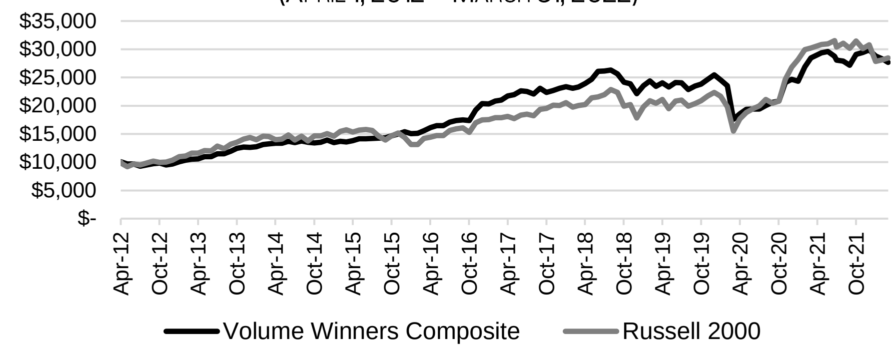
MICROCAP FACTOR PERFORMANCE
AS OF 3/31/2022[2]

	Quintile	QTR	YTD
Beta	High	-5.04%	-5.04%
	Low	-10.42%	-10.42%
Forecast P/E	High	-21.09%	-21.09%
	Low	-3.63%	-3.63%
Return on Equity	High	-6.97%	-6.97%
	Low	-21.17%	-21.17%
Exp. Growth	High	-28.02%	-28.02%
	Low	-10.14%	-10.14%
Volume	High	-13.67%	-13.67%
	Low	-8.15%	-8.15%
Momentum	High	-5.31%	-5.31%
	Low	-22.43%	-22.43%

VOLUME VALUE – GROWTH OF HYPOTHETICAL $10,000
(APRIL 1, 2012 – MARCH 31, 2022)



VOLUME WINNERS – GROWTH OF HYPOTHETICAL $10,000
(APRIL 1, 2012 – MARCH 31, 2022)



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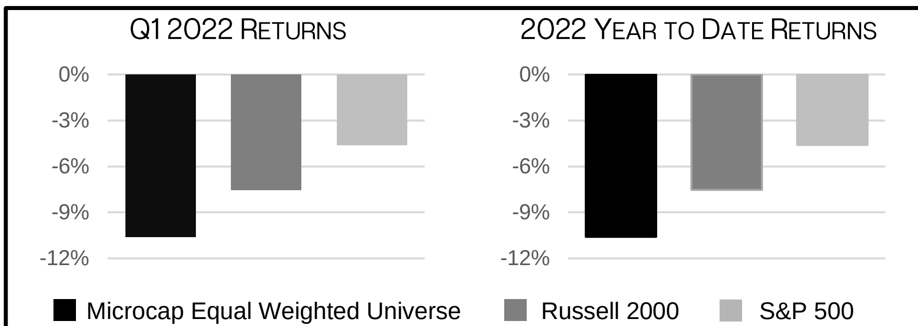

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[2] Microcap factor performance is presented for informative purposes only, to illustrate market themes during the period. It does not represent the results of any actual portfolio or any recommendations of the firm.

Lyons Investment Management

Just the Numbers

Q1 2022

Composites **Names in Bold** *Benchmarks in italics*	PERIOD ENDING 3/31/2022 This Quarter	YTD	1 Year	3 Year Annualized	5 Year Annualized	10 Year Annualized
Fundamental Small Cap Value	-2.46%	-2.46%	12.78%	24.80%	12.14%	13.54%
Volume Value	-6.40%	-6.40%	9.35%	9.04%	7.25%	14.72%
Volume Winners	-7.32%	-7.32%	-2.69%	5.72%	5.71%	10.72%
Volume Momentum	-4.67%	-4.67%	9.96%	10.52%	5.49%	10.56%
Russell 2000	-7.53%	-7.53%	-5.79%	11.75%	9.74%	11.04%
S&P 500	-4.60%	-4.60%	15.65%	18.92%	15.99%	14.64%
Global Equity	-5.50%	-5.50%	6.21%	11.37%	5.40%	8.21%
MSCI ACWI	-5.26%	-5.26%	7.73%	14.30%	12.20%	10.57%
All Asian	-7.83%	-7.83%	0.44%	3.40%	1.06%	5.18%
MSCI EAFE	-5.79%	-5.79%	1.65%	8.29%	7.23%	6.77%

Composites **Names in Bold** *Benchmarks in italics*	**This Quarter**	**YTD**	1 Year	**Since Inception (8/1/19) Annualized**
Asia High Dividend	-3.88%	-3.88%	38.51%	23.13%
MSCI EAFE	-5.79%	-5.79%	1.65%	8.31%

Composite returns are presented net of management fees and trading expenses and include the reinvestment of dividends and other income. All returns are in US dollars.

Past performance does not guarantee future results. The table above reflects (1) performance of the Lyons Investment Management composites named in bold in the first column, (2) performance of the benchmark which reflects the composite's investment mandate, objective, or strategy, and (3) performance of the S&P 500 Index, which is provided for overall comparison and informational purposes. Please see the reverse for important information about composite and benchmark descriptions, how to receive more complete information about the composites, and disclosures regarding the calculation of performance, among other matters. Subsequent markets may perform better or worse than for the periods shown, which will cause the actual results of a portfolio to be better or worse than shown. Lyons Investment Management does not guarantee or offer any assurance that any portfolio or account will be profitable, meet a client's stated objectives, or prevent or reduce losses. **A client may lose money by investing in a portfolio.**

All composites include fully discretionary, management fee-paying and, beginning on January 1, 2011, non-management fee-paying accounts, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance, except for the foreign indexes which are reported in their local currencies. Returns are presented net of management fees and include all trading expenses and the reinvestment of all income. Net of fee performance was calculated using actual management fees, except in the case of non-fee-paying accounts where model fees have been imputed. Actual advisory fees and transaction fees will vary depending on, among other things, the portfolio, account size, and activity. Fees are described in LIM's ADV Part 2A.

The benchmark and other data provided was obtained from publicly available reports, including internally derived databases and other resources available to Lyons Investment Management. LIM believes such data to be reliable but does not audit, verify, or guarantee its accuracy or completeness. When comparing the performance results to a benchmark, clients should keep in mind that: 1) Indexes are unmanaged and unavailable for direct investment. 2) Benchmark returns include reinvestment of income, but do not reflect taxes, or investment advisory or other fees that would reduce performance. 3) Performance information of benchmark indexes is included for comparison purposes only.

Composite and Benchmark Descriptions:

The S&P 500 and Russell 2000 are market cap weighted indices of large company and small company US stocks, respectively.

The Fundamental Small Cap Value Composite consists of accounts that hold U.S. small cap stocks selected by using LIM Investment Management Fundamental Analysis. This analysis identifies undervalued companies using LIM's GRAPES valuation model and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the Russell 2000 Index, presented in U.S. Dollars. In the past the composite has displayed higher volatility than its benchmark.

The Volume Winners Composite consists of accounts that hold U.S. microcap stocks selected by using LIM Volume Winners Analxysis. This analysis is a quantitative evaluation system incorporating volume, momentum and valuation measures. The benchmark for the composite is the Russell 2000 Index, presented in U.S. Dollars. In the past the composite has displayed lower sensitivity to market returns than its benchmark, which would cause it to underperform in a strongly rising market.

The Volume Value Composite consists of accounts that hold U.S. microcap stocks selected by using LIM Volume Value Analysis. This analysis is a quantitative evaluation system incorporating volume and valuation measures. The benchmark for the composite is the Russell 2000 Index, presented in U.S. Dollars.

The Volume Momentum Composite consists of accounts that hold U.S. microcap stocks selected by using LIM Volume Momentum Analysis. This analysis combines two quantitative evaluation techniques; LIM's price and earnings momentum measure SuperMo, and LIM's volume, momentum and value system Volume Winners. The benchmark for the composite is the Russell 2000 Index presented in U.S. Dollars.

The Global Equity Composite consists of accounts that hold both U.S. and International stocks selected by LIM Fundamental Analysis. This analysis identifies undervalued companies using LIM's GRAPES valuation model and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the MSCI All Country World (Gross) Index, presented in US Dollars. MSCI ACWI is a market capitalization weighted index comprised of equities from developed and emerging markets, including the US. The composite has historically held small cap stocks from a limited set of countries while the benchmark weighting is primarily composed of larger companies spread across many countries. This is likely to cause the composite to have greater volatility than its benchmark. The composite includes the performance of accounts that may occasionally use margin; however, the use of margin is not part of the overall strategy of the composite.

Lyons Investment Management All Asian Composite consists of accounts that hold Asian stocks selected by using LIM's Fundamental Analysis. This analysis identifies undervalued companies using LIM's GRAPES valuation model and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the MSCI EAFE Index, which is comprised of equities from developed markets around the world, excluding the US and Canada. MSCI EAFE is presented in U.S. Dollars. The composite has historically held small cap stocks from a limited set of countries, including emerging markets, while the benchmark weighting is primarily composed of larger companies from developed countries. This is likely to cause the composite to have greater sensitivity to the returns of countries where it invests, and overall greater volatility than its benchmark.

The Asia High Dividend Composite consists of accounts that hold Asian stocks selected by using LIM's Fundamental High Dividend Analysis. This analysis identifies undervalued dividend paying companies and also applies other selection criteria relating to a company's business prospects, management quality, and capital structure. The benchmark for the composite is the MSCI EAFE Index, which is comprised of equities from developed markets around the world, excluding the US and Canada. MSCI EAFE is presented in U.S. Dollars. The composite has historically held small cap stocks from a limited set of countries, including emerging markets, while the benchmark weighting is primarily composed of larger companies from developed countries. This is likely to cause the composite to have greater sensitivity to the returns of countries where it invests, and overall greater volatility than its benchmark.