LYONS INVESTMENT MANAGEMENT

QUARTERLY NEWSLETTER

Q4 2021

CONTENTS

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US stocks rose strongly in the 4th quarter despite the prospect of higher interest rates and the Omicron Covid wave. I predicted last quarter that the market would take the Fed change poorly (at last writing I had no idea about Omicron). Instead, stocks powered ahead to finish the year on a high note, although they are declining so far in January. That's not to say that the Fed change has had no impact. There were very large divergences within the market again this quarter. These large differences indicate a period of change, which makes sense given the economic environment. High growth stocks, outside of the largest companies, have been going straight down for two quarters. In my opinion, this is a major trend change. Historically, these types of stocks go through dramatic cycles with outsized gains, then spend years working off those valuations.

These are the key factors that will influence my positions for the start of 2022:

1. Inflation is here. The trend over the coming months is important, and virtually everyone expects the inflation rate to come down from the current high readings. If it doesn't, the bond market will be forced to react. Some companies benefit from an inflationary environment while others struggle. This is a driver of the current market rotation towards value stocks.
2. Covid is a wildcard, as it was in 2021. The market has pretty much learned to ignore it. However, it does make a big difference to global growth. The Omicron wave is generating significantly higher case counts than prior waves, and this is causing labor supply to drop. Most importantly, partial herd immunity combined with a milder disease might change the pattern of serious waves. If Covid becomes more like a seasonal flu, then we might unleash a lot of supply to the global economy.
3. The Fed is going to raise rates as many times as the market will let them, this year and next. So far, they must be congratulating themselves that the market has accepted a forecast of 4 rate hikes this year with barely a whimper. They have completely pivoted to be inflation hawks, a 180 degree change. Remember when Rule #1 in markets was "Don't Fight the Fed"? This makes me nervous, even though the market is still positively trending. There have been Fed cycles within bull markets that cause a weak year but don't kill the overall trend. That might be a base case for 2022.
4. This year we have a tug of war between continued strong economic growth and interest rate hikes. I think that this is why the market hasn't panicked. What it fears is a Fed rate hike cycle that pushes the economy into recession.
5. The impact of stimulus is a big unknown. Compared with the unprecedented pandemic stimulus, there is a lot less money sloshing around this year. However, there is a leftover impact from the giant bills already passed. Deficit spending is still unusually high, adding dollars to the economy, although the trend is naturally moderating from extreme levels. We also don't know the fate of the Administration's spending plans. It's very possible that a smaller bill gets passed.
6. Consumers are very unhappy with inflation, and sentiment readings are terrible as a result. We also have a goods "hangover" because Work from Home and lower services spending went straight to goods demand. This matters to inflation. Reduced goods demand, along with a normalizing of supply, might enable both moderating inflation and higher than expected growth.
7. If economic growth surprises to the upside, the Treasury Yield curve will not flatten much as short term rates rise. This means the 10-Year yield will rise alongside short term rates, and Value stocks will win regardless of the overall market return.
8. If an alternative scenario happens where the economy slows in tandem with rate hikes, we will get a flat and possibly inverted yield curve where short term rates are higher than long term ones. In this scenario, Value loses and High Quality stocks win.

9. Value and Quality are both investable and diversify each other nicely. Growth, however, is both historically expensive and out of favor, except where it intersects with Quality (like some of the Mega Cap stocks).
10. Foreign stocks are really interesting at this juncture. Expectations are terrible, and returns have been poor. The market believes the US dollar can only go higher, so flows are one way out of foreign assets and into US dollar denominated assets (like the S&P 500). However, the global economy ex-the US might be set for a big rebound. This is a contrarian dream scenario.

Despite a pullback in January, the bull market is fully intact. The key to this has been the resilience of Mega Cap stocks, which led the market in the 4th quarter and for the full year. While the 4th quarter is historically the best quarter for Mega Caps, I'm still shocked that they were able to continue rising in the context of a complete shift in Fed policy, along with a significant market rotation from growth to value. It's hard for me to argue now, as I did last quarter, that the biggest stocks would be very sensitive to Fed policy. I think the answer lies in how the change in Fed policy will impact the economy and therefore the path of future interest rates. The market's base forecast seems to be for both inflation and economic growth to moderate in the face of rate hikes, causing longer term interest rates to stay low. Yield curve flattening is a signal for quality stocks like Mega Caps to win, at least on a relative basis.

In the meantime, 2021 was finally a year for Value, the first one since 2017. Part of this was because high Growth stocks performed poorly, but part was also good performance from inexpensively priced sectors such as Energy and Financials. The unexpected explosion in inflation, along with strong corporate earnings growth, was the major catalyst. It's way too soon to tell if Value's long cycle of underperformance is ending, but now we have economic conditions which support that case. If so, the historically wide spread between Growth and Value stock valuations has a lot of room to narrow.

TINA, and the Danger of Average Stock Market Returns

by Mark Zavanelli

There's a Wall Street acronym used to describe how investors have reacted to the era of ultra-low interest rates. The TINA (There is No Alternative) effect happens when investors choose to invest in stocks mainly because safer investments, such as bank CDs, have close to zero returns. This drives stock prices up regardless of fundamentals. This is topical today because we are about to see what happens when the opposite is the case - a series of interest rate increases pushing the return rate of "risk free" investments up from zero, at least before adjusting for inflation. If we follow the TINA theory, we would expect investors to then move money out of stocks and into bank accounts, sending stock prices lower. While some investors might act this way, the situation deserves a deeper level of understanding.

We can easily understand the return on a bank account because it's known in advance, and we can evaluate how attractive that return is based on our own utility or expectations. With stocks, however, there is no similar certainty and we are forced to estimate returns instead.

When faced with any unknown, our natural thought process is to consider the probabilities. There's an expected average with an expected amount of variation. We are also naturally pretty skilled at making conditional probabilities. We don't expect rain when the sky is blue, for example. The difficulty when it comes to stock returns is that they are so unpredictable that we default to a static number as our expected return. This is where the TINA comparison goes wrong. When we compare something that fluctuates, like a bank CD rate, with a static number, then all the variability in the relationship comes from one side. In the TINA thought process, our evaluation of the bank interest rate as acceptable or not drives the decision on stocks.

This analysis is faulty because it has the variability of the two assets reversed. In reality, bank interest rates have only a tiny amount of variability, while stock returns are highly variable. Therefore, the outcome of this return relationship will almost certainly depend on the return from stocks and not the bank interest. So, it makes no sense to set an equity allocation based on the level of the bank interest rate, as TINA implies. Instead, when deciding asset allocation, we should first evaluate equities and then set cash as the remainder.

The problem of a fixed view of equity returns is pervasive in thinking across the financial planning industry. For example, it's a mistake to use the historical average return for stocks as an input into an asset allocation decision. That number is a historical artifact not a forward projection with any sort of analysis built into it. It's somewhat akin to using a historical return for bonds without taking into consideration the starting yield. In my opinion, the right way to do this is to avoid false precision about returns by making no point estimate at all and to focus on ranges instead. For example, I might organize my thinking on stocks by imagining a Good Outcome cluster and a Bad Outcome cluster. From history we have an idea of the range of returns that these might provide and a rough probability for them. One of the key conclusions of such an analysis will probably be that the range of values at the end of the projection period will be greater than what the simple average return with a normal distribution around it would suggest (there's a statistical reason for this). Armed with some idea of variability, we can compare this to our risk tolerance and come up with a more thoughtful equity allocation. When trying to predict something inherently difficult, I think it makes sense to focus not on the predicted value but on the error term and how it might be distributed.

Lyons Investment Management
Fundamental Small Cap Value Strategy

Q4 2021

PERFORMANCE AS OF 12/31/2021

	QTR	YTD
Small Cap Value	9.55%	47.70%
Russell 2000	2.14%	14.81%

PORTFOLIO STATS AS OF 12/31/2021[1]

	SCV	S&P 500
Number of Holdings:	59	505
Mkt Cap Mil (Avg).:	$1,727	$83,897
P/E (TTM):	10.5	24.6
P/B:	1.7	4.4
ROE (Median):	18.5%	17.6%

TOP 5 HOLDINGS AS OF 12/31/2021[2]

CUBI	Customers Bancorp Inc.
AMRK	A-Mark Precious Metal
PKBK	Parke Bancorp
PLPC	Preformed Line Products
AVNW	Aviat Networks

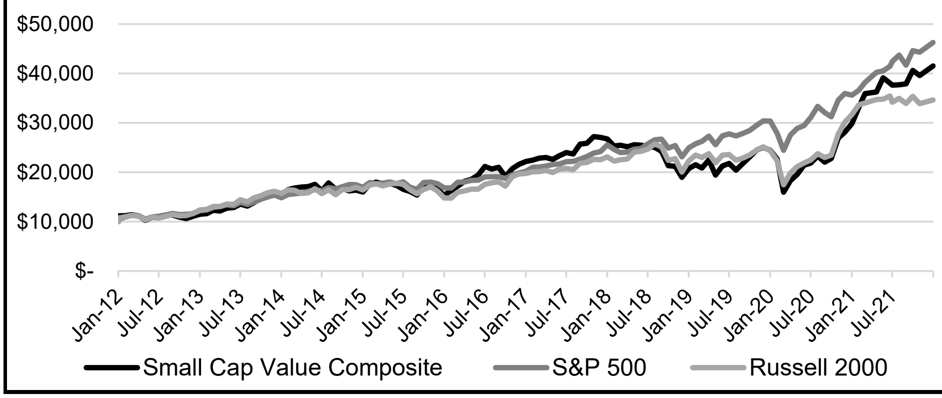
LARGEST CONTRIBUTORS Q4 2021[3]

		Impact
CUBI	Customers Bancorp	2.33%
SHYF	Shyft Group	1.10%
DLHC	DLH Holdings Corp.	1.09%
LEGH	Legacy Housing Corp.	1.05%
INBK	First Internet Bancorp	0.97%

LARGEST DETRACTORS Q4 2021[3]

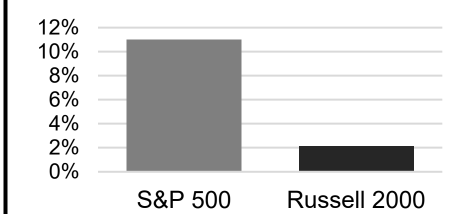
		Impact
RCKY	Rocky Brands	-0.59%
SIG	Signet Jewelry Ltd.	-0.28%
RCII	Rent-A-Center Inc.	-0.24%
VEC	Vectrus Inc.	-0.22%
CRMT	America's Car-Mart	-0.20%

GROWTH OF HYPOTHETICAL $10,000
(JANUARY 1, 2012 – DECEMBER 31, 2021)

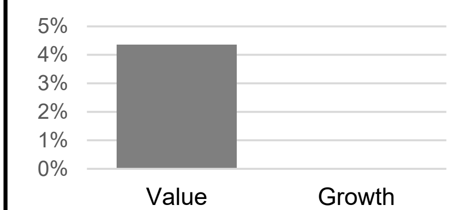


This chart illustrates the performance of a hypothetical $10,000 investment made in the strategies ten years ago or on commencement of operations (whichever is later). Figures include reinvestment of capital gains and dividends. These charts are not intended to imply any future performance.

S&P 500 V RUSSELL 2000 Q4 2021



RUSSELL 2000 VALUE V RUSSELL 2000 GROWTH Q4 2021



SECTOR WEIGHTS AS OF 12/31/2021

Energy	3.94%	Financials	24.98%
Materials	8.41%	Real Estate	1.28%
Industrials	23.70%	Technology	16.27%
Consumer Discretionary	16.65%	Telecommunications Services	0.26%
Consumer Staples	0.00%	Utilities	0.00%
Healthcare	2.48%	Cash	2.03%
		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.

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COMMENTARY BY VAIDAS PETRAUSKAS

In the 4th quarter our All Asian portfolios fell -0.10% while the full year's return was 10.13%. This is despite a major headwind from currencies. 2021 was the year of the dollar. The Japanese yen lost 10.5% and the Thai baht lost 9.6% against the US dollar in 2021! So our performance in local currency was much better than the 10.13% number indicates.

Last year was very successful for us in Thailand. Small capitalization stocks performed especially well. The good performance come from a recovery of stock prices from very depressed levels and also strong earnings growth with an improved outlook. The Thai stock market has disappointed for years. The main stock market index Thai SET is still in negative territory since the beginning of 2018. Even before the pandemic the Thai economy was struggling. Then the pandemic devastated many parts of the economy, especially tourism, which contributed 20% of Thailand's GDP before 2020. Many rural communities, especially those reliant on commodities like rubber, are thriving. One bright spot last year was a 16% increase in exports. A weaker currency and a revival of the global economy meant Thai goods were in high demand. I expect exports to continue growing this year. Among companies in our portfolio there are many which are adding capacity to meet increased demand. This will drive strong revenue growth for these companies in 2022.

It was surprising that the Japanese stock market, in dollar terms, was negative in 2021 while other markets rallied. The main Nikkei 225 index rose only 4.91% and the yen fell 10.5%. So the change in the currency had a bigger impact on foreign investor returns than the change in stock prices did. Our returns in Japan were much better than the main benchmark. The Japanese stock market has a lot of catching up to do. There is now a visible revival in that market, which is very welcome. One aspect about the Japanese stock market which I don't like is that it is correlated with the U.S. stock market, especially when the U.S. market is falling.

About the currency: JPMorgan calculated that the yen hit a 50-year low based on real effective rate. This reflects the yen's value against other currencies by combining its trade weighting with consumer and producer prices. This is incredible.

Currently, the overwhelming consensus among market participants is that the yen will continue to weaken. This is mostly based on monetary policy considerations – the fact that the US Fed will start raising interest rates soon while the Bank of Japan will continue with its ultra-loose monetary policy. Foreign investors built large yen short positions in what they think is a 'no-brainer" bet that the yen will weaken further. While predicting currency movements is close to impossible, I know one thing: when there is a one-way bet by all market participants, usually the opposite happens. So I wouldn't be surprised if the yen finally stages a recovery. And in fact, this is what is happening in the beginning of 2022, with the US dollar weakening against all major currencies.

There has been a dramatic long term reversal of Japanese wages, prices, and the currency. Japan is cheap on many levels. Nominal prices for goods and services have been frozen for 30 years. The entrance fee to Tokyo Disneyland is $72 – the cheapest in the world. A Big Mac has a price tag of $3.50 in Japan and $5.70 in the U.S. A whole evening meal at a medium-priced restaurant costs $9 per person. The list goes on. Real estate prices are also frozen in time. According to Jesper Koll of Wisdom Tree Investments, Tokyo is the only major city in the world where you can afford to buy an apartment within a 45-minute commute from downtown Tokyo with an average Starbucks salary.

Japanese wages have also been stagnating. According to OECD data, average nominal wages in Japan have increased by only 0.4% this century compared to 25% in the U.S. Starting salaries in Japan for college graduates are the lowest among G7 countries and on par with Italy's. Japan has had close to 30 years of post-bubble adjustment and deflation.

The fact that Japanese workers are not demanding wage increases is partly a cultural thing (it is considered arrogant to ask for a wage increase in Japan), partly a result of decades of deflation which ingrained in people's minds the fact that prices and wages do not change, and a disconnection with outside economic events. So people don't even know that there is a problem.

The multi-decade deflation destroyed a mechanism by which companies pass on price increases. Japanese companies are very reluctant to raise prices. There is a famous ad by ice cream company Gali Gali-kun. After 25 years they had to raise the price of their ice cream from 60 yen to 70 yen. And the ad, if one can call it that, shows the company's president and employees, dressed in suits, bowing deeply to apologize for the fact that they had to raise the price of ice cream by 10 yen (less than $0.10) after 25 years.

This dynamic has created a vicious cycle which will be very difficult to escape: Companies cannot raise prices – workers do not demand wage increases – consumption does not increase – prices do not rise. It's an example of the stickiness of inflation, which we see when inflation is high also.

Japan wasn't always cheap. In the early 1990s Japan was the world's most expensive country. After that, asset prices began to fall and the Japanese economy went into a multi-decade decline. But now, with depreciation of the yen and declining prices and wages, the price competitiveness of Japanese companies has greatly improved from 30 years ago.

Can "Cheap Japan" be a driving force for the revival of Japanese economy? Maybe. The vicious cycle of no wage and price inflation will be very hard to escape. So I am afraid there are no good news for Japanese workers in the near future, despite a shrinking labor supply. But for us as investors, this is a good set-up. Low costs and cheap yen mean higher corporate profits, as Japan's economy is very export sensitive. This is clearly visible already in the earnings of companies in our portfolio. Many Japanese companies are earning record profits and distributing proceeds to shareholders.

I noticed and reported before on how the return from dividends is increasing at Japanese companies. 5 years ago it was the norm to see dividend yields of 1-2%. Now, some companies we invest in have dividend yields of 3-4%. The "shareholder yield", including both cash dividends and stock repurchases, can often reach 5%. This is very attractive and an indicator of both improved financial performance and shareholder focus at Japanese companies.

Lyons Investment Management
All Asian Strategy

Q4 2021

PORTFOLIO STATS AS OF 12/31/2021[1]

	AA	S&P 500
Number of Holdings:	65	505
Mkt Cap Mil (Avg):	$324	$83,897
P/E (TTM):	9.3	24.6
P/B:	1.3	4.4
ROE (Median):	12.9	17.6%
Dividend Yield	3.1%	1.3%

TOP 5 HOLDINGS AS OF 12/31/2021[2]

Nippon Pillar Co. (Japan)
GL Science Co. (Japan)
Information Planning Co. (Japan)
Central Automotive Co. (Japan)
MCS Steel PCL. (Thailand)

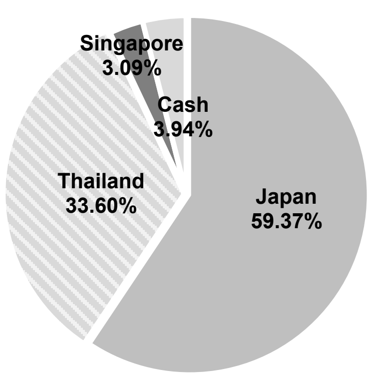
LARGEST CONTRIBUTORS Q4 2021[3]

	Impact
Nippon Pillar Co.	0.86%
GL Science Co.	0.71%
Thai Optical PCL	0.52%
Ihara Science Co.	0.30%
SNC Former PCL	0.30%

LARGEST DETRACTORS Q4 2021[3]

	Impact
Natoco Co.	-0.46%
Digital Information Tech. Co.	-0.38%
Newtech Co.	-0.35%
Topre Co.	-0.25%
TachikawaCo.	-0.23%

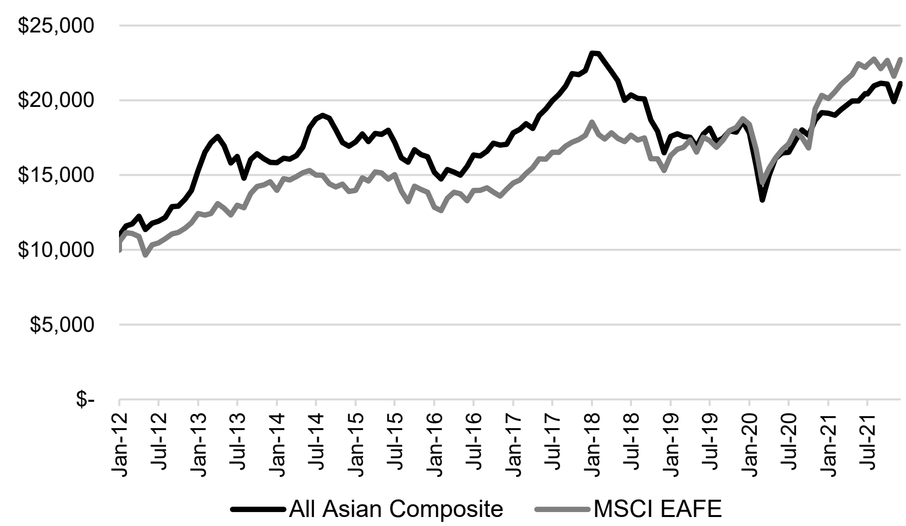
COUNTRY ALLOCATIONS
AS OF DECEMBER 31, 2021



PERFORMANCE AS OF 12/31/2021

	Quarter	YTD
All Asian	-0.10%	10.13%
MSCI EAFE	2.74%	11.78%
Nikkei 225	-2.24%	4.91%
Thai SET index (Baht w divs)	3.41%	17.67%
Singapore FTSE All Share	1.39%	9.69%
Japanese Yen vs USD	-2.69%	-10.51%
Thai Baht vs USD	2.08%	-9.57%
Singapore Dollar vs USD	0.90%	-2.00%

GROWTH OF HYPOTHETICAL $10,000
(JANUARY 1, 2012 – DECEMBER 31, 2021)



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COMMENTARY BY VAIDAS PETRAUSKAS

Company size mattered greatly in the fourth quarter. The average Large Cap stock returned +9.2% while the average Microcap stock lost 5%. This was because among small companies there is a high concentration of money-losing speculative stocks, such as biotech companies. These stocks were out of favor in the 4th quarter. The Large Cap universe has a higher concentration of quality growth companies, which performed well.

Value and Momentum returns aligned during the 4th quarter because there was substantial overlap in the stocks that qualified for the two strategies. This happened after the strong performance of value stocks moved them into the momentum category.

Within microcaps, here is how factors performed:

- Value worked, for the third quarter in a row. Forecast P/E was the best factor. The most expensive 20% of microcaps, those in Forecast P/E quintile rank 5, lost 20.24% during the 4th quarter. The least expensive 20% of microcaps gained 7.29%.
- Profitability was an important condition for success in the 4th quarter. Loss-making companies were dumped while stocks of profitable companies rose. Microcaps with negative or low Return on Equity lost 20.36% while companies with high Return on Equity gained 4.73%.
- Price momentum worked as it happened to be aligned with value. Earnings momentum also worked but not the speculative long-term growth type.
- High volatility lost ground. It was the second quarter in a row when low volatility performed strongly after a long period of domination by highly volatile stocks. Volatile stocks happen to also be speculative stocks. So the same dynamic is at play here as with unprofitable companies.
- Low volume worked for the second quarter in a row. This is important for success of our volume strategies.
- Highly shorted stocks sold off.

This means the stars aligned perfectly for our Quant strategies to outperform. And they did. All three of our volume strategies performed similarly well and all three outperformed the Microcap universe by more than 10% during the 4th quarter. The factors complimented each other because the performance of strategies was better than the performance of any single factor alone.

For the whole of 2021 all three Volume strategies also beat the Microcap universe. Volume Value and Volume Momentum had an especially successful year. Even Volume Winners, which is a defensive strategy, performed better than the Microcap universe.

PERFORMANCE As of 12/31/2021

	Quarter	YTD
Volume Value	10.09%	37.10%
Volume Winners	10.01%	21.04%
Russell 2000	2.14%	14.81%

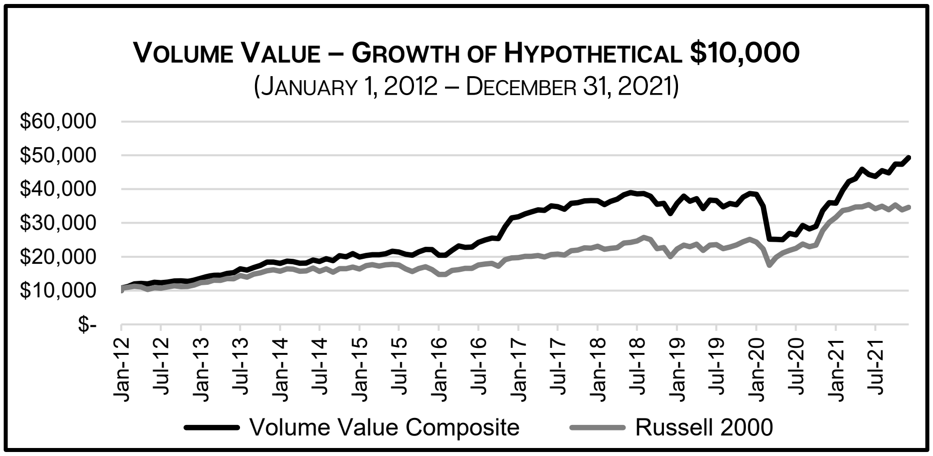
PORTFOLIO STATS As of 12/31/2021[1]

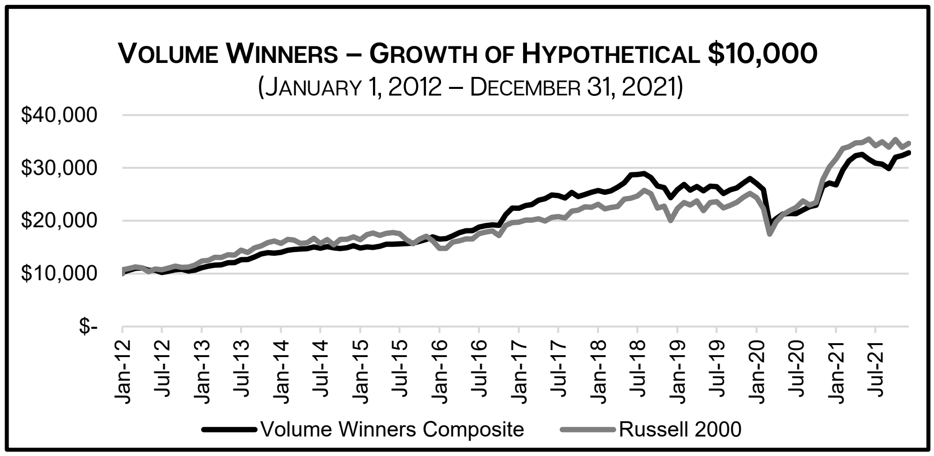
	Volume Value	S&P 500
Number of Holdings:	40	505
Mkt Cap Mil (Avg):	$620	$83,897
P/E (TTM):	8.4	24.6
P/B:	1.2	4.4
ROE (Median):	16.4%	17.6%

	Volume Winners	S&P 500
Number of Holdings:	24	505
Mkt Cap Mil (Avg):	$438	$83,897
P/E (TTM):	11.7	24.6
P/B:	1.8	4.4
ROE (Median):	15.0%	17.6%

MICROCAP FACTOR PERFORMANCE As of 12/31/2021[2]

	Quintile	QTR	YTD
Beta	High	-5.66%	30.88%
	Low	-7.23%	4.30%
Forecast P/E	High	-20.24%	-11.43%
	Low	7.29%	48.07%
Return on Equity	High	4.73%	31.39%
	Low	-20.36%	-13.53%
Exp. Growth	High	-15.70%	-14.12%
	Low	-2.32%	46.08%
Volume	High	-15.60%	5.50%
	Low	4.35%	30.09%
Momentum	High	4.38%	34.50%
	Low	-20.73%	-14.50%





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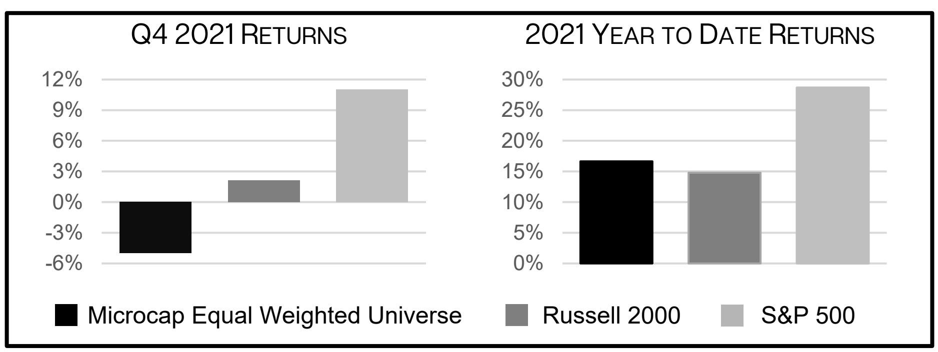

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[2] Microcap factor performance is presented for informative purposes only, to illustrate market themes during the period. It does not represent the results of any actual portfolio or any recommendations of the firm.

	Period Ending 12/31/2021					
Composites **Names in Bold** *Benchmarks in italics*	This Quarter	YTD	1 Year	3 Year Annualized	5 Year Annualized	10 Year Annualized
Fundamental Small Cap Value	9.55%	47.70%	47.70%	29.87%	13.98%	15.30%
Volume Value	10.09%	37.10%	37.10%	15.48%	9.87%	17.56%
Volume Winners	10.01%	21.04%	21.04%	10.51%	7.99%	12.63%
Volume Momentum	9.28%	37.14%	37.14%	15.60%	8.08%	12.65%
Russell 2000	2.14%	14.81%	14.81%	20.01%	12.01%	13.23%
S&P 500	11.03%	28.71%	28.71%	26.07%	18.47%	16.55%
Global Equity	4.35%	26.15%	26.15%	16.39%	8.08%	10.51%
MSCI ACWI	6.77%	19.04%	19.04%	20.97%	14.97%	12.44%
All Asian	-0.10%	10.13%	10.13%	8.54%	4.33%	7.75%
MSCI EAFE	2.74%	11.78%	11.78%	14.08%	10.08%	8.55%

Composites **Names in Bold** *Benchmarks in italics*	**This Quarter**	**YTD**	1 Year	**Since Inception (8/1/19) Annualized**
Asia High Dividend	13.60%	59.86%	59.86%	27.88%
MSCI EAFE	2.74%	11.78%	11.78%	11.94%

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. <u>A client may lose money by investing in a portfolio.</u>

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.