



# LYONS INVESTMENT MANAGEMENT

## QUARTERLY NEWSLETTER

Q2 2023

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#### **LYONS INVESTMENT MANAGEMENT**

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The second quarter saw strong gains for the major indices, led by Mega Cap stocks. From an investor's perspective, the most important news is that US stocks have risen in each of the last three quarters. This happened while climbing a "wall of worry" about the 2022 market decline, inflation, interest rates and the economy. It has surprised me, to be honest. This performance is more than just a bounce, and it's time to put an endpoint to last year's bear market. That doesn't mean markets will continue to rise in a straight line or that there won't be new problems to worry about. What it does indicate is that we've seen a resolution of the major economic and market tension that we've been dealing with for the last year and a half. That tension was all about whether this inflation episode would be like many others in the past, causing economic and market devastation. While inflation is still too high and might not return to the low levels of the 2010's or to the Fed's target anytime soon, the trend is clearly decelerating. This has been enough for the bond market to remain calm with long term interest rates around 4%. The market thinks we've avoided a scenario where interest rates have to rise so much that they crush the economy. Here are some points about what's happened and where I think we might go from here:

1. Near term recession fears are fading. The Citigroup Economic Surprise Index has been in positive territory almost all year. This indicates that expectations were already low enough and that data points were coming in stronger than expected. This is not what usually happens at the start of recessions.
2. The banking system stabilized after the bank failures in March, with no fresh problems emerging. Banks are still suffering from competition for deposits with short term Treasury yields. The faster that deposit costs reset to current rates, the faster that bank profits drop.
3. The banking rescue, combined with a drawdown of the Treasury account ahead of the debt ceiling, represented a big shot of liquidity into the market. These events historically have had a strong market correlation. I think this is a major reason for the success of the market's favorite stocks this quarter. Some of that liquidity is set to reverse in the third quarter.
4. The Fed will likely raise interest rates in July, but that might be the last hike for this cycle. The Fed is no longer the main story because they are now just reacting to the economy and the market. Their preference is to keep interest rates around where they are until next year, but events rarely play out as expected.
5. Historically, the odds are that something breaks in the economy or markets after an interest rate hiking cycle is completed. It doesn't always have to be a big deal, but there is usually a negative market reaction.
6. The fixation on whether a recession will come or not is not really the right question. What we want to know is if there will be a negative economic surprise that changes people's behavior and expectations.

The current housing market is an example of a decline that is beating expectations. Nobody wants to buy with high mortgage rates, and nobody that has a cheap mortgage really wants to sell. So, transaction activity is depressed and prices are drifting lower. There is no collapse however, because mortgage delinquencies are low and there's no overhang of housing inventory to push prices down. In fact, new construction is picking up because inventory is low in the places where jobs are growing. Although it certainly has been impacted by higher interest rates, the key difference this time for housing is that there is no cascade of mortgage defaults and falling prices. Housing will likely continue to act as a drag on the economy, but it's hard right now to see a big negative surprise coming from this area.

Commercial real estate is a somewhat different story. CRE mortgages are typically either floating or fixed for only 5 years. This means that the pain from higher rates will be felt faster than on the residential side. Outside of large office buildings, however, rents are also rising along with financing costs. This raises property values and makes defaults less likely. A sharp economic drop could change that picture quickly, but otherwise it's not obvious that commercial real estate will be a big source of economic weakness.

This is not to say that the economy is going to be strong, however. We have seen a benefit from pent up demand for goods (such as cars) that were on backorder during the post pandemic supply disruptions. For many goods categories, production

is higher than the level of new orders. The consumer has been supporting high rates of spending (including the effect of inflation) by taking on additional debt. The restart of student loan repayments will also be a headwind here.

It's likely that the economy will continue to lose steam in the near term, but in a way that normalizes supply and demand after the post pandemic roller coaster. That means we're one quarter closer to an economy that can look to the future with confidence. The market has already voted on what it thinks that economic bottom will look like. The outperformance of growth stocks this year versus value stocks shows the market's belief that an extended period of slow economic growth lies ahead. That's not destiny, just the current expectation embedded in prices. There has been a see-saw between growth and value the last couple of years, mirroring the economic gyrations. I've got a separate piece on that this month. The important takeaway for investors is that these performance trends are driven by real economic and monetary factors, most of which get very little discussion in the financial press.



Wall Street is captivated by narratives that try to explain current market movements. For example, there is usually a story to justify buying into something that seems like the wave of the future. That investors want to do this is understandable, since there are a lot of examples of very successful Technology companies in today's market. As a generalization though, we should be aware that any time we say "I believe in this for the future", we should be asking if we have any real insights driving this prediction or if it's just a story. If we look back at companies with large market cap gains (including most of the current "Magnificent 7" stocks), it has been based on some form of quantifiable financial success (even if it's just sales and not profits). To do well in investing over time you need more than just a story, even for growth stocks.

Generative AI really does seem like a groundbreaking technology. A lot of companies are trying to figure out how it might help their business do things more efficiently. So far, the only company seeing a meaningful economic impact is effectively an arms merchant to the industry, which happens to be the world's most valuable semiconductor company today. That stock has already more than tripled in 2023 on the AI excitement (after declining last year). That makes me think about the former most valuable semiconductor company, which peaked in 2000 (after an extremely successful decade of the 90's) and has never regained that price, despite an industry that has grown a lot in the last two decades. The lesson? Technology is fast moving and viciously competitive. It's almost a guarantee that today's giants will one day become just like the "old tech" companies in the market today – lowly valued, and providing poor returns for investors. The technology that once made those companies so valuable has been commoditized over time, which is what is supposed to happen in a competitive economy. Sure, there's typically a stretch of time between today's success and a future downfall, and momentum clearly matters in the near term. Still, paying an extreme price for today's winner has to overcome two major headwinds in order to succeed. First, the expected growth has to happen. This is not always a given since success generates competition faster. Second, as the excitement fades so does the price that investors are willing to pay for the same dollar of sales and earnings, and that means financial success will be at a faster rate than what investors experience. The real truth is that momentum stocks are all about today and not tomorrow. This is a game of musical chairs. While the music is playing, the gains are easy and obvious. However, the smart growth investors understand how to hand their shares to the latecomers, who are often left holding the bag. Looking at big past winners makes it all seem easy. It isn't.

The Magnificent 7 (all Tech stocks) each have large gains this year, despite the fact that business is good for some and not so much for others. That indicates that it's something about their status as Mega Caps which is attractive to investors at the moment. This makes sense, and begins to show the right way to think about these cycles. Instead of a story about growth or success, it's important to first realize that Mega Caps are by definition dominant companies with a great track record of growth. That's how they got to where they are. When the economy and corporate earnings are uncertain, these companies look relatively more attractive. The market thinks that the economy is going back to a slow growth period like we saw from 2010-2015, which was a great time for growth stocks. In 2021-2022 the market preferred value stocks because earnings were booming after the pandemic and those companies were attracting investor flows at the margin. It's easier to tell this story in hindsight than to predict it, but understanding the drivers at least helps to explain why it's cyclical to begin with.

Value investors are naturally disappointed that we're back to underperforming again. Keep in mind that time is actually on our side, as opposed to what growth investors think. The concentration of weight in the Mega Caps as well as their valuations are extreme. Once that peaks it's historically been a long, ugly period of underperformance lasting over a decade, such as we saw in 1972 or 2000. Out of the largest 5 companies in calendar year 2000, 3 have never regained those peak share prices, 23 years later. The other two, one of which is a Magnificent 7 member today, each took more than 10 years to get back to even. Of course, a peak can only be seen in hindsight. Valuation of asset classes is a poor timing tool (a perverse predictor, actually), but it has a great track record as you look further out. This is an advantageous moment to diversify into have-not asset classes, especially foreign stocks. After this economic slowdown period it would be natural to see a rebound, especially outside of the US where there wasn't much of a post-Covid economic bounce. That should provide the catalyst for investors to start looking outside of today's favorites.



# Lyons Investment Management

## Fundamental Small Cap Value Strategy

Q2  
2023

### PERFORMANCE AS OF 6/30/2023

	QTR	YTD
Small Cap Value	7.04%	12.00%
Russell 2000	5.21%	8.09%

### PORTFOLIO STATS AS OF 6/30/2023<sup>1</sup>

	SCV	S&P 500
Number of Holdings:	55	503
Mkt Cap Mil (Avg):	\$2,357	\$77,791
P/E (TTM):	9.2	23.5
P/B:	1.7	4.0
ROE (Median):	18.6%	15.2%

### TOP 5 HOLDINGS AS OF 6/30/2023<sup>2</sup>

PLPC	Preformed Line Products Co.
BELFB	Bel Fuse Inc Class B
AMRK	A-Mark Precious Metal
EXTR	Extreme Networks
PLUS	ePlus, Inc.

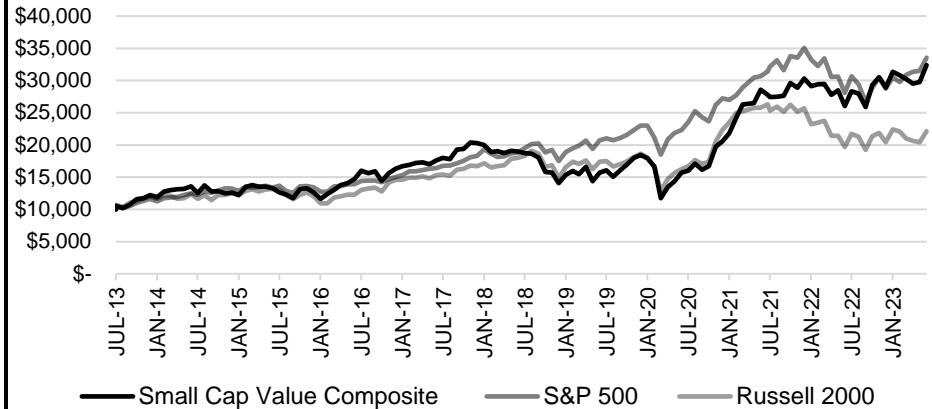
### LARGEST CONTRIBUTORS Q2 2023<sup>3</sup>

		Impact
BELFB	Bel Fuse Inc Class B	2.15%
EXTR	Extreme Networks	1.26%
PLPC	Preformed Line Products	1.26%
MOD	Modine Manufacturing	0.87%
VVX	V2X, Inc.	0.76%

### LARGEST DETRACTORS Q2 2023<sup>3</sup>

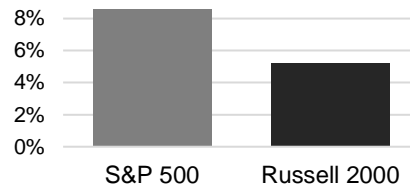
		Impact
SRTS	Sensus Healthcare	-0.41%
EGY	VAALCO Energy	-0.46%
PERI	Perion Network Ltd.	-0.48%
RELL	Richardson Electronics	-0.50%
CNXC	Concentrix Corp	-0.54%

### GROWTH OF HYPOTHETICAL \$10,000 (JULY 1, 2013 – JUNE 30, 2023)

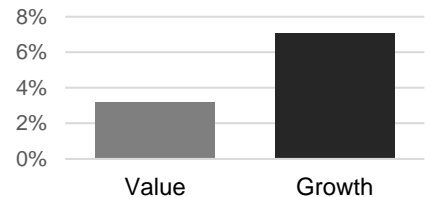


This chart illustrates the performance of a hypothetical \$10,000 investment made in the strategies ten years ago or on commencement of operations (whichever is later). Figures include reinvestment of capital gains and dividends. These charts are not intended to imply any future performance.

### S&P 500 v RUSSELL 2000 Q2 2023



### RUSSELL 2000 VALUE v RUSSELL 2000 GROWTH Q2 2023



### SECTOR WEIGHTS AS OF 6/30/2023

Energy	3.69%	Financials	16.73%
Materials	3.68%	Real Estate	0.00%
Industrials	22.18%	Technology	27.90%
Consumer Discretionary	13.37%	Telecommunications Services	1.53%
Consumer Staples	3.37%	Utilities	0.00%
Healthcare	1.51%	Cash	6.04%
		<b>Total</b>	<b>100.00%</b>

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.

<sup>1</sup> Statistics in this table are weighted averages except where otherwise noted. Index data provided by Standard & Poors, except for ROE. The trailing price-to-earnings (P/E TTM) ratio relates a company's share price to its earnings per share over the past 12 months. The price-to-book (P/B) ratio measures the market's valuation of a company relative to its accounting book value. Return on equity (ROE) is the measure of a company's net income divided by its shareholders' equity. These metrics do not guarantee or imply any level of performance.

<sup>2</sup> 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.

<sup>3</sup> 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](mailto:info@lyonsinvest.com).



## COMMENTARY BY VAIDAS PETRAUSKAS

Japanese stocks finally staged a strong rally. In the first half of 2023, the Nikkei 225 index was the second best-performing stock index in the world, after NASDAQ, as the Japanese market hit a 33-year high. The rally was spurred by foreign institutions moving into Japanese stocks en masse. It is a big reversal from many years of foreign investor money exiting Japan. A big part of these funds is hot money, chasing whatever markets are outperforming at the time and they come and go in waves. A number of important events came together to spark a sudden interest in Japanese stocks:

- **Corporate Governance Reform.** It has been a long 10-year struggle since Shinzo Abe launched his policies to revive the Japanese economy (called Abenomics). One of the so-called “three arrows” was to force companies to return corporate cash hoards to shareholders and spin off non-core businesses. This year this initiative was picked up by the Tokyo Stock Exchange (TSE). The head of JPX, the group which owns the TSE, publicly rued the fact that more than half of TSE stocks were trading below their book value. TSE now requires companies trading below book value to publish plans to improve their corporate values or face penalties. By picking on low price-to-book, TSE has created a formalized metric of shame for managements to live in fear of. Some companies are responding. We saw a real stock buyback bonanza this year. Buybacks reached a record level in 2022 and I think 2023 will be another record year. Stock prices are reacting positively to buyback announcements (in many cases rising even more than the future improvement in EPS because of lower share count). Other companies are seeing this and doing the same. Stock buybacks make a lot of sense in Japan, where many stocks trade below book value and companies hold huge balances of excess cash. Things are improving in Japan on this front. Returns on equity are rising and shareholder returns are expanding.
- **Economic Growth.** Japanese GDP grew 2.7% in the first quarter, driven primarily by a rebound in domestic demand.
- **Inflation.** After decades of flat or falling prices, inflation in Japan over the last 14 months has been running at the highest level in 40 years - above 3%. This is a game changer for a country where stable prices were the norm and this could lead to big behavioral changes. When hoarding cash and postponing purchases was prudent before, it no longer is the case when money is depreciating. Japanese have a lot of excess savings and this year's centralized wage increases give them a lot of firepower. It seems they are starting to spend some of that money as shown by strong private sector demand in the first quarter. The end of deflation is a very welcome sign for Japan. This can boost both consumption and the stock market. Time will tell if moderate inflation can be sustained or if the country slips back into a deflationary malaise.
- **Corporate Earnings.** Japan is about the only developed market where analysts expect higher corporate profits in 2023. Not only that, in Japan more companies are raising guidance than lowering it, while in the rest of the developed world it is the opposite (source: Societe Generale SA)
- **“Not China”.** Investor capital is migrating from Chinese to Japanese stocks. There are a couple of reasons for this: the sluggish recovery of the Chinese economy post-Covid and dimming long-term prospects, and geopolitical tensions related to Taiwan. Investing into Japanese stocks gives indirect exposure to China also as they are big trading partners. The world's biggest chipmakers – TSMC, Samsung, Micron and Intel are in discussions that could result in significant manufacturing coming back to Japan. Japan is now seen as a safe and stable partner of the West in a region defined by US-China decoupling and military tensions. Japan is benefitting from decoupling from China.

Most of the foreign money entered Japan through passive instruments where it was easiest to hit “buy” – that is into large cap stocks through the Nikkei 225 ETF. For this reason, stocks which will benefit the most from the corporate governance reform (those trading below book value) were left behind and more expensive large cap stocks rallied the most. I think that cheap stocks will join the party next.

To keep this rally going, domestic investors need to join in because foreign funds will move to greener pastures at some point. Older Japanese are still skeptical of the stock market since the bubble burst three decades ago, but the younger generation does not have these scars. Cash was king during deflationary times and people amassed \$7tn in bank deposits, but now, they may need to look to the stock market for better returns in response to rising living costs. The government is trying to broaden the appeal of stocks to the local population. From next year, the government will significantly expand the tax-protected investment product called Nisa, allowing investors to buy stocks of up to 3.6 million yen (\$26,000) a year using the Nisa account.

Not everything is rosy with the Japanese economy, of course. It is still highly geared to global growth at a time when many fear a global recession. And it is geared to the Chinese economy because it has a lot of exports to China. Japan's population is shrinking fast and the constantly weakening currency is making imports more and more expensive. The cheap currency is no longer giving as much a boost to the country's exports as Japanese companies now have manufacturing facilities abroad.

We were well positioned at the start of the year with a large allocation to Japan. Unfortunately, a weakening Yen and a falling Thai stock market and currency greatly diluted what was a strong performance by our Japanese stocks in local currency terms.

The yen was again a big headwind for us. It lost 9% against the US dollar in the first half (although it recovered strongly in July). This follows losses in value of around 10% in the last 2 years. The movements in yen are driven almost entirely by government bond yield differentials between the US and Japan. With the Fed continuing interest rate increases and the Bank of Japan still determined to keep rates close to zero and even keep its Yield Curve Control (YCC) in place, there is not much to support the yen. The yen is now extensively used in carry trades. Over the last five years, a carry trade between the Japanese yen and Mexican peso (in which money is borrowed cheaply in yen and then parked in pesos, where it can accumulate higher Mexican interest rates, has managed to beat the S&P 500 index!

However, the era of widening interest rate differentials between the US and Japan is coming to an end. The US Fed is nearing the end of its interest rate hiking cycle and the Bank of Japan, being pressured by high inflation, is expected at its end-of-July meeting to at least relax or eliminate the YCC. This means that there is a possibility of a big snap back in the yen. The size of the yen carry trade will amplify this effect when they start unraveling. In fact, the yen appreciated sharply in July on softer US inflation data (which means a possibility of fewer interest rate hikes by the US Fed). So the market is worried about the yen moving sharply higher. Any slight movement by the Bank of Japan toward higher interest rates can have a huge impact on the currency.

Thailand has been a big disappointment so far in 2023. First of all, earnings were weak. Thai companies have had trouble passing on increased energy and other costs. Second, there is a political drama currently underway. A general election took place this year and we are now in the middle of a process to appoint a new prime minister. The market is nervous until that process is finished as one party (Move Forward Party) in the coalition wants to break up monopolies and implement a capital gains tax, which is now zero for individual investors. We are watching this closely (as I write this, the Thai market is rallying because the Move Forward Party's candidate for the prime minister position was not approved by the parliament). On top of that, there was one fraudulent company uncovered this year, a stock we never owned. All of this contributed to Thai stock indices losing around 10% in the first half. On top of that, the currency lost 2.5%. Our losses were much milder but it is still a loss while we could be making money in Japan.

I think once the political situation becomes clear this month, the market can move higher. The future depends on the trajectory of earnings which will come out mid-August. If earnings start improving, then Thai stocks should recover strongly. If not, the market will remain lackluster. So far in July, Asian currencies are recovering against the dollar on softer US inflation data. If the dollar continues to weaken, then foreign assets will have an easier time. The last 10 years were very hard for anyone investing abroad as many markets are flat in that period, while US stocks advanced strongly (because of both earnings growth and multiple expansion). This coincides with the strengthening of the dollar over the last 10 years, but this wasn't the only factor responsible for weakness in foreign markets. Most things in markets eventually prove to be cyclical. Emerging Markets was the best performing asset class in the first decade of this century. And then it went sideways for 16 years from 2008. Cycles can last a very long time, as has been the case with Asian stocks or Emerging



Markets stocks. That shouldn't be confused with a permanent condition, however. A weaker dollar is already here, and better profit growth could spark a revival of foreign assets.



### PORTFOLIO STATS AS OF 6/30/2023<sup>1</sup>

	AA	S&P 500
Number of Holdings:	70	503
Mkt Cap Mil (Avg):	\$819	\$77,791
P/E (TTM):	8.7	23.5
P/B:	1.0	4.0
ROE (Median):	12.4%	15.2%
Dividend Yield	3.8%	1.6%

### TOP 5 HOLDINGS AS OF 6/30/2023<sup>2</sup>

HAAAd THIP PCL. (Thai)
Thai Optical PCL. (Thai)
Thai Plaspac PCL. (Thai)
Kanematsu Co. (Japan)
NSW Co. (Japan)

### LARGEST CONTRIBUTORS Q2 2023<sup>3</sup>

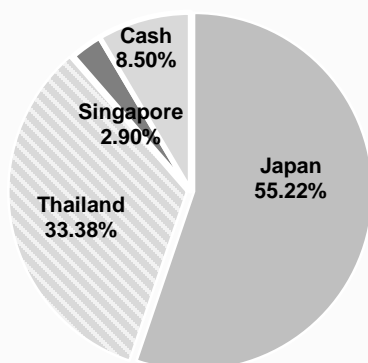
	Impact
Tachibana Co.	0.64%
Usen-Next Co.	0.38%
Kanematsu Co.	0.34%
Thai Plastpac PCL.	0.29%
Thai Optical PCL.	0.29%

### LARGEST DETRACTORS Q2 2023<sup>3</sup>

	Impact
SNC Former PCL	-0.88%
Thantawan Industry PCL	-0.56%
Halcyon Technologies PCL	-0.40%
Frencken Group LTD	-0.32%
Digital Information Technologies	-0.26%

### COUNTRY ALLOCATIONS

AS OF JUNE 30, 2023

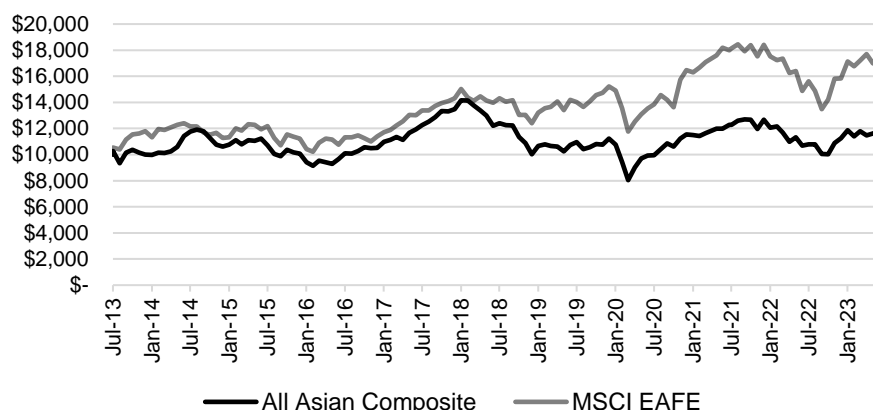


### PERFORMANCE AS OF 6/30/2023

	Quarter	YTD
All Asian	0.40%	5.04%
MSCI EAFE	3.22%	12.12%
Nikkei 225	18.36%	27.19%
Thai SET index (Baht w divs)	-5.71%	-8.27%
Singapore FTSE All Share	-1.73%	-1.64%
Japanese Yen vs USD	-7.82%	-8.90%
Thai Baht vs USD	-3.49%	-2.43%
Singapore Dollar vs USD	-1.94%	-1.21%

### GROWTH OF HYPOTHETICAL \$10,000

(JULY 1, 2013 – JUNE 30, 2023)



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.

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.

<sup>1</sup> Statistics in this table are weighted averages except otherwise noted. Index data provided by Standard & Poors, except ROE. The trailing price-to-earnings (P/E TTM) ratio relates a company's share price to its earnings per share over the past 12 months. The price-to-book (P/B) ratio measures the market's valuation of a company relative to its accounting book value. Return on equity (ROE) is the measure of a company's net income divided by its shareholders' equity. These metrics do not guarantee or imply any level of performance.

<sup>2</sup> 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.

<sup>3</sup> 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](mailto:info@lyonsinvest.com).



**COMMENTARY** BY MARK ZAVANELLI

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The market continued higher in the second quarter, driven once again by the largest companies. The return difference was most pronounced at the top with the weighted S&P 500 gaining 8.74% versus the average S&P 500 stock up 3.89%. Microcaps underperformed again, gaining 2.59%. Many of the first quarter factor trends remained in place. Growth outperformed value, and risk was in favor. Banks continued to underperform after the big declines in the first quarter.

Within microcaps, here is how factors performed:

- Riskier stocks outperformed again. This is correlated with the continued rebound in growth stocks, which tend to have higher Beta and price volatility.
- Value factors generally performed poorly. Dividend yield was the worst performing factor this quarter. Low Price to Sales was positive in microcaps, although it didn't perform as well in larger companies.
- Momentum was a negative factor. Growth stocks that underperformed in 2022 continued to perform well during the quarter.
- Volume was inconsequential in microcaps, but higher volume stocks outperformed in other universes.

This was a negative environment for our volume strategies, except for Volume Momentum. Volatile growth stocks were in while cheap and boring stocks were out of favor. SuperMo did well, which boosted Volume Momentum. Banks continued to hurt relative performance this quarter.



### PERFORMANCE AS OF 6/30/2023

	Quarter	YTD
Volume Value	3.48%	0.80%
Volume Winners	-1.12%	-3.34%
Russell 2000	5.21%	8.09%

### PORTFOLIO STATS AS OF 6/30/2023<sup>1</sup>

	Volume Value	S&P 500
Number of Holdings:	39	503
Mkt Cap Mil (Avg):	\$364	\$77,791
P/E (TTM):	8.3	23.5
P/B:	1.0	4.0
ROE (Median):	13.8%	15.2%

	Volume Winners	S&P 500
Number of Holdings:	25	503
Mkt Cap Mil (Avg):	\$288	\$77,791
P/E (TTM):	11.5	23.5
P/B:	1.2	4.0
ROE (Median):	10.8%	15.2%

### MICROCAP FACTOR PERFORMANCE

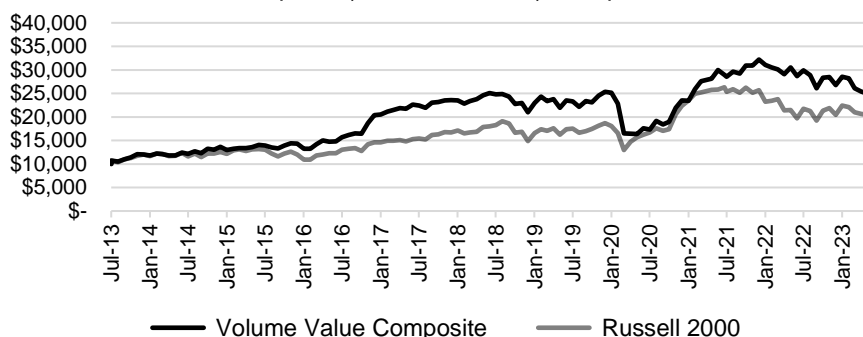
AS OF 6/30/2023<sup>2</sup>

	Factor Performance Direction*	
	QTR	YTD
Beta	High	High
Forecast P/E	High	High
Return on Equity	High	High
Exp. Growth	Low	Low
Volume	Low	Low
Momentum	Low	Low

\*\*"HIGH" indicates that higher values of the metric outperformed during the period. "LOW" indicates the reverse.

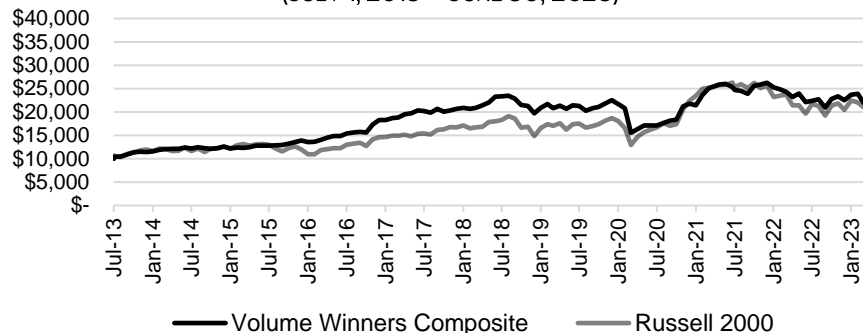
### VOLUME VALUE – GROWTH OF HYPOTHETICAL \$10,000

(JULY 1, 2013 – JUNE 30, 2023)



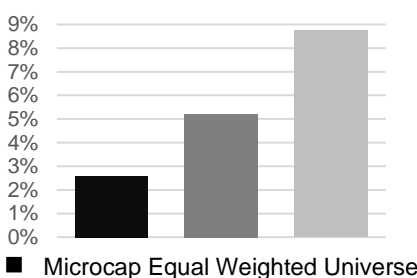
### VOLUME WINNERS – GROWTH OF HYPOTHETICAL \$10,000

(JULY 1, 2013 – JUNE 30, 2023)

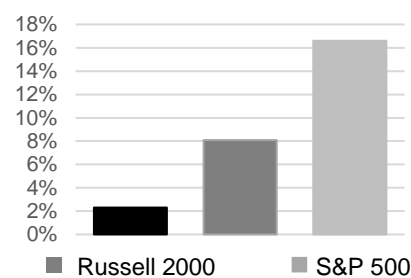


These charts illustrate the performance of a hypothetical \$10,000 investment made in the strategies ten years ago or on commencement of operations (whichever is later). Figures include reinvestment of capital gains and dividends. These charts are not intended to imply any future performance.

### Q2 2023 RETURNS



### 2023 YEAR TO DATE RETURNS



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.

<sup>1</sup> Statistics in these tables are weighted averages except where otherwise noted. Index data provided by Standard & Poors, except for ROE. The trailing price-to-earnings (P/E TTM) ratio relates a company's share price to its earnings per share over the past 12 months. The price-to-book (P/B) ratio measures the market's valuation of a company relative to its accounting book value. Return on equity (ROE) is the measure of a company's net income divided by its shareholders' equity. These metrics do not guarantee or imply any level of performance.

<sup>2</sup> 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 6/30/2023					
Composites Names in Bold <i>Benchmarks in italics</i>	This Quarter	YTD	1 Year	3 Year Annualized	5 Year Annualized	10 Year Annualized
<b>Fundamental Small Cap Value</b>	7.04%	12.00%	24.30%	27.22%	11.27%	12.47%
<b>Volume Value</b>	3.48%	0.80%	-5.70%	15.39%	1.52%	10.45%
<b>Volume Winners</b>	-1.12%	-3.34%	-1.44%	8.28%	-1.35%	8.09%
<b>Volume Momentum</b>	10.46%	6.86%	10.30%	17.75%	1.32%	6.71%
<i>Russell 2000</i>	5.21%	8.09%	12.31%	10.82%	4.20%	8.25%
<i>S&amp;P 500</i>	8.74%	16.89%	19.59%	14.60%	12.31%	12.86%
<b>Global Equity</b>	3.11%	8.31%	15.40%	14.26%	4.01%	5.97%
<i>MSCI ACWI</i>	6.35%	14.26%	17.13%	11.51%	8.64%	9.31%
<b>All Asian</b>	0.40%	5.04%	10.59%	6.01%	-0.63%	1.69%
<i>MSCI EAFE</i>	3.22%	12.12%	19.41%	9.48%	4.90%	5.91%

Composites Names in Bold <i>Benchmarks in italics</i>	This Quarter	YTD	1 Year	3 Year	Since Inception (8/1/19) Annualized
<b>Asia High Dividend</b>	0.00%	0.42%	1.03%	22.58%	13.95%
<i>MSCI EAFE</i>	3.22%	12.12%	19.41%	9.48%	6.20%

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 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 foreign indices which are reported in their local currencies. Returns are presented net of management fees and include all actual trading and custodial expenses and the reinvestment of income for accounts in the composite. Net of fee performance was calculated using model management fees, including for non-fee paying accounts. The model fee used is the maximum fee charged during each historical quarter, including performance based fees. 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.

On September 24, 2019, Lyons Investment Management acquired the asset management business which managed the composites presented. At the time of the acquisition LIM was affiliated with the prior firm with shared investment personnel. Performance shown prior to the acquisition date is from the prior firm. The historical performance has been linked to performance achieved at Lyons Investment Management.

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. Indexes and benchmarks may not directly correlate or only partially relate to the composite as they have different underlying investments and may use different strategies or have different objectives than the composite.

#### 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 Analysis. This analysis is a quantitative evaluation system incorporating volume, momentum and valuation measures. The composite name is not intended to imply that the securities selected will be winning investments, but rather that price momentum is considered in the stock selection process. 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.

This is not a recommendation nor an offer to sell (or solicitation of an offer to buy) securities in the United States or in any other jurisdiction.