Hi, I'm Evan Fox, one of the portfolio managers on Pzena Investment Management's small cap focused value product. We just finished the first quarter of 2026, which was quite a volatile period where small cap stocks were up pretty strongly through the first half of the quarter before then giving up part of that in the second half, especially as the Middle East conflict uh took place and really led to a lot of uncertainty in the market. What we did see during the period is that small caps held up much better than large caps did and value benchmarks did do better than growth, especially benefiting from less tech exposure. For the period we underperformed the value benchmark but outperformed the broader small cap benchmark.

When you look at what some of the detracting sectors were for us, the biggest ones were industrial and technologies and then on a relative exposure, less energy exposure than the benchmark. Uh the biggest individual detractor was Concentrix. This is an outsourced contact center company. This is one where call centers, online chats, things like that where really all the concern around AI really hit, right? We came through a period where a lot of software companies and others were really challenged as people think that there could be a lot of disruption in the market. And there's no doubt that contact centers is an area where we're seeing a lot of incremental efficiencies and lower volumes that can come through as people can address challenges through AI and other solutions. What we've actually found though is that Concentrix has done a nice job of harnessing AI to its advantage and while volumes have come down more broadly for contact centers, only about a third of the market is outsourced. And as a leading outsource player who brings in a lot of these solutions, they've actually been taking share from their clients to still slightly grow. Now, their margins were down a little bit as they've been investing in a lot of new technologies and positioning themselves for the future, but with how depressed the valuation is, this remains a really attractive opportunity for us.

Another detractor we had was American Woodmark, which is a leading kitchen cabinet manufacturer. This is wooden cabinets for kitchens and bathrooms. That's actually in the process of being acquired by MasterBrand, another portfolio company that we own. What's really interesting about this is they faced a lot of tariff headwinds because of cost of the components that they do source from other countries, from Mexico and other places, and housing turnover remains historically depressed. So volumes have been below trend. What's really interesting is that once a deal goes through the market's going to be even more rational. There should be opportunities to put through pricing and as they put through pricing and eventually housing turnover resumes and even comes off these trough levels, they should be really well positioned and they're taking out a lot of costs from merging with MasterBrand.

When you look at what some of the contributing sectors were, the two biggest contributing sectors were basic materials and financials. When you look at what the biggest individual contributor was, it was actually Advance Auto Parts. This is an auto aftermarket retailer. They've gone through a lot of operational turnaround activities over the last couple of years. And what we're really seeing is that as those continue to come through, there's people are having more faith in it. And really, their margins are well under a quarter of what their peers are. There's a lot of opportunity for improvement there. And as they continue to work through there, there's a lot of upside here, making it one of our largest positions.

Another one is Olin. Olin is a chemical company that makes caustic soda and chlorine. What's really interesting here is this is one of the indirect beneficiaries actually of higher oil prices because while they're not an energy company, what they're doing — the easiest way to think of it from your high school chemistry is you're taking salt, NaCl, combining it with water and putting electricity through it, and you separate it into NaOH, caustic soda, and HCl, the chlorine. What we've found is that they're using natural gas in the US as their main feedstock for how to get that electricity. And when they compete globally against others, many of whom are using natural gas in Europe or other places where it's in Asia where it's more expensive, or oil, they're at a feedstock advantage and so they're in a good position going forward. So this really goes to — well the Middle East can create a lot of uncertainty in different places but it actually can be a beneficiary to some of the chemical companies that have US sourcing.

In terms of portfolio actions during this period uh we added a new stock that is MillerKnoll. This is a leading office furniture manufacturer. When you look at the history of this company, it's actually the merger of Herman Miller and Knoll that occurred a few years ago and it's this interesting market where there had been five large players going back a number of years ago and it's actually consolidated to two as Steelcase, a company that we had owned in our portfolio last year, was acquired by a competitor and so now it's really a pretty rational market that has gone through weak spend on office more broadly with work from home and other trends, but has done a really good job of being responsible with pricing and taking that up to offset tariffs and other forces that they've faced. For MillerKnoll specifically, they've gone through some integration complexities and challenges over the last couple years, but they're really moving past that. They had some temporary hiccups from sales they had into the Middle East. So in the same way that we currently don't have oil tankers that are shipping into the Middle East, office furniture is not making it in either. Not a surprise there. And some higher diesel prices in terms of shipping finished products a little higher. But these are all things that they can work through. So you know, we feel really good about how attractive the valuation is here.

A couple of the other ones that we did top up and buy more of this quarter is Marcus & Millichap, which is a real estate broker focused on the commercial market that again were at very low volumes for commercial real estate turnover, but they have a strong balance sheet with net cash and we really like that business. And we also bought more of Teleflex, a medical device company that focuses on single-use consumables in hospital settings that divested a business and it really put it in a pretty improved position.

When you look at our source of funds, we sold out of two stocks. One is Webster, which is a regional bank based in Connecticut that's being acquired by Santander, the Spanish bank. And then we also sold out of TriMas, which is a company that we've owned for a number of years. And the stock had done quite well after it announced selling its aerospace business for a nice valuation. We actually think there could be more upside here, but we're nervous that management instead of returning most of that cash proceeds is looking to do more acquisitions and given the range of outcomes there, we're taking the gains that we've received so far. We also did trim Douglas Dynamics. This is a company whose ticker is Plow. They're a leading snow plow manufacturer. And for anyone in the Northeast who's experienced the winter we just had compared to the last few years, you can see how their volumes are expected to be higher going forward as a lot of snow plows uh were used and there's a lot of new orders coming through.

Overall, we really continue to see pretty attractive opportunities with very depressed price to normal valuations at this point. We're looking to take advantage of this volatile period as there's a lot of complexities going on between questions around AI, between the Middle East situation, and as we come through this, this is really the type of period that makes us excited.