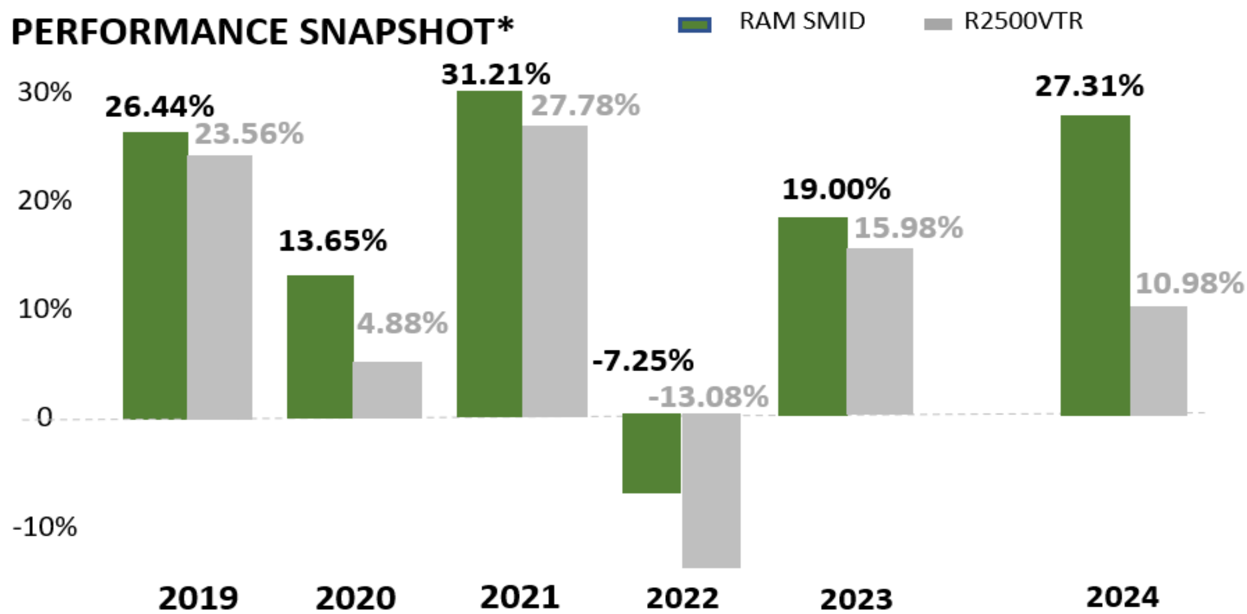
January 2025

2024 was an exceptional year for our RAM Smid Composite, which gained 27.31%. This performance significantly outpaced the 10.98% rise of our benchmark, the Russell 2500 Value Total Return Index, by an impressive 16.33%. The RAM Smid composite also outperformed the S&P 500 Total Return index, which increased by 25.02%. This marks the sixth consecutive year of outperformance for the RAM Smid composite vs. our benchmark, a testament to our disciplined, long-term investment philosophy.[1,2]



Source: Rewey Asset Management, Index returns sourced from Bloomberg 12/31/2024.

**Note that there are material limitations inherent in any comparison between RAM Smid strategy and the R2500 Value Total Return Index. The R2500 Value Total Return Index is unmanaged, and you cannot invest directly in an index. The RAM portfolio is actively managed and holds concentrated investments in the equity securities of small-mid capitalized companies. Please see important disclosures at the end of this letter.*

It Matters When It Matters

Performance was broadly based across sectors and driven by stock selection. Our top performer for 2024 was Aris Water Solutions (ARIS), which we highlighted in our 4Q23 letter, rising 192.8%. Kyndryl (KD), featured in our 3Q24 letter, was the best performer in 4Q24, gaining 50.2%.[3,4]

Our philosophy is to construct a portfolio of undervalued and neglected equities, with a focus on a 2-to-3-year initial holding period. This disciplined approach helps us to uncover opportunities overlooked by the broader market. We believe it is important to take a long-term view and avoid the impulse to try to time the market, or scale investment levels up and down based upon emotion. Performance can, and usually does, come in short-term spurts, as the broader investment community chases valuation when clarity replaces undervaluation and neglect. The two strongest months for our composite in 2024 were July, up 10.36% and November, up 13.03%. Staying invested for the year meant capturing the performance of these periods and in our view supports our conviction to stay invested with a long-term focus.[5]

Another Strong Year In 2025?

We believe the U.S. economy will maintain its soft-landing in 2025 supported by moderate GDP growth and the potential for rate reductions. The 4Q24 Atlanta GDPnow forecast of 2.56% is a level that we think can drive earnings growth while keeping inflation muted. Additionally, we agree with the Fed's current view that it will likely reduce short-term rates in 2025. These factors should favor a continued rotation into small- and mid-cap value stocks, which we expect to outperform.[6,7]

We Don't Own the Market

We continue to find individual investment opportunities and believe the general investor rush towards indexing is creating more individual security neglect and under-valuation. Our universe of investment opportunities comprises over 5,000 public companies domiciled in the U.S. and trading on U.S. exchanges with market capitalizations in the range of $100 million to $20 billion. Of course, many of these companies will not pass our investment philosophy of 1) financial strength, 2) the ability to grow and 3) valuation, but we strongly believe we will continue to find opportunities for our concentrated portfolio, which currently holds just 32 positions. We don't own the market.[8]

Neglect in Small/Mid-Cap

We see significant neglect and investor under allocation to small and mid-cap stocks, largely driven, in our view, by the rise of index investing. For example, many leading pundits point out the risks in investing in smaller cap ETFs, vs. the S&P 500 index, due to the large number of companies that don't produce net income. We assert that one of the main benefits of active management is the ability to avoid these through stock selection. Of the 1804 companies in the Russell 2500 value index, there are 652 companies with negative income for the trailing 12-months 3Q24. Cutting through this neglect, we point out that we have no intention of owning the index, but see fertile hunting ground in the 1152 companies that are profitable.[9]

We also believe reallocation can be a significant driver for the Small/Midcap space. The heavy concentration of large-cap tech in the S&P 500 (the Magnificent 7) has skewed the index, with these top names appearing to hold very high-expectations. If investors in the S&P 500 index decide to reallocate just 1% of their holdings to the Rusell 2500 Value index, they would need to buy 10% of the index.[10]

Portfolio Highlights

We have built our RAM Smid portfolio based on our 3-pronged investment philosophy of 1) Financial Strength, 2) The Ability to Grow and 3) Discounted Valuations.

Eight of our composite holdings have net cash on the balance sheet and 12 others have net debt to EBITDA less than or equal to 2.0x. None of our holdings are forecast to have negative earnings per share in 2025 (operating EPS). Thirteen holdings are trading at less than 1.5x book. At quarter-end, our RAM Smid cash level averaged 2.4x. We added four new and sold three holdings in 4Q24.[11]

Kyndryl (KD)

Kyndryl (KD), which we highlighted in our 3Q24 letter, was our top performer in 4Q24, up 50.2%. KD held a well-received analyst day November 21st, where they reaffirmed 2025 financial guidance and set aggressive goals for 2028 margin improvement and Free Cash Flow growth. Investors also cheered the announcement of a $300 million share buyback. We see strong long-term upside in the shares and think KD could be an attractive acquisition target for a consulting or technology services company.[12]

Avanos (AVNS)

Avanos Medical was our largest percentage detractor in 4Q24, down 33.8%. Investors reacted negatively to its 3Q24 earnings report, where AVNS lowered the high end of its 2024 earnings guidance due to pricing pressure in its HA knee injection unit and announced the retirement of its CEO. We see significant undervaluation in AVNS, trading at only 6.2x 2025 EBITDA, despite expected revenue, margin and EPS growth in 2025. We see 54% upside to our AFV of $24.50, as we think investors are undervaluing their core digestive health and pain management franchises. Also, at current valuation levels we think it is a compelling M&A target.[13]

Weatherford International plc (WFRD)

We added shares of Weatherford International (WFRD) in the quarter, a $5.2 billion market cap global provider of oil field services and equipment. We see significant neglect and undervaluation in shares of WFRD, a position that shows a 59.2% upside to our AFV price target of $114 per share, a level that would still be 15.6% below its July 16th 2024 high of $135.

Weatherford sold off in concert with the broader energy group in 4Q24, as investors fretted about the risks of slowing global oilfield spending in 2025, the potential for more drilling to push down oil prices under a Trump administration and tax loss selling by investors who purchased shares near summer highs. In our view, the current valuation level ignores the significant financial and operational improvement completed since its 2019 restructuring and the strong long-term revenue growth prospects for its globally diversified and technologically leading offerings.

Weatherford has continued to strengthen its balance sheet and operational structure since its 2019 Ch. 11 restructuring. Net debt is now at a very low .53x EV/EBITDA, with no debt maturities until 2030. WFRD has produced $1.2 billion of free cash flow since 2019 and is projected to exceed $500 million in FCF in 2024, for an estimated FCF yield of 9.7%. All three credit rating agencies have recently upgraded their ratings on WFRD's debt, and it's worth noting that its 8.625% 2030 senior notes are trading at a 3.4% premium to par value. WFRD's entire C-suite management team has been replaced since 2019. The new team is committed to continued financial strengthening. WFRD has also initiated a $500 million share repurchase program and started paying quarterly dividends in 3Q24, currently a 1.40% yield.

We see multiple drivers for WFRD to increase revenue and earnings over the next several years. WFRD has a globally diversified revenue base, with North America representing approximately 20% of revenues. WFRD is a critical supplier to global oil companies and has significant exposure to Latin America (approx. 25%) and the Middle East (approx. 40%). WFRD has substantial exposure to rapidly growing and high margin segments including offshore drilling, digital sub-surface evaluation, production and optimization, artificial lift and fluid chemistry. This revenue profile not only commands high margins through continued technology introduction but allows WFRD to win significant long-term contracts with its major customers, including eleven multi-year contracts awarded in 3Q24.

We think investors are overlooking the ability for WFRD to continue to expand margins, which already are at peer leading levels. WFRD's adjusted EBITDA margins are forecast to be just under 25% in 2024, up over 1000 basis points since 2020, rivaling Schlumberger (SLB), the group leader at 25%, and significantly above peers of Haliburton (HAL) at 21.8% and Baker Hughes (BKR) at 16.5%. CEO Girish Saligram stated that he believed that WFRD could improve margins another 25-75 bps in 2025 even in a flat revenue environment and that he sees the potential for WFRD's margins to reach the high 20's range in the long term. Drivers for continued margin improvement include taking price over inflation, introducing new technology leading and differentiated products and consolidating its supply chain now that it has completed the restructuring of its global manufacturing footprint – a multi-year program that is now starting and something its peers have successfully implemented.

We see WFRD as substantially undervalued in both an absolute and relative sense vs. peers. At its year-end price of $71.63, WFRD is 46.9% below its 52-week high set in July 2024. WFRD is trading at a meager EV/EBITDA ratio of 4.44x its expected 2024 EBITDA. This level is significantly below its 4.3x-7.2x 2020-2024 average range, even though margins and revenues are expected to grow in 2025 over 2024 levels and continue to grow in future periods. WFRD is also trading significantly below the levels of SLB, HAL and BKR at 6.7x, 6.1x and 9.1x.

We have set our AFV price target at $114, up a compelling 59.2% from its year-end close, plus a 1.4% dividend yield. We see continued opportunity to improve valuation over the long term driven by its revenue growth and margin improvement initiatives. While not part of our investment case, we think

WFRD ($5.2 bil. market value) would be a natural M&A target for both BKR ($40.6 bil.) and HAL ($23.9 bil.) as it would boost their competitive position vs. SLB.[14,15]

Looking Forward

We believe cooling inflation and the likelihood for a soft landing could be very positive for small and smid-cap stocks due solid economic activity, further potential rate cuts, an increased level of M&A activity under the Trump administration and a likely rotation/rebalancing into small and mid-cap names. We see extreme concentration at the top of large-cap indices and believe that expectations around small and mid-caps have become too negative.

Our investment cases, however, do not rely on rate cuts, economic acceleration or M&A as the main pillar for our investment thesis. On the contrary, we believe our portfolio companies possess attributes that can lead to outperformance without an external catalyst. Having a strong investment case and a long-term view creates time as a powerful ally for value creation.

We appreciate your trust and support. As always, please feel free to contact us to discuss our commentary or to share your thoughts on the market and stocks.

Chip

1,5. Past performance is no guarantee of future results. The RAM SMID Value Composite schedule of net investment performance of Rewey Investment Management LLC (the "Schedule") represents the activity of separate customer trading accounts managed collectively (collectively the "Accounts") for the annual and cumulative periods from January 1, 2019 through Dec. 31, 2024. 2022-2024 performance unaudited. Please see full Marcum footnotes for RAM Smid composite 2019-2021 at Microsoft Word - {A44BB912-3141-4B59-AE8E-3D695C6B8BD4} (reweyassetmanagement.com). Performance graphic not to scale. The performance results for the period of 1/1/19-11/8/2021 are from accounts managed by Chip Rewey while affiliated with Advisory Services Network.

2,9.

- The Russell 2500 Value Total Return Index, the S&P 500 Total Return Index and the S&P 500 equal weighted index market cap information and performance levels are sourced from Bloomberg. The Russell 2500 Value Total Return Index, S&P 500 Total Return Index and the S&P equal weighted indices are each an unmanaged group of securities considered to be representative of the small and mid-cap stock market, and the large-cap stock market in general, respectively. Indexes are unmanaged and do not incur management fees, costs, or expenses.
- The Russell 2500 Value -Dynamic Index® measures the performance of the small to mid-cap value-dynamic segment of the US equity universe. It includes Russell 2500 Index companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years) and relatively less stable business conditions that are more sensitive to economic cycles, credit cycles, and market volatility based on their stability variables.
- S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.
- The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500.
- It is not possible to invest directly in an index. There are material differences between the RAM SMID Value Composite portfolio and the indexes used for comparison purposes. The RAM portfolio is actively managed and holds concentrated investments in the equity securities of small-mid capitalized companies. An index is generally designed

to illustrate the performance of a specific asset class (i.e. small cap) but is not actively managed and the index performance does not reflect the impact of advisory fees and other investment costs.

- Company level member data for the S&P 500 Index and Russell 2500 Value index are sourced from Bloomberg.

3. Aris Water Solutins (ARIS) quarterly performance information sourced from Bloomberg. Other ARIS commentary sourced from company earnings releases, 10Q, 10K filings, company presentations, RAM discussions with management, Bloomberg and Rewey Asset Management proprietary analysis.
4,12. Kyndryl (KD) quarterly performance information sourced from Bloomberg. Other KD commentary sourced from company earnings releases, 10Q, 10K filings, company presentations, RAM discussions with management, Bloomberg and Rewey Asset Management proprietary analysis.
6. Atlanta GDP now forecast GDPNow - Federal Reserve Bank of Atlanta
7. Federal Reserve Board and Federal Open Market Committee release economic projections from the December 17-18 FOMC meeting Federal Reserve Board - Federal Reserve Board and Federal Open Market Committee release economic projections from the December 17-18 FOMC meeting
8. RAM Smid Value composite will generally purchase equity securities within the $100 million to $20 billion market cap range, although some purchases may be outside of this range. Further, RAM Smid Value may purchase shares of European or Canadian companies.
10. Russell 2500 Value and S&P 500 Index cumulative market cap weighting information sourced from Bloomberg.
11. All portfolio discussion is based off our model RAM Smid portfolio of separately managed accounts. Company financial estimates sourced from Rewey Asset Management proprietary analysis, and Bloomberg BEST company estimates. Historical pricing and company financial data sourced from company 10Q and 10K filings, and Bloomberg. Individual portfolios may hold slight deviations in position sizes, cash levels and positions held. Portfolio statistics discussed are from December 31, 2024. These statistics will likely change over time. Debt/EBITDA ratio comments exclude financial companies due to non-comparability.
13. Avanos Medical (AVNS) quarterly performance information sourced from Bloomberg. Other AVNS commentary sourced from company earnings releases, 10Q, 10K filings, company presentations, RAM discussions with management, Bloomberg and Rewey Asset Management proprietary analysis.
14. All financial ratios, statistics, and projections discussed in the Weatherford (WFRD) commentary are sourced from WFRD 10K, Proxy, 10Q filings, company press releases, company public conference calls and webcasts, company slide presentations, RAM discussions with management, Bloomberg, KD company webpage and Rewey Asset Management proprietary financial analysis and Rewey Asset Management industry due diligence. Historical share price information sourced from Bloomberg.
15. Schlumberger (SLB), Haliburton (HAL) and Baker Hughes (BKR) pricing and financial information sourced from Bloomberg.

All information contained herein is derived from sources deemed to be reliable but cannot be guaranteed. All economic and performance data is historical and not indicative of future results. These views/opinions are subject to change without notice. No one can predict or project performance, and forward-looking statements are not guarantees. Past performance is not indicative of future results. Investing involves risk, including the loss of principal.

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