



MORNINGSIDE
A S S E T M A N A G E M E N T

Morningside Asset
Management

**MORNINGSIDE
ASSET
MANAGEMENT
1Q 2026
QUARTERLY
REVIEW**

For Institutional Distribution Only

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SMALL CAP VALUE

Investment Review

The Morningside SCV portfolio outperformed its benchmark by 377 bps in the first quarter, increasing 8.73% in the period versus the benchmark return of 4.96%. According to Jefferies, 28% of small cap value managers beat in the quarter, with the average lagging by 144 bps. Positive stock selection drove the outperformance in the quarter. Companies in the Industrial (Modine Manufacturing Company, MasTec Inc. & ATI Inc.) and Technology (Lumentum Holdings Inc.) sectors were the largest contributors to the positive stock selection. Asset Allocation was negative in the quarter with an overweight in Consumer Discretionary and an underweight in Energy being the largest negative contributors.

Small-caps added to the outperformance from the April 8 low by meaningfully outperforming Large-caps in the quarter, though mid edged out small as the best performing size category. This recent trend is perhaps growing evidence that the decade plus large-cap reign could be coming to an end. Further, following a strong 4Q2025, value again outperformed growth in the quarter, with the average outperformance across all size categories being approximately 1,000 bps vs just over 300 bps in the prior quarter. Small Cap Value is the strongest performing segment over the last 12 months. Even with an approximately 200 bps headwind from asset allocation, our strategy outperformed. We expect that our process on identifying high quality companies trading at discounts to their intrinsic values will continue to add alpha, primarily in the area of stock selection, over a full market cycle.

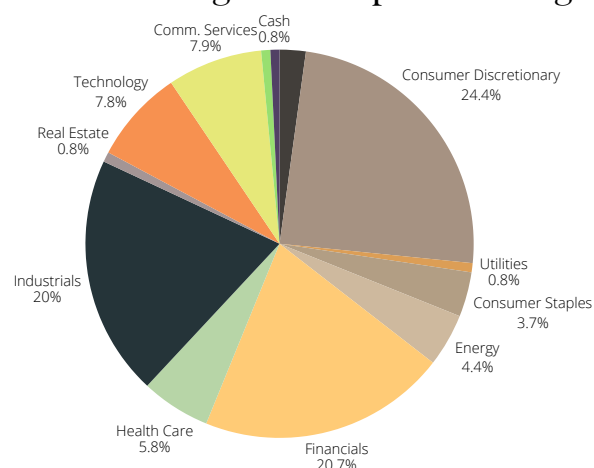
PERFORMANCE

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Morningside SCV (gross)	8.73	8.73	48.10	20.22	11.77	12.30	11.64
Morningside SCV (net)	8.63	8.63	47.10	19.24	10.82	11.39	10.82
Russell 2000 Value	4.96	4.96	28.09	13.80	5.80	9.61	9.02
Russell 2000	0.89	0.89	25.73	13.05	3.77	9.88	9.02
Alpha (Gross of Fee R2V)	3.77	3.77	20.01	6.42	5.97	2.69	2.62

*Inception Date: 2/1/13

The above performance results are calculated on a total return, time-weighted, accrual basis and include all direct trading costs. Net of fees performance includes management fees only. The Russell 2000 Value Index is an unmanaged index used for benchmarking purposes. The performance of the index does not reflect the deduction of expenses associated with a fund, such as investment management fees. Returns longer than 1 year are annualized.

Sector Weights & Top 10 Holdings



Characteristics	MAM	Russell 2000 Value	Russell 2000
Market Capitalization			
Weight Avg. (\$MM)	\$7,931.2	\$3,902.6	\$5,016.6
Median (\$MM)	\$4,242.5	\$848.4	\$977.2
Price/Earnings (Est.)	14.8X	19.4X	23.9X
Price/Earnings (ttm)	114.3X	53.3X	87.6X
Price/Book	2.5X	1.6X	2.4X
Dividend Yield	0.89%	1.98%	1.23%
Est. EPS Long-term Growth	16.95%	22.83%	25.01%
Return on Equity	10.96%	-0.97%	0.47%
Active Share	97.90		

Security	Weight (%)
Ooma Inc.	4.85%
Modine Manufacturing Co.	4.67%
ATI Inc.	4.55%
United Natural Foods Inc.	4.42%
Lindblad Expeditions Holdings	4.37%
National Vision Holdings Inc.	4.15%
MasTec Inc.	3.95%
Customers Bancorp Inc.	3.87%
Brinker International Inc.	3.74%
Prestige Consumer Healthcare	3.61%

Portfolio Additions	Portfolio Deletions

1 Holdings are subject to change and do not include the entire portfolio of the strategy. Holdings data is presented to illustrate examples of the securities that may be purchased in such a strategy and the diversity of areas in which the strategy invests and may not be representative of the strategy's current or future investments.

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As We Prepare for the Sun Rise

The first quarter of 2026 was, by any measure, a volatile and unsettling one. The outbreak of conflict in the Middle East — as the U.S. and Israel launched strikes on Iran in late February — sent shockwaves through global markets, pushing oil prices sharply higher and disrupting critical shipping lanes through the Strait of Hormuz. To be sure, the ground was already shifting before the Middle East conflict began. Tariff uncertainty had been quietly making its way into business costs and raising questions about the economic outlook. Equity markets declined broadly, volatility spiked, and together these forces raised growing concerns about stagflation — a particularly difficult economic environment characterized by slowing growth, rising unemployment, and persistent inflation all occurring simultaneously — reminding investors why discipline and fundamentals matter. What concerns us most is not the initial oil price spike, but the duration of the disruption and the secondary effects that tend to follow — higher transport costs, rising fertilizer and food prices, and inflation expectations that, once unanchored, are difficult to reverse. Markets appear to be pricing in a quick geopolitical resolution. We are not so sure. We are not immune to the unease that comes with moments like these, but they have a way of sharpening our focus on what matters. This is when discipline becomes a competitive advantage — owning high-quality companies with strong balance sheets and free cash flows, strong brands and franchises, and capable management teams who have navigated cycles before, purchased at a discount to their intrinsic value. These are the companies that tend to separate themselves when markets are stressed, drawing on financial strength and business resilience, while others are forced to react. The noise of any given quarter will always vary; our discipline does not.

To provide additional insight into our process, we think it is helpful to discuss some of this quarter's outperformers and underperformers:

Modine Manufacturing Company (MOD), a leading provider of thermal management solutions to diversified global end markets including Commercial HVAC and refrigeration, data center cooling, automotive, and commercial vehicle end markets saw its shares rise 62% during the quarter following an announcement that it had agreed to spin off its Performance Technologies segment and combine it with **Gentherm Incorporated (THRM)** in a Reverse Morris Trust transaction valued at approximately \$1 billion. Under the terms of the deal, Modine shareholders will retain approximately 40% ownership of the combined entity, with Gentherm shareholders holding the remaining 60%, and Modine is expected to receive a \$210 million cash distribution from SpinCo prior to closing. The strategic rationale for Modine is straightforward: shedding the Performance Technologies segment — which had been facing headwinds from weak heavy-duty and on-highway vehicle markets — allows Modine to fully reinvent itself as a pure-play climate solutions company. With that drag removed, Modine can direct all of its capital and focus toward its highest-growth opportunity: data center cooling. Management has projected data center revenues growing over 45% in fiscal 2026 alone, with a longer-term target in excess of \$2 billion in revenue by fiscal 2028. The removal of the cyclical, lower-margin Performance Technologies business also stands to re-rate Modine to a valuation multiple more in line with pure-play data center infrastructure peers — companies that typically command a significant premium to traditional industrial manufacturers. Despite the stock's strong run, we believe Modine continues to trade at a meaningful discount to our intrinsic value price target, with the Gentherm transaction serving as a key catalyst to close that gap as the market increasingly recognizes the quality and growth trajectory of the remaining climate solutions businesses.

MasTec, Inc. (MTZ), a leading infrastructure construction company providing engineering, construction, and maintenance services across communications, pipeline, clean energy, and power delivery end markets, saw its shares rise 48% during the quarter following a strong earnings report and a bullish 2026 outlook that caught the attention of Wall Street. The company delivered a meaningful beat on both earnings and revenue in the quarter, but

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the real catalyst was full-year 2026 guidance that came in well ahead of expectations. The underlying growth story is being driven by a favorable convergence of infrastructure demand across MasTec's segments, with data center construction, power transmission and distribution, pipeline infrastructure, and renewables serving as the key drivers, covering essentially every major capital spending theme playing out in the U.S. economy today. It is precisely this end market exposure that underpins our conviction, coupled with our belief that the stock continues to trade at an attractive discount to our intrinsic value price target.

United Natural Foods, Inc. (UNFI), the largest natural and organic wholesaler and second largest food wholesaler in North America, saw its shares rise 33% during the quarter as the operational turnaround we have been monitoring continued to gain traction. The quarter reflected strong execution across the board, with EBITDA and earnings coming in well ahead of expectations, driven by strong growth in its natural segment and productivity and efficiency gains from the company's lean management initiatives. Management also raised its full-year EBITDA guidance, a clear signal that the underlying earnings power of the business is strengthening. While revenue came in modestly below expectations, the shortfall was largely a byproduct of network optimization efforts that created a temporary headwind to top-line growth. The longer-term setup remains compelling, as UNFI continues to execute against a large and underpenetrated wholesale addressable market with a credible path to its fiscal 2028 targets. The progress has been encouraging and is playing out consistent with our investment thesis, and we believe UNFI continues to trade at a meaningful discount to our intrinsic value price target.

Cars.com Inc. (CARS), a leading digital automotive marketplace connecting car shoppers with dealers and providing a suite of software and technology solutions to the automotive industry, saw its shares decline 33% during the quarter, pressured by a confluence of company-specific and macro headwinds. The quarter got off to a difficult start with a CEO transition, as longtime chief executive Alex Vetter was succeeded by Tobias Hartmann in January 2026, with only a brief transition window that raised questions among investors about continuity and strategic direction. The company's Q4 earnings report compounded the pressure, as revenue came in essentially flat year-over-year on declining dealer subscription sales, and full-year 2026 guidance projecting revenue growth of only flat to 2% disappointed the market. Layered on top of these company-specific issues was a deteriorating backdrop for the broader auto market, with tariff uncertainty, rising fuel costs, and weakening consumer confidence all weighing on vehicle affordability and dealer sentiment. There is also a broader question the market is beginning to ask about Cars.com's long-term positioning in an AI-driven world, specifically whether AI-powered search and conversational tools could over time disintermediate traditional automotive marketplaces by allowing consumers to research and compare vehicles without ever visiting a platform like Cars.com. We view this as a legitimate risk worth monitoring, though we believe the company's growing suite of dealer-facing software tools, including its AccuTrade appraisal and inventory management capabilities, provides a stickier and more defensible foundation than the marketplace business alone. Despite the difficult quarter, we believe the stock continues to trade at a meaningful discount to our intrinsic value price target, and we are monitoring the CEO transition closely while remaining focused on whether new leadership can reignite growth in the core dealer subscription business, which will ultimately determine whether the investment thesis remains intact.

Savers Value Village (SVV), a leading for-profit thrift operator in the U.S. and Canada, saw its shares decline 20% during the quarter in what we view as a somewhat puzzling reaction given the underlying strength of the business. The company delivered a solid quarter, with revenue coming in ahead of expectations, strong U.S. comparable store sales, and stabilizing trends in Canada. Management also expressed confidence that the company is at an inflection point for margins, as a growing mix of more mature stores — which carry higher profitability than newer locations still in their ramp-up phase — begins to shift the overall earnings profile of the business. We believe the market's

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reaction is being driven primarily by concern that rising fuel and energy prices will squeeze Savers' lower-income customer base, reducing discretionary spending at its stores. While we acknowledge that concern, we believe it meaningfully underestimates the diversity of Savers' customer base. Approximately 40% of its customers are under the age of 45 and roughly 40% have household incomes exceeding \$100,000 — a profile that speaks to a broad and resilient shopper base that is far less sensitive to fluctuations in gas prices than the market appears to assume. When the market misjudges a business this fundamentally, it tends to create opportunity. We believe that is precisely the situation here.

SLM Corporation (SLM), commonly known as Sallie Mae, the nation's leading private student loan provider with approximately 50% market share, saw its shares decline 20% during the quarter as the market wrestled with a business in deliberate transition. The stock had been under pressure since late 2025 when management outlined a medium-term earnings reset, with near-term EPS guidance coming in meaningfully below analyst expectations to reflect the upfront costs of building out servicing infrastructure for new loan channels. Two developments underpin our long-term conviction. Recent federal legislation eliminating the Grad PLUS loan program represents what Sallie Mae believes is a \$4 to \$5 billion incremental origination opportunity for the company as the changes phase in over the next two to three years. Additionally, the company's new strategic partnership with KKR, under which KKR will purchase at least \$2 billion in newly originated loans annually, provides a capital-light, fee-based funding channel that improves the durability of earnings over time. The near-term costs are real, but we view this as a classic case of short-term sacrifice for long-term gain. Broader investor concern about the graduate job market adds to the noise, but does not change our view. We are willing to be patient here. The pieces are in place, the opportunity is significant, and we believe the market will eventually recognize the long-term earnings power that this transition is designed to unlock.

As noted in past quarterly reports, geopolitical risk — particularly in the Middle East — has been a persistent concern despite reasonably positive economic data. In some respects, that concern proved warranted with the outbreak of the Middle East conflict on February 28th and the market reaction that followed. That said, our investment approach remains unchanged. We are mindful of macroeconomic and geopolitical developments and how they can affect industries, geographies, and individual companies. However, we take a longer view — examining whether such events alter the long-term competitive and strategic positioning of our holdings. As the famed value investor Benjamin Graham once said, “In the short-run, the market is a voting machine, but in the long-run it’s a weighing machine.” With that in mind, we continue to stress-test our investment theses and remain confident that our portfolio companies are well-positioned over the long term, trading at attractive discounts to intrinsic value. It is this margin of safety, paired with our patient and disciplined approach, that we believe creates compelling long-term upside across market cycles. As always, we thank you for the privilege that you have bestowed upon us, and we wish you a safe and healthy future.

Disclosure

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