MORNINGSIDE
ASSET MANAGEMENT

Morningside Asset Management

MORNINGSIDE ASSET MANAGEMENT 4Q 2024 QUARTERLY REVIEW

For Institutional Distribution Only

4Q 2024

SMALL CAP VALUE

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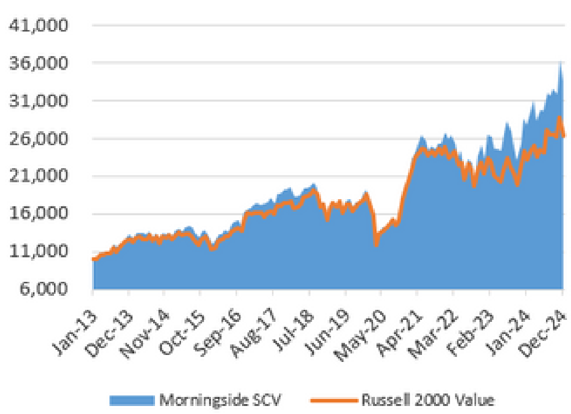
Since Inception Growth of $10k



PERFORMANCE

	QTD	YTD	1 Year	2 Year	3 Year	5 Year	10 Year	Since Inception
Morningside SCV (gross)	**3.12**	**17.18**	**17.18**	**20.11**	**7.80**	**11.93**	**9.54**	**10.72**
Morningside SCV (net)	**2.89**	**16.14**	**16.14**	**19.04**	**6.83**	**10.94**	**8.68**	**9.91**
Russell 2000 Value	-1.06	8.05	8.05	11.30	1.94	7.29	7.14	8.48
Russell 2000 Index	0.33	11.54	11.54	14.20	1.24	7.40	7.82	9.37
Alpha (Gross of Fee R2V)	4.18	9.13	9.13	8.81	5.86	4.64	2.40	2.24

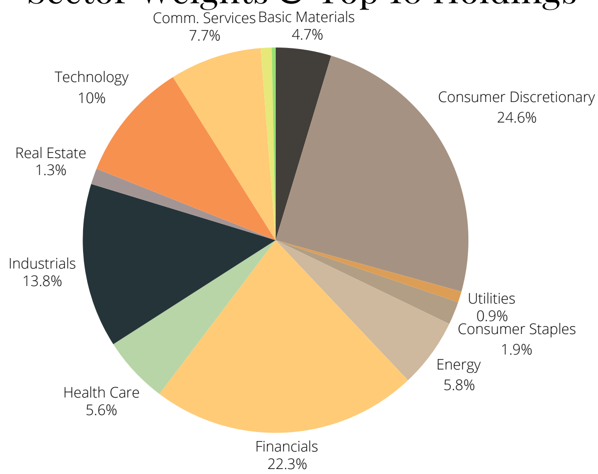
*Inception Date: 2/1/13
The above performance results are calculated on a total return, time-weighted, accrual basis and include all direct trading costs. Net of fees performance includes management fees only. The Russell 2000 Value Index is an unmanaged index used for benchmarking purposes. The performance 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.

Investment Review

The Morningside SCV portfolio outperformed its benchmark by 418 bps in the final quarter of 2024, ending the year up 17.18%, 913 bps ahead of the benchmark. This follows similar 2023 results, where the strategy returned 23.11%, beating its Russell benchmark by 846 bps. For the quarter, positive stock selection drove performance with the largest contributors coming from - Consumer Discretionary (Brinker International, Inc. & Lindblad Expeditions Holdings, Inc.) and Information Technology (Lumentum Holdings Inc.). Performance for the year was also led by strong stock selection in these two sectors with Modine Manufacturing Co., Hanesbrands Inc., and Coherent Corp. also contributing as annual standouts.

Large-cap stocks outperformed small-caps and growth outperformed value, both in the quarter and the year. Within large caps, growth has approximately doubled value's returns in 1, 3, 5, and 10-year performance periods, where we only see similar outperformance in the most recent 1-year period on the small-cap side. In fact, value outperforms growth in the 3 and 5-year periods and is within 100 bps in the 10-year period. It should be noted that our strategy has outperformed across all small-cap categories. We believe this is a testament to a core tenant of our investment philosophy, that buying higher quality companies trading at discounts to their intrinsic values should allow for superior results over market cycles.

Sector Weights & Top 10 Holdings



Characteristics	MAM	Russell 2000 Value	Russell 2000
Market Capitalization			
Weight Avg. ($MM)	$4,324.7	$2,866.3	$3,660.0
Median ($MM)	$3,709.5	$809.4	$998.0
Price/Earnings (Est.)	16.4x	19.6x	26.4x
Price/Earnings (ttm)	31.2x	41.3x	71.6x
Price/Book	2.4x	1.3x	2.1x
Dividend Yield	1.02%	2.16%	1.33%
Est. EPS Long-term Growth	13.17%	7.39%	13.80%
Return on Equity	4.22%	1.24%	1.65%
Active Share	97.60		

Security	Weight (%)
Lindblad Expeditions Holdings, Inc.	4.83%
Hanesbrands Inc.	4.81%
SLM Corp	4.72%
Ooma, Inc.	4.45%
Modine Manufacturing Co.	4.32%
Brink's Company/The	4.18%
Lumentum Holdings Inc.	3.54%
PROG Holdings, Inc.	3.36%
Cars.com Inc.	3.35%
Savers Value Village, Inc.	3.30%

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.

SMALL CAP VALUE

Quarterly Report

As We Prepare for the Sun Rise

The year was one of many driving themes from the continuation of AI's market dominance, to inflation and whether it was tamed or not, to when the Fed would cut and then how much and how many, and then last but not least, the outcome of the election. While each of these drive the shows on CNBC and create fodder for the pundits, we continued and continue to remain focused on what matters most to us: valuation, free cash flows and high quality companies trading at a 30% discount to their intrinsic values. This discipline allows us to ignore the "noise" and focus on staying true to our investment philosophy and process. Furthermore, as we have stated in the past, while we aren't in the market prognostication business, we do have some thoughts on the macro and geopolitical environment. We continue to see a reasonably strong economy with low unemployment, declining inflation, and a resilient, albeit somewhat stretched consumer. However, we remain somewhat cautious due to the uncertainty of tariffs, the potential for further geopolitical upheaval and a low-income consumer that continues to struggle. Without sounding like a broken record, we continue to remain encouraged on the outlook of small-cap stocks driven by a number of factors that we have discussed in the past (e.g., lower rates, declining inflation, M&A), but most importantly, due to the discount that they are currently trading relative to large-caps. While the headlines continue to espouse large-caps dominance, it continues to remain a few stocks that are driving the divergence. For reference, consider that while the S&P 500 returned 23.3% in 2024, without the "Magnificent 7," the return would have been 6.3%, and in 2023 while the S&P 500 returned 24.2%, without the Magnificent 7, the "S&P 493" returned 4.1%. Even with that, admittedly, this continued optimism reminds us of the "Peanuts" cartoon in which Lucy continues to pull the ball just as Charlie Brown is about to kick it. Nevertheless, we believe that one day small-cap will eventually "kick the ball" as we see a reversion to the mean.

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

Brinker International, Inc. (EAT) a leading casual-dining restaurant company operating 1,600 restaurants under the names Chili's Grill & Bar and Maggiano's Little Italy saw its stock price rise 206% in 2024 driven by continuing top and bottom-line beats to Street estimates. Brinker's management team, led by Kevin Hochman, has astutely navigated the inflationary food and labor cost environment and conducted a turnaround that has resulted in accelerated traffic trends that are well ahead of its peer benchmarks. With this momentum, we believe that management is on track to accomplish the strategic plan they laid out at its June 2023 analyst day. However, while we still believe there is room for margin improvement driven by the introduction of its targeted analytics marketing program, we have begun to reduce our position size as the discount to our intrinsic value price target has narrowed.

Coherent Corp. (COHR) is a leading provider of components that facilitate high-speed data transmission, 3-D sensors and is one of the leading silicon carbide wafer producers (used to make advanced chips for the EV market). The company saw its stock price appreciate 117% in 2024 driven by strong demand for its products from its hyperscaler and datacenter customers led by the demand for AI. Unlike its larger tech peers, Coherent still trades at a modest earnings multiple and we believe continues to trade at a very attractive discount to our intrinsic value price target.

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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 has seen its stock price rise 94% in 2024. Under the leadership of CEO Neil Brinker, the company's execution over the past couple of years has been nothing short of exceptional. The company's data center cooling product revenue has grown exponentially and this, coupled with expanding margins, has allowed Modine to delever its balance sheet and use their free cash flow to make accretive acquisitions, like that of Scott Springfield Manufacturing (SSM) which has given them access to several strategic end markets, including hyperscale and colocation data centers. In our Q4 2023 quarterly report, we wrote that even after being a top performer for the year (up 200% in 2023), based on our work, Modine continued to have considerably more upside as we believed (and still do) they were still in the early innings of their transformation. As intrinsic value investors, Modine is a company that we call a "compounder", meaning that it continues to meaningfully grow its free cash flows and thus its intrinsic value. Modine has proven itself to be one of these companies and we continue to believe that it trades at a significant discount to our intrinsic value price target.

National Vision Holdings, Inc. (EYE) the second-largest U.S. optical retailing company with well-known brands such as America's Best and Eyeglass World saw its share decline 50% in 2024 mostly driven by declining same-store sales (SSS) numbers throughout the year. The same-store sales declines were driven by the reduced traffic of lower-income consumers, a demographic that makes up a large part of their revenue mix. Since we have written about the stress on the low-income consumer in the past, this wasn't entirely surprising to us; nevertheless, we hoped the decline would have subsided. Regardless, we are encouraged that management has reduced the number of stores that they planned to open (originally 60-75 stores per year to 30-35 stores) to focus on increasing the profitability per store within their existing store base. In addition to this pivot, we remain encouraged with EYE's rollout of their remote exam technology which we believe should significantly improve productivity, profitability, and contribute to a return to the mid-to-high single digit same-store sales growth that they have experienced in the past.

Savers Value Village (SVV), a leading for-profit thrift operator in the U.S. and Canada, saw its shares decline 45% in 2024. The stock price decline was primarily due to management reducing earnings estimates driven by macroeconomic pressures in its Canadian business. While disappointed, we have been encouraged with its U.S. business which has shown positive same-store sales comparisons, and the U.S. is its main driver of growth and integral to our investment thesis. Throughout the declines, we have continued to add to our position and believe that long-term, patient investors will be rewarded as the company trades at a very attractive discount to our intrinsic value price target.

Wabash National Corporation (WNC), a leading North American designer and manufacturer of equipment for freight hauling whose products include dry and refrigerated van trailers, tank trailers and truck bodies, saw its stock price decline 32% in 2024. In the past, we have spoken of the moves that Wabash's management has made to put them in a much stronger financial and strategic position during the inevitable downturn. Unfortunately, the industry is currently experiencing one of those downturns and even the revamped Wabash has been unable to overcome the headwinds of the recession that the trucking industry is currently experiencing. It's during periods like this that patience is needed for long-term investors and we believe that Wabash trades at a significant discount to our intrinsic value price target and that it is attractively positioned when the industry begins to rebound.

SMALL CAP VALUE

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A key part of our investment process is to constantly stress-test our portfolio companies and our investment theses asking "how could we be wrong?" since, as we have stated in the past, we inevitably will be (more often than we care to admit). In conducting this process, we continue to feel good about the collection of "businesses" that we own and believe that the overall portfolio continues to trade at an attractive discount to its intrinsic value. Currently, the portfolio's average discount to intrinsic value is 29%, implying an average 44% upside (last year was 27% discount and 39% upside), which we believe presents an attractive long-term upside opportunity. As always, we thank you for the privilege that you have bestowed upon us. Stay safe, and we wish you good health in the New Year.