SHAKER investments

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SHAKER SMALL CAP GROWTH
First Quarter 2022

Dear Investor:

Investing did not get any easier during the second quarter of 2022. The Equity markets continued to face challenges, and it was particularly difficult for growth stocks. Inflation continued to trend higher and concerns about a recession are real. The Federal Reserve Bank focused on tapering inflation pushing through two interest rate hikes during the quarter. Will these monetary policy moves implemented by the FED keep us out of a recession? We don't know. Our investment team watches these macroeconomic indicators closely and uses this data to position our portfolios accordingly.

During corrections it is often difficult to see the positives, but as long-term investors there is an emerging bright side to the story. The negative returns incurred so far in 2022 have improved the outlook for returns over the next five years as investors are able to buy stocks at discounted valuations relative to what they were paying six months ago. Valuation metrics that correlate to future long-term returns, such as the equity risk premium and the implied cost of capital have become more attractive. As long-term investors, these near-term pullbacks often create opportunities, allowing Shaker Investments to focus on what we do best – invest in exceptional growth companies at favorable prices.

The Shaker Small Cap Growth Strategy (SCG) on absolute terms declined 14.54% in the second quarter, outperforming the US Small Cap Growth Index (USSGI) which declined 19.25%. Over the last 12 months, the SCG strategy was down on absolute terms 16.45% compared to a loss of 33.43% for the USSGI. We continue to remain focused on outperforming the index over the long-term.

The following is a summary of returns for the Shaker Small Cap Growth Strategy and selected indexes:

	3 Months Ending 06/30/22	12 Months Ending 06/30/222	3 Year Annualized Returns	5 Year Annualized Returns	10 Year Annualized Returns
Shaker Small Cap Growth	**-14.54%**	**-16.45%**	**15.85%**	**16.29%**	**13.16%**
Shaker Small Cap Growth (net)*	**-14.79%**	**-17.29%**	**14.71%**	**15.15%**	**12.05%**
US Small Cap Growth Index	-19.25%	-33.43%	1.40%	4.80%	9.30%
US Small Cap Index	-17.20%	-25.20%	4.21%	5.17%	9.35%

**returns are preliminary and net of 1% management fee and expenses.*

2Q Portfolio Update

Few areas of the market were spared from the selloff in equites during the second quarter. The SCG was no exception as the market sold off many of the higher valuation growth stocks, similar to what we saw in the first quarter. We continued to maintain a concentrated portfolio and focus on position sizing as we did not want to be over-exposed to a correction in any one sector. At quarter end, the top ten positions comprised 32.8% of the portfolio with no individual position size, other than cash, greater than 5%. Typically, the portfolio is more concentrated and as our conviction level in individual companies rise, we are positioned to return to these levels.

As discussed earlier, we remain cautious and during the quarter initiated just one new position, NiSource Inc. (NI). NI operates as a fully regulated utility company providing natural gas and electricity in the Midwest. We like the balance sheet, and it is a utility we have monitored for a while that is growing faster than peers.

The top absolute contributors during the quarter were Ollie's Holdings (OLLI) and LCI Industries (LCII).

OLLI operates as an off-price retailer with 450 stores in 29 states. The business takes advantage of unsold and overstocked inventory that it acquires in bulk from retailers at discounted prices. During recessions and slower periods of growth, the consumer trade down drives traffic to OLLI. We have owned this name for a little over year and added to the position during the quarter.

LCII is a manufacturer and supplier of components for the RV industry. The company operates two segments, original equipment (OEM) and aftermarket (replacement parts). We started acquiring the stock in early 2020 as we saw the shift in consumer vacation and travel patterns during COVID-19. The firm has been growing revenue and earning consistently over the last three years.

We continue to like many of the names in the portfolio and added to several positions as stocks pulled back to lower levels. We added marginally to Alarm Holdings (ALRM), Amphastar Pharmaceuticals (AMPH), Callon Petroleum (CPE) and Euronet Worldwide (EEFT).

Our largest detractors during the quarter were long-time holdings Dexcom (DXCM), Axos Financial (AX) and The Trade Desk (TTD). All three of these stocks remain core holdings.

AX provides consumer and business banking products and is a leader in internet banking. We have met and know the management team well and believe in its long-term strategy. We have owned the stock since 2014 and it remains a core holding.

DXCM is a leader in the diabetes industry and is a name we have owned for eight years. We have been pairing back the position as the company has continued to grow and expand. Our research team has spent considerable time researching the diabetes industry and we have made several profitable investments in this space.

TTD is a technology company that provides a self-service cloud-based platform that helps clients to create, manage and optimize data-driven digital advertising. The company has seen rapid growth as companies remain focused on data to drive adverting decisions. The stock traded down as it trades at a high multiple typical of faster growing stocks. It remains a core holding, and we feel it will perform well as the market corrects.

We eliminated a position in TD Synnex (SNX), a stock we had owned for a little over three years. SNX is a provider of business process services in the United States and internationally. While we like the company, it had hit our price target and is a name we would purchase again at a lower valuation.

Small Cap Growth Outlook

The outlook for economy is uncertain. Currently, the U.S. does not appear to be in a recession, despite preliminary estimates of negative real GDP growth in the first and second quarters of 2022. Unemployment is low and job openings are almost twice the number of people seeking work.

Small cap investing remains challenging but the opportunity in small cap investing remains attractive. With just over 2,000 publicly traded small cap companies, there are businesses to be looked at in every sector and every industry. Valuation in small cap stocks have become more attractive. Our growing research team spends all of their time looking for high-quality, small cap companies that meet the characteristics important to Shaker Investments. The best small cap companies provide growth potential relative to mature companies. Pullbacks like this require patience and a trust in one's long-term investment process.

We appreciate your investment alongside ours and look forward to updating you on our views and performance in the future.

Sincerely,

The Shaker Investment Team

Disclosure: Past performance is not indicative of future performance. It should not be assumed that any investment or strategy discussed in this publication will be equally profitable in the future. Investment in this strategy carries risks, including loss of principal. There is no guarantee that any specific investment strategy will be suitable or profitable. Investments in smaller companies may be riskier, less liquid, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. The strategy's overall return is a composite of clients' separately managed account returns. Some clients' investment returns were more or less than the overall strategy return. Not all our client's returns surpassed the benchmark and the strategy is more concentrated than the benchmark. The index performance information in the table is based on public information which we believe to be accurate but have not been verified.

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