

## Q3 2025 Quarterly Commentary

By Nathan Fredrick, CFA

### Strategy Overview / Performance Summary

The Micro Opportunities Strategy delivered solid absolute returns in the third quarter of 2025 but trailed its benchmark as we did not keep pace with the market's strong rally in lower-quality, high-beta stocks.

Similar to previous periods, we navigated a backdrop of heightened macro uncertainty. Global trade and tariff negotiations remained fluid, though investor attention shifted toward the bullish narrative surrounding artificial intelligence and its transformative growth potential. Given the unpredictability of these developments, we continue to favor a disciplined, flexible approach—maintaining a focus on quality companies while positioning to take advantage of market dislocations.

Encouragingly, we are identifying a growing number of companies with strong sales and earnings trajectories heading into 2026—names that we believe will lead performance once fundamentals, rather than speculation, begin to drive market returns again.

### Sector Highlights

The **Materials** sector was our strongest performer this quarter, driven by our continued investments in the uranium and nuclear power theme. **Uranium Royalty Corp** (UROY) was our top contributor, as uranium prices strengthened and nuclear power gained momentum as a clean energy solution for AI data centers. This positioning reflects our long-standing conviction that nuclear energy will play a critical role in meeting the exponential growth in power demands from artificial intelligence infrastructure.

Within **Financials**, we maintained an overweight position, particularly in community banks that stand to benefit from an eventual steepening of the yield curve and improving net interest margins. **Coastal Financial Corporation** (CCB) remained a top holding, though we trimmed our position during the quarter to harvest gains and manage exposure. We continue to see attractive risk-reward dynamics within the banking sector, especially for well-capitalized institutions with strong deposit franchises and disciplined lending practices.

The **Industrials** sector delivered mixed results. While we continue to see opportunities in companies exposed to reshoring trends and domestic manufacturing, some holdings faced near-term headwinds. **Mayville Engineering**

**Company (MEC)** was among our detractors, as customer demand softened in certain end markets. Despite this near-term weakness, we remain confident in MEC's long-term positioning to benefit from the ongoing reshoring of manufacturing to the United States.

Our **Healthcare** holdings delivered solid contributions, led by **Iradimed Corp** (IRMD). IRMD's MRI-compatible devices have gained market share, and the company's strong recurring revenue model and excellent returns on invested capital make it an ideal fit for our quality-focused approach. We continue to view medical technology as a compelling subsector offering combining long-term growth opportunities with reasonable valuations.

We maintained a tactical underweight in **Consumer Discretionary**, reflecting our concerns about consumer spending as excess pandemic savings have been depleted and credit conditions tighten. While we continue to identify select opportunities in this sector, we believe a cautious approach is warranted given the challenging macroeconomic backdrop for consumer-facing businesses.

### Top Contributors & Detractors

#### Top Contributors

**Uranium Royalty Corp** (UROY) outperformed in the third quarter as accelerating global momentum toward nuclear power and surging uranium prices fueled investor enthusiasm across the sector. With spot uranium climbing into the high \$70s low \$80s per pound range and term prices following higher, market sentiment strengthened around the long-term supply deficit and nuclear energy's role in clean, reliable baseload generation. Unlike traditional miners, UROY benefits from these price tailwinds without assuming operational or capital risk, as its royalty model provides pure exposure to uranium revenues from third-party producers. The company holds interests in several premium projects, including royalties on Cameco's McArthur River and Cigar Lake mine—some of the most strategic assets in the uranium industry. This combination of structural leverage to uranium's bull market, zero mining risk, and a growing portfolio of world-class royalties positions UROY as one of the most efficient and low-risk vehicles for investors seeking long-term exposure to the nuclear energy resurgence.

## Top Detractors

**Delcath Systems** (DCTH) is a commercial-stage oncology company focused on liver-directed cancer therapies. Its proprietary Hepzato Kit delivers high-dose chemotherapy directly to the liver while minimizing systemic exposure, allowing for targeted treatment of metastatic cancers that primarily affect the liver. The therapy is currently approved for ocular melanoma with liver metastases, with ongoing trials such as CHOPIN including first-line use, and exploring its potential in broader indications.

DCTH underperformed in the third quarter after a strong start to the year that saw the stock rally sharply on optimism surrounding its commercial launch and expectations for the upcoming CHOPIN trial results. Shares have since come off their highs as investors digested near-term headwinds, including pricing pressure tied to a higher mix of Medicaid patients and a slower-than-expected pace of site activations—though management remains on track with its rollout goals. Sentiment was further weighed down by uncertainty ahead of the CHOPIN data expected in October and by some market noise related to potential readouts from a competing therapy. Despite the recent volatility, we continue to like the name given its growing procedural volumes, improving revenue visibility, and the potential for strong CHOPIN results to expand use into first-line metastatic liver-directed therapy. With a clear clinical catalyst ahead and a differentiated treatment platform, Delcath remains one of the more compelling small-cap biotech stories heading into year-end.

## Strategy Additions & Sales

### New Positions

We initiated positions in three new companies during the quarter, each offering compelling risk-reward characteristics and strong alignment with our quality-focused investment approach.

**Avidia Bancorp** (AVBC) is a Boston- and Worcester-based community bank with \$2.9 billion in assets and 10 branches, offering a full range of personal and business banking services, including deposits, residential mortgages, C&I and CRE lending, as well as investment services through LPL Financial. A standout feature of the bank is its growing payments processing business, which serves more than 17,000 small merchants and provides both non-interest income and a source of low-cost deposits. AVBC has a strong capital base with a TCE/TA ratio of 12%, an attractive deposit mix with 81% core deposits, and a well-diversified loan book that includes niche strengths in condo association lending and dental practice financing.

The bank recently completed its mutual-to-stock IPO conversion, pricing at just 58% of tangible book value, well below peers that trade closer to 130%, creating significant valuation upside. With experienced leadership, insider ownership of over 25%, and EPS projected to ramp meaningfully from \$0.09 in FY25 to \$1.11 in FY26, AVBC offers investors an appealing combination of deep value, franchise strength, and growth potential in one of the wealthiest and most stable banking markets in the U.S.

Incorporated in Israel in 1996, public on the Nasdaq since 2006, and dually-listed in Tel-Aviv in 2010, **Allot (ALLT)** offers network security as a service (SECaaS-Allot Secure 360) and network intelligence solutions (AllotSmart) to communications service providers (CSPs) and enterprises worldwide. ALLT's multi-service platforms are deployed by over 500 mobile, fixed, and cloud service providers and over 1000 enterprises. Its industry-leading network-native security-as-a-service solution is already used by many millions of subscribers globally. ALLT serves over one billion service providers and enterprise network users across 100 countries, and 25% of Fortune 500 companies are its customers.

ALLT can disrupt the security market for individuals and small businesses via its customer base of communications service providers (CSPs), which serve as a channel to deliver enterprise-grade cybersecurity solutions seamlessly and transparently to customers. Its security-as-a-service (SECaaS) business is growing above 50% and is now 20% of revenue.

For the full year 2024, ALLT achieved a pivotal financial turnaround by returning to profitability and generating positive free cash flow. The company reported pro forma net income of \$1.6 million, swinging positively from its \$53.3 million loss in 2023. Also, the company's product mix shift toward security and cost discipline vastly improved margins and reduced cash burn, leading to \$4.8 million in operating cash flow and significant operating leverage in 2024. We believe that ALLT's unique technology platform combined with its commercial strategy to offer its SECaaS make it a unique opportunity in the security software space.

**American Vanguard Corporation** (AVD) is a diversified specialty and agricultural products company. AVD manufactures and formulates chemicals for crops, turf and ornamental plants, and human and animal health protection. Despite serving essential markets with recurring demand characteristics, AVD has traded at depressed valuations due to concerns about agricultural market conditions and regulatory pressures. However, we believe the market has overreacted to near-term headwinds. AVD's diversified product portfolio, strong customer relationships, and

international presence provide multiple avenues for growth. AVD has recently hired a new CEO to help turn around the business by going after low hanging fruit. The company has taken aggressive actions to improve operational efficiency and reduce costs, which should drive margin expansion as revenue stabilizes. We view AVD as an undervalued asset with significant upside as agricultural markets recover and operational improvements flow through to earnings.

#### Position Exits

**Aris Water Solutions (ARIS)** was sold after the company was bought out by another midstream company. This exit reflects our disciplined approach to capital allocation and willingness to harvest gains or cut losses when circumstances warrant.

#### Outlook

Looking ahead, we remain optimistic in our strategy's positioning and the favorable risk-reward dynamics within the micro-cap universe. Persistent macroeconomic volatility and sector-specific disruptions continue to create

opportunities to uncover fundamentally strong yet undervalued businesses. While momentum-driven rallies in lower-quality names may persist near term, we believe that disciplined focus on balance sheet strength, cash flow visibility, and valuation will ultimately reward long-term investors.

Our conviction remains that quality and fundamentals, not speculation, will drive sustainable returns as market conditions normalize.

Thank you for your trust and confidence and please reach out with any questions.



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Portfolio Manager

*(Disclosures and strategy largest contributors and detractors on next page).*

**Micro Opportunities Strategy**  
 Largest Contributors and Detractors – Q3 2025

**5 Best - Absolute Contribution**

Ticker	Company	Average Weight	Contribution
UROY	Uranium Royalty	3.50%	208 bps
NPXI	Npk International	4.60%	139 bps
IRMD	Iradimed	5.92%	122 bps
MAMA	Mama's Creations	3.96%	96 bps
TILE	Interface	2.29%	81 bps
<b>Top 5 Total</b>		<b>20.27%</b>	<b>646 bps</b>

**5 Worst - Absolute Contribution**

Ticker	Company	Average Weight	Contribution
DCTH	Delcath Systems	2.62%	-92 bps
MEC	Mayville Engineering Co	3.80%	-62 bps
BDC	Miller Industries	2.96%	-29 bps
UTL	Unitil	3.30%	-29 bps
ABEO	Abeona Therapeutics	2.50%	-22 bps
<b>Top 5 Total</b>		<b>15.18%</b>	<b>-234 bps</b>

**Disclosures:**

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