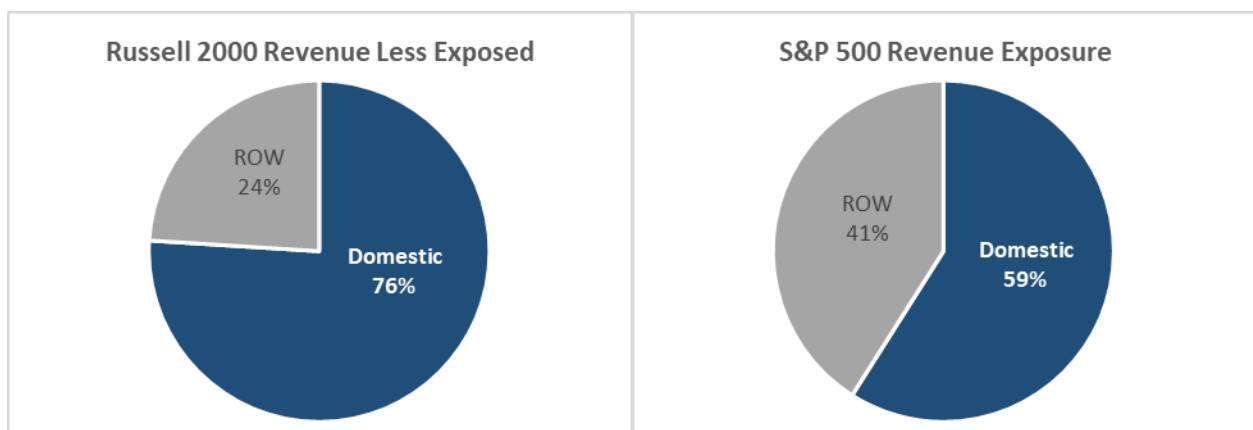


Managing Tariff Risks With Small-Cap Value

The Trump Administration’s tariff program and escalating global trade tensions pose significant risks to the growth and profits of multinational companies’ global sales and supply chains. As a proxy for economic exposure, consider that Russell 1000 derives about 40% of revenue outside the U.S. compared to about 25% for the Russell 2000. For institutions and individual investors seeking to reposition portfolios away from tariff risks, **allocating to a small-cap value strategy like Ballast’s can provide an attractive hedge against tariff and trade volatility.**

- **Reduce Exposure to Large-Cap Multinationals**, which dominate the S&P 500 and face potential headwinds from higher import costs, reduced export competitiveness, increased operational uncertainty and currency headwinds.
- **Increase Exposure to US Small-Caps**, which have more domestically oriented revenues and supply chains. A domestic focus also reduces planning and operational uncertainty. If tariffs spark faster inflation, it should benefit small-cap value as it did during the seventies and the COVID-19 inflation.
- **Favor Quality Over Speculation and Indexing**: Small-caps, and small-cap value indexes in particular, tend to be riskier than large. For example, 30%-35% of the Russell 2000 Value companies are zombies – that is, they have poor prospects and too much debt to both pay interest and reinvest for growth.



Source: Citi Global Wealth Investments

Ballast’s small-cap value strategy has portfolio fundamentals as strong or stronger than the S&P 500’s with only about 20% overseas exposure and lower valuations. Our focus is on companies with high free cash flow, low leverage, great management and strong prospects. Ballast’s all-weather approach to stock selection and portfolio construction has generated consistent excess returns net of fees and is uniquely positioned to thrive amidst rising tariffs and trade risks.

Why Tariffs Hurt Large-Caps More Than Small-Caps

Historically, U.S. tariffs have had a significant impact on multinational corporations, particularly those relying on global supply chains and export markets. A second Trump administration could bring:

- **Higher Import Cost** → Imported components and retail goods pressure manufacturing and retailer margins if not passed through. Imports account for nearly 12% of GDP, concentrated in industries that benefit from scale and are dominated by large-caps, see the table below. For company examples, nearly 75% of General Motors' top 20 suppliers are based outside the United States and only 42% of Walmart's supplier facilities are in the United States.
- **Retaliatory Tariffs** → U.S. exporters lose competitiveness relative to local firms if they must pay import tariffs to access overseas markets. Sectors with significant exports include technology, industrial goods, healthcare and large consumer brands. Exports account for about 7.5% of GDP, also in industries dominated by large-cap companies.
- **Trade Uncertainty & Earnings Volatility** → All multinationals must navigate shifting trade regulations. For manufacturers and importers, reworking a multinational supply chain is time-consuming and costly. Uncertainty and disruption make optimizing for cost efficiency much more difficult.
- **Stronger Dollar** → The second-order impact of tariffs is likely competitive currency devaluation from exporting nations. A strong USD creates two problems for exporters. First, the potential mismatch of costs in one currency and revenue in another can undermine a firm's competitiveness in mismatch regions. Second, even if costs and revenues are matched, when the USD is strong, foreign earnings translate back to fewer dollars, slowing earnings growth.

Exports	Billions	Share	Imports	Billions	Share
Machinery*	\$434	22%	Machinery*	\$923	29%
Oil, Mineral Fuels	\$323	16%	Vehicles	\$381	12%
Vehicles	\$153	8%	Oil, Mineral Fuels	\$267	8%
Chemicals & Plastics	\$130	6%	Pharma	\$178	6%
Air and Spacecraft	\$125	6%	Chemicals & Plastics	\$139	4%
Medical & Technical Apparatus	\$105	5%	Medical & Technical Apparatus	\$118	4%
Pharma	\$90	4%	Furniture, Lighting, Bedding, etc	\$69	2%

* Includes electrical equipment and computers

Source: U.S. Census Bureau

Ballast Portfolio: Superior Fundamentals, Better Value, Less Tariff/Trade Risk

Ballast’s small-cap value strategy has consistently **outperformed the Russell 2000 Value** by identifying businesses with durable free cash flow and strong competitive positions. **Annualized Alpha after fees** is +250bps since inception, +530bps over the last 5 years.

Performance		Yearly Returns						Annualized Returns*				
		2018	2019	2020	2021	2022	2023	2024	LTM	3 Yrs	5 Yrs	Inception
Ballast Portfolio ¹	Gross	-2.2%	16.1%	12.5%	41.8%	-13.3%	18.6%	14.7%	14.5%	6.6%	16.7%	12.3%
	Net	-3.2%	15.0%	11.4%	40.4%	-14.2%	17.4%	13.5%	13.4%	5.5%	15.6%	11.1%
Russell 2000 Value ²		-12.8%	22.4%	4.6%	28.2%	-14.5%	14.6%	8.1%	7.6%	2.8%	10.3%	8.6%
Alpha (net of fees)		9.6%	-7.4%	6.8%	12.2%	0.3%	2.8%	5.4%	5.8%	2.7%	5.3%	2.5%

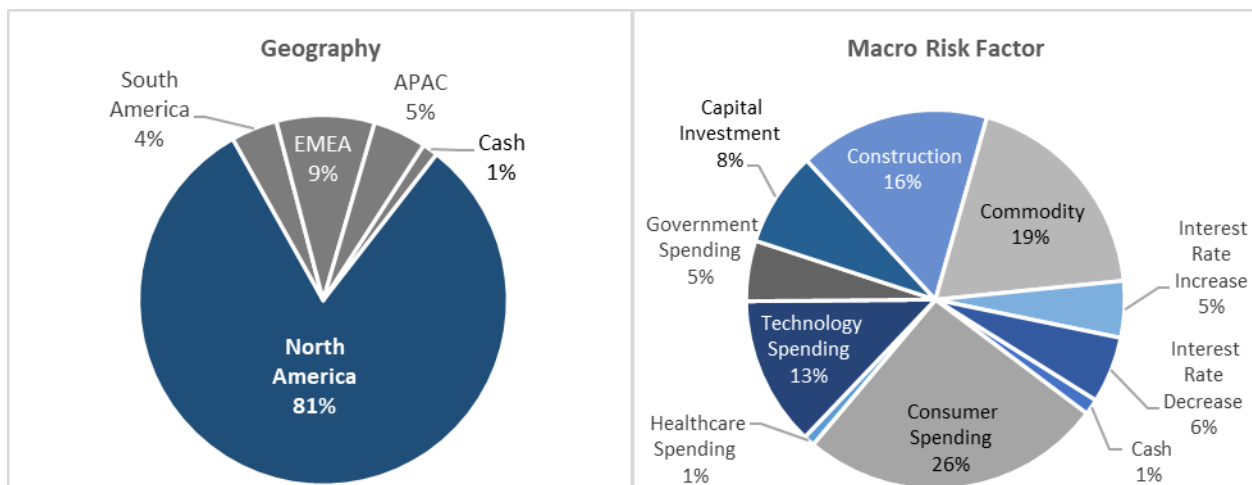
*Annualized LTM, 3-Year, 5-Year and from Inception returns reported through 2/28/25

Compared to the S&P 500, Ballast’s portfolio has historically offered **faster growth, higher returns** on investment and **lower debt** burden at **about 60% cheaper** valuation multiples. Forward multiples use Bloomberg consensus estimates.

	Ballast	R2000V	S&P 500		Ballast	R2000V	S&P 500
Sales Growth (ntm)	9.7%	6.4%	5.7%	Free Cash Flow Yield	5.7%	0.9%	3.0%
Return on Assets	6.1%	0.1%	4.1%	Price/Book	3.0x	1.3x	5.1x
Return on Inv. Cap.	12.2%	0.3%	8.3%	Price/Cash Flow	12.0x	4.1x	20.4x
Net Debt / EBITDA	1.1x	4.8x	1.4x	P/E (ntm)	16.9x	19.8x	22.1x
Total Debt / Equity	85%	100%	111%	EV/EBITDA (ntm)	8.5x	10.8x	14.6x

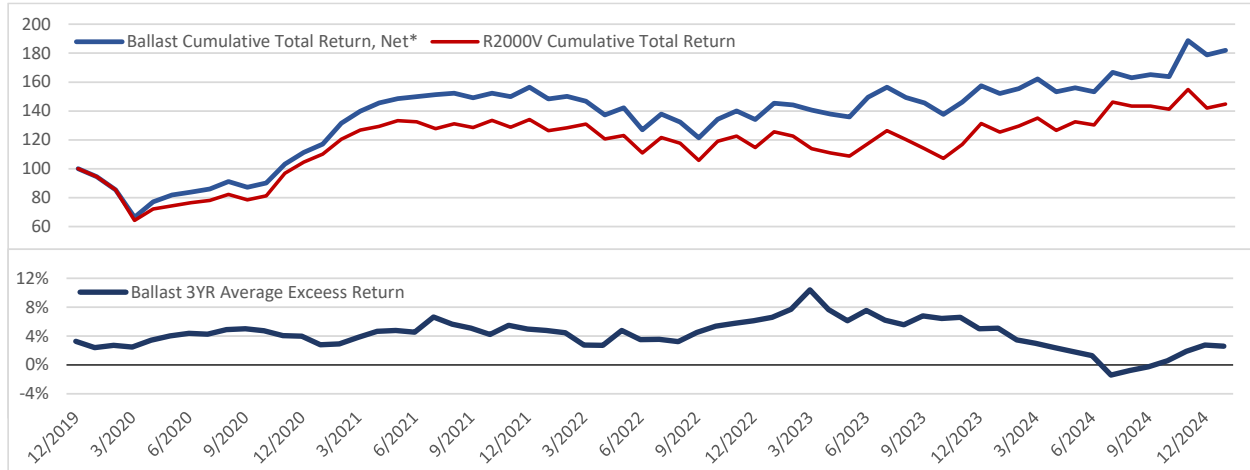
Source: Bloomberg, Ballast position-size weighted average calculations, as of 2/28/25

Approximately 80% of Ballast’s portfolio revenue is derived from the U.S. More importantly, it is not particularly exposed to any of the large import/export categories. For instance, it does have a significant weight in energy but the vast majority of this is produced and consumed domestically.



Source: SEC Filings, Ballast Risk Model computations

Ballast's Small-Cap Value Strategy has consistently added value after fees



Source: Ballast Asset Management as of 2/28/2025

Conclusion: A Strategic Shift for a New Market Cycle

As tariff policies continue to evolve, investors need a forward-looking allocation strategy that minimizes global trade risk while capitalizing on domestic growth opportunities. Ballast's disciplined small-cap value approach –focusing on high-quality, cash flow-generating companies with lower export exposure–can represent an ideal solution in this changing market environment.

For long-term investors seeking resilience, alpha generation, and protection against trade volatility, Ballast's strategy provides a compelling case for increasing small-cap value allocations.

Important Notes and Disclosures

The investment decisions we make for clients' accounts are subject to various market, economic, and other risks, and there is no guarantee that those investment decisions will always be profitable. Clients are reminded that investing in any security entails risk of loss, which they should be willing to bear. The past performance of the firm or its principal is no guarantee of future results.

Some information contained in this communication was obtained from third-party sources. While these sources are believed to be accurate, that information has not been independently verified.

¹Account returns are presented both gross and net of management fees. All account returns are net of transaction costs and gross of non-reclaimable withholdings taxes, if any, and reflect the reinvestment of dividends and other earnings. Monthly composite returns are calculated by weighting each account's monthly return by its relative market value. All returns are expressed in US dollars. **Past performance does not guarantee future results.**

The gross performance results presented do not reflect the deduction of investment advisory fees. Actual returns will be reduced by such advisory fees and other expenses as described in the individual contract and, where applicable, Form ADV Part 2A.

Net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite but do reflect the deduction of a model investment advisory fee of 1.00%, which is the maximum advisory fee rate in effect for the respective time period. Actual advisory fees may vary among clients invested in the strategy. Returns for each client will be reduced by such fees and expenses as described in the individual contract and, where applicable, in Form ADV Part 2A.

²The Russell 2000 Value Index measures the performance of the smallcap value segment of the US equity universe includes those Russell 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 years) growth and lower sales per share historical growth (5 years).

This presentation contains "forward-looking statements" which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Because such forward-looking statements involve risks and uncertainties, actual results of Ballast Asset Management may differ materially from any expectations, projections, market outlooks, estimates or predictions (collectively, "Predictions") made or implicated in such forward-looking statements, and all Predictions contained herein are subject to certain assumptions. Other events which were unforeseen or otherwise not taken into account may occur; these events may significantly affect the returns or performance of any investment strategy. Any Predictions should not be construed to be indicative of the actual events which will occur.