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EARNEST Partners SMIDV
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Presenters

Patmon Malcom, CFA
Partner

Mr. Malcom is responsible for product management at EARNEST Partners. Prior to joining EARNEST Partners, he worked for JPMorgan Chase in New York. He was a member of the Global Investment Bank providing corporate finance coverage to natural resource companies. He is a graduate of the United States Military Academy at West Point and holds an MBA from Emory University, where he was a Donald Keough Scholar. Mr. Malcom led the Varsity Football team at West Point in scoring for three consecutive years. In his senior year, he was named the "Chevrolet Player of the Game" in the annual Army-Navy game. He also served as a helicopter pilot in the United States Army for more than seven years, an experience that included commanding a Blackhawk Helicopter Company along the demilitarized zone between North and South Korea. Mr. Malcom is a member of the CFA Institute and the CFA Society Atlanta.

Pavel Sokolov, Ph.D., CFA
Director

Dr. Sokolov is a member of the investment team at EARNEST Partners. Prior to joining EARNEST Partners, he specialized in interest rate risk modeling, credit research, liability modeling, and evaluation of new bond issues for various financial institutions. His experience also includes an analyst role where he evaluated balance sheet strength, cash flow generation, return on invested capital and other metrics on corporate entities for trading strategies at a broker-dealer firm. Most recently, he was a managing director, risk officer and portfolio manager at a global tactical asset allocation firm. He is a former winner of the Russian regional Olympiads in Mathematics, Physics and Chemistry. Dr. Sokolov completed his undergraduate studies in Russia, holds an MBA in Finance from the UCLA Anderson School of Business, and a Doctorate in Engineering from Cleveland State University. He is a CFA charter holder and a member of the CFA Society Atlanta. Dr. Sokolov is fluent in Russian.

Equity Market Overview

Global equities were generally negative in the third quarter of 2022 as investors continued to be wary of risk assets in the wake of continued supply chain disruptions, geopolitical instability and a firm posture by the U.S. Federal Reserve. The S&P 500® fell 4.9% during the quarter, and the U.S. large cap market, as represented by the Russell 1000® Index, fell 4.6%. The U.S. midcap market, as represented by the Russell Midcap® index, fell by 3.4%. Small cap equities, as represented by the Russell 2000®, were down 2.2%. International equity markets, as represented by the MSCI ACWI ex-U.S.® Index, fell by 9.8%. Emerging markets underperformed developed markets as the MSCI Emerging Markets Index declined by 11.4%, while the MSCI EAFE fell by 9.3% during the quarter.

During the first part of the quarter, global equities sharply rebounded from June lows as initial U.S. inflation readings came in lower than anticipated and global supply-chain bottlenecks waned. However, August's CPI reading came in hot, re-igniting fears that the Fed would continue to raise rates to keep inflation in check. Higher rates are especially threatening to high-growth sectors of the market such as Consumer Discretionary and Information Technology as these segments derive much of their valuation from expectations of future earnings rather than current cashflows. Additionally, they are heavily reliant on external financing and rising rates make it increasingly difficult for them to borrow on favorable terms. Despite the continued rate path of "higher for longer", growth stocks generally fared better than value stocks during the quarter, although they have been the worst performers year-to-date and cashflow producing sectors such as Energy, Utilities and Consumer Staples performed better. Despite the uncertainty within sectors of the equity markets, the labor market continued to show strength as the unemployment rate hovered at a near record-low reading of 3.7%.

Investors continued to focus on the posture of the Federal Reserve, which was expected to increase the federal funds rate to stave off generationally high inflation numbers. Following CPI readings of 9.1% in June, 8.5% in July, and 8.3% in August, the Fed reacted by hiking rates by 75 bps for three months in a row to bring the Fed Funds Rate to the range of 3.00% to 3.25%. Fed chair Jerome Powell has been consistent in stating that fighting inflation is the central bank's main priority following the increased CPI readings and continued to acknowledge that engineering a "soft landing" would be difficult, unwilling to stray from the Fed's goal of 2% inflation and maximum employment. The central bank is now projecting a Fed Funds Rate between 4.1% and 4.4% at the end of the year, indicating that it expects to continue to hike rates through December. Previously in June, the Fed estimated the rate to hit 3.4% at the end of this year. Over the long-term, the Fed is projecting a rate of 2.5%, in-line with its long-term PCE inflation projections of 2.0%.

Following the Federal Reserve's indications that it would continue increasing rates, the Dollar saw renewed strength against the basket of global currencies. As a result, the Pound, Euro, and Yuan significantly weakened against the U.S. Dollar, which weighed on international equities during the quarter. Following the sell-off in the Pound to a record low against the U.S. Dollar, the Bank of England immediately restarted bond purchases to stabilize the currency which has fallen from over $2 in 2007 to about $1.10 at the end of the quarter. Commodities continued to trend down following chaotic trading in the wake of the Russian invasion in Ukraine in February, although continental Europe faces the conundrum of heading into winter without energy security. Lumber futures hit pre-pandemic lows and Crude Oil traded just above where it began the year to about $79 per barrel.

Fixed income markets continued to experience one of their worst years on record as the Bloomberg Aggregate fell by about 5.0% during the third quarter, to finish down nearly 15% year-to-date. The yield curve continued to shift up and demand for government bonds decreased as the Fed continued to hike short-term rates. At the long end of the curve, the 30-year rose by about 50 basis points to finish the quarter at about 3.7%, well off last year's lows, but indicating that investors continue to expect low to moderate long-term growth and inflation despite recent CPI readings, although these rates are still low compared to historical standards.

EARNEST Partners Small/Mid Cap Value Portfolio Review

The U.S. small/mid cap equity market, as represented by the Russell 2500® Value Index, saw contraction in the third quarter down more than 4%. After gaining more than 15% through the first 7 weeks of the quarter, the Index posted negative returns in 6 of the following 7 weeks to finish the quarter in negative territory. 10 of the 11 sectors in the Index generated negative returns for the quarter as the market continued to react to inflationary pressures, a rising interest rate environment and sustained geopolitical concerns. Energy and Industrials were the best performing sectors in the Index while Real Estate and Communication Services were the worst performing sectors. More than 1,700 bps of dispersion separated the best performing sector, Energy, from the worst performing sector, Real Estate. Despite the broader Index contraction, the EARNEST Partners Small/Mid Cap Value strategy was able to protect to the downside and outperformed the Index, net of fees. Relative outperformance was largely due to favorable stock selection notably in the Information Technology, Financials and Consumer Discretionary sectors. The EARNEST Partners Small/Mid Cap Value strategy outperformed the Index, net of fees, by nearly 300 bps for the quarter and has now outperformed the Index, net of fees, by more than 350 over the trailing 1, 3 and 5-year periods. Past performance is not a guarantee of future results. Performance data is preliminary.

Contributing to performance was Flex. Flex provides technology innovation, supply chain and manufacturing solutions to a diverse group of industries and end markets including the automotive, industrial and energy industries. Flex shares gained more than 15% in the quarter as investors rewarded the company for delivering favorable results across nearly all segments of the business. Flex reported revenue and earnings the beat consensus estimates and exceeded the high end of management's guidance with noted strength in EV charging, energy storage and renewables segments. Flex is well positioned to continue to grow earnings long term. The company continues to evolve its business model by reducing exposure to lower margin and higher volatility segments like consumer technology and pivoting towards higher margin, longer life cycle products. This has created better visibility into future earnings periods and is expected to accelerate both revenue growth and margin improvements, all of which bode well for investors.

Advanced Energy Industries, Inc. ("AEIS") designs, manufactures, sells, and supports precision power conversion, measurement and control solutions worldwide. It offers products used in complex semiconductor and thin film plasma processes such as dry etch, high and low voltage applications, analytical instrumentation, and medical equipment. Shares in AEIS gained more than 9% for the quarter as company generated near record levels of earnings per share, topping the high-end of management's guidance range. The company benefitted from the recent acquisition SL Power along with an improving supply chain backdrop. AEIS is well positioned to continue to benefit from the demand for smaller, more sophisticated semiconductor chips. The company continues to gain market share as technical specifications on power supplies become more stringent. AEIS is also benefitting from a highly fragmented market where AEIS has proven its ability to execute strategic acquisitions. Robust free cash flow will continue to support its R&D, acquisitions and share buyback programs, all of which bode well for shareholders.

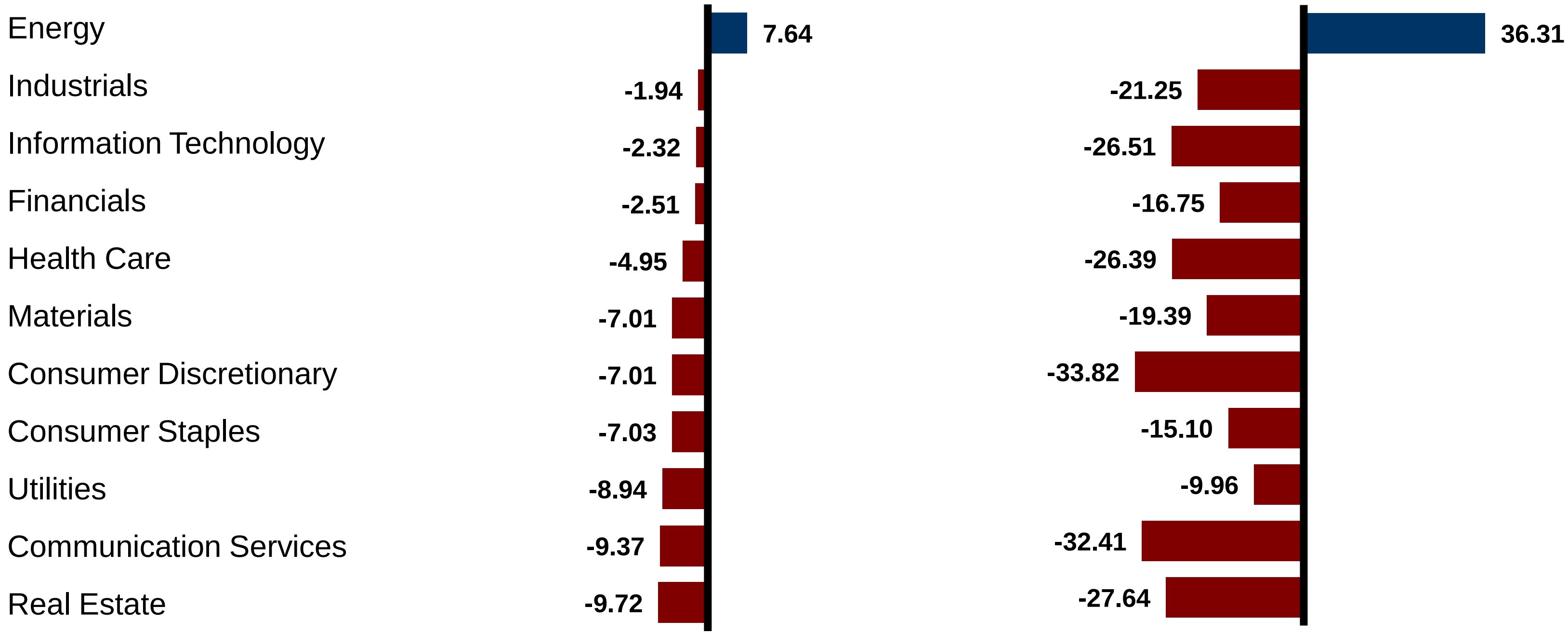
Detracting from performance was Masco Corporation, a leading designer, manufacturer and distributor of home improvement and building products. The Company's segments include Plumbing Products and Decorative Architectural Products. The company manufactures and distributes its products worldwide. Despite second quarter sales increasing 8% year-over-year, shares were down more than 7% in the quarter as operating margins contracted due to higher supply chain costs. The company also felt the impact of foreign exchange headwinds as part of its global exposure. With sustained supply chain and foreign exchange headwinds, management cut its prior 2022 guidance. Despite the near-term headwinds, management's singular focus on the plumbing and decorative products segments bodes well for shareholders. After exiting the window and cabinet businesses through sale, the remaining business lines, plumbing and decorative products, represent higher margin and more stable businesses. Continued market share gains combined with improved operational efficiencies are expected to supersede the transient headwinds the company currently faces.

Equity Market Overview

Equity Market Performance By Sector

Russell 2500® Value Index
3rd Quarter 2022 Returns
Percent

Russell 2500® Value Index
YTD Returns
Percent



Performance

	Total Portfolio (Gross)	Russell 2500® Value Index	Excess Return (Basis Points)
3rd Quarter	-1.29%	-4.50%	321
1 Year	-10.62	-15.35	473
3 Years	10.60	4.52	608
5 Years	8.71	3.79	492
10 Years	12.36	8.41	395

All returns stated for twelve months and longer are annualized

Sample Holdings

Advanced Energy Industries

- Advanced Energy Industries, Inc. ("AEIS") designs, manufactures, sells, and supports precision power conversion, measurement and control solutions worldwide. It offers products used in complex semiconductor and thin film plasma processes such as dry etch, high and low voltage applications, analytical instrumentation, and medical equipment.
- Shares in AEIS gained more than 9% for the quarter as company generated near record levels of earnings per share, topping the high-end of management's guidance range. The company benefitted from the recent acquisition SL Power along with an improving supply chain backdrop.
- AEIS is well positioned to continue to benefit from the demand for smaller, more sophisticated semiconductor chips. The company continues to gain market share as technical specifications on power supplies become more stringent. AEIS is also benefitting from a highly fragmented market where AEIS has proven its ability to execute strategic acquisitions. Robust free cash flow will continue to support its R&D, acquisitions and share buyback programs, all of which bode well for shareholders.

Flex Ltd.

- Flex provides technology innovation, supply chain and manufacturing solutions to a diverse group of industries and end markets including the automotive, industrial and energy industries.
- Flex shares gained more than 15% in the quarter as investors rewarded the company for delivering favorable results across nearly all segments of the business. Flex reported revenue and earnings the beat consensus estimates and exceeded the high end of management's guidance with noted strength in EV charging, energy storage and renewables segments.
- Flex is well positioned to continue to grow earnings long term. The company continues to evolve its business model by reducing exposure to lower margin and higher volatility segments like consumer technology and pivoting towards higher margin, longer life cycle products. This has created better visibility into future earnings periods and is expected to accelerate both revenue growth and margin improvements, all of which bode well for investors.

Masco

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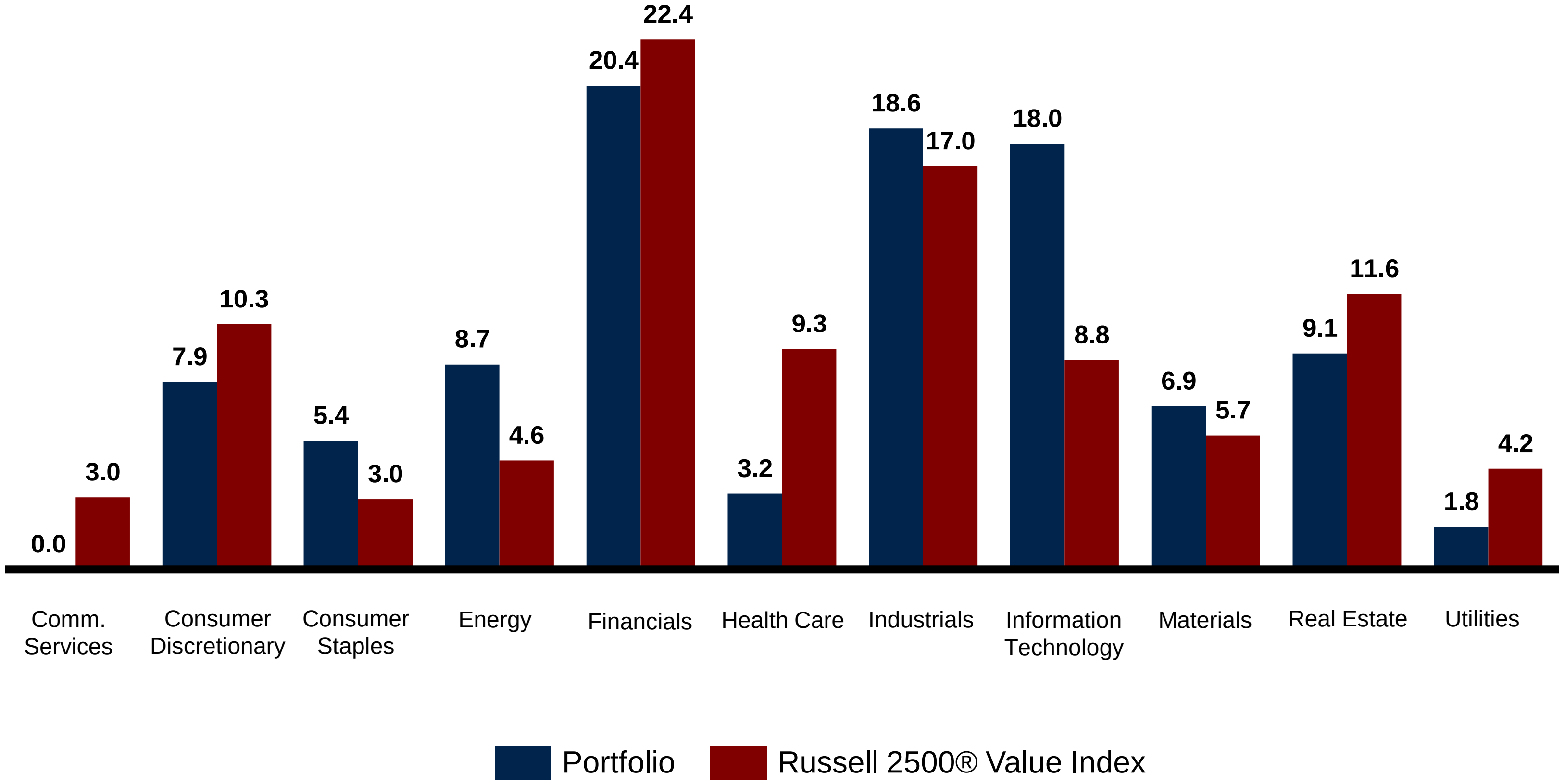
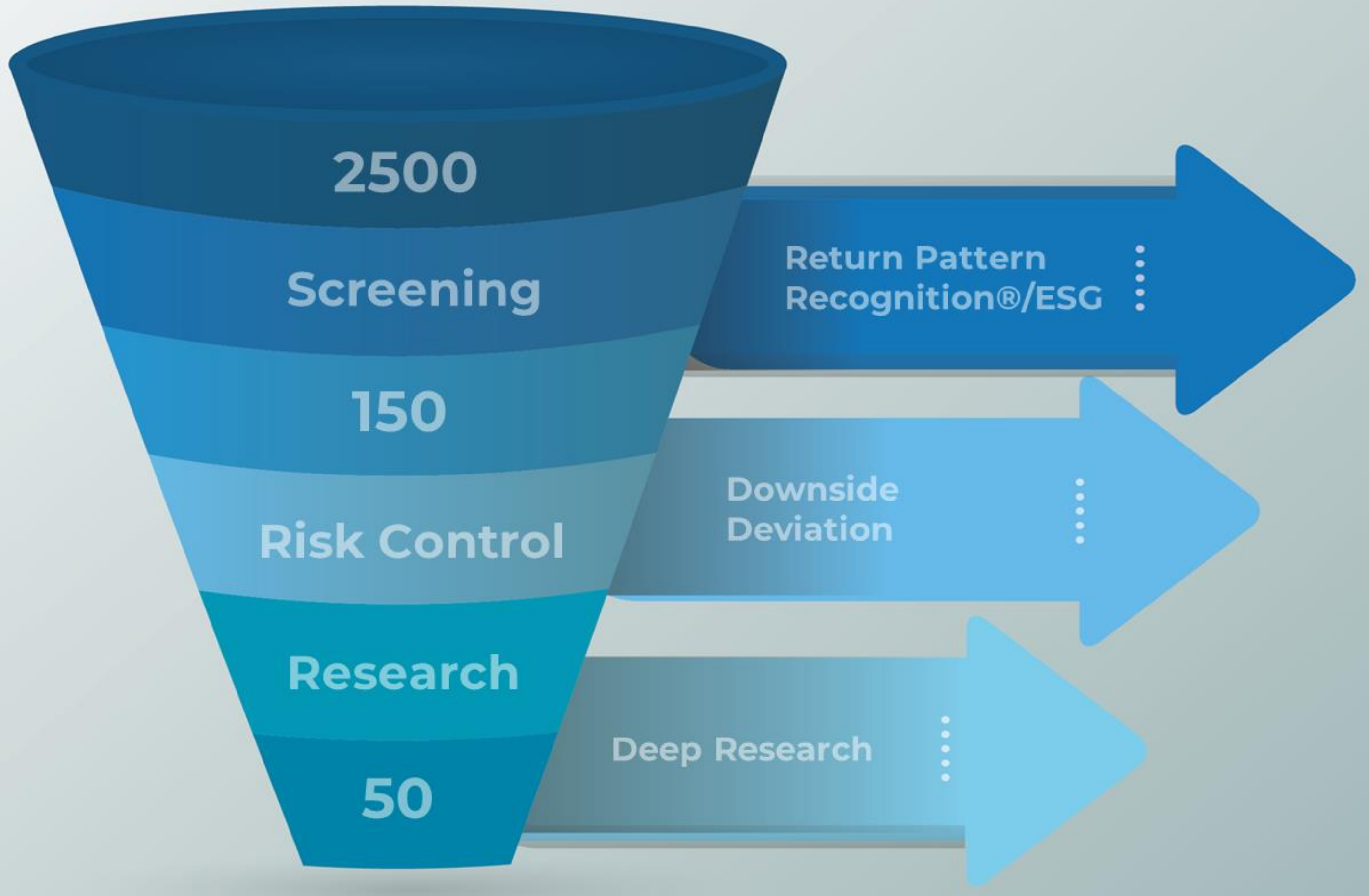
- Despite the near-term headwinds, management's singular focus on the plumbing and decorative products segments bodes well for shareholders. After exiting the window and cabinet businesses through sale, the remaining business lines, plumbing and decorative products, represent higher margin and more stable businesses. Continued market share gains combined with improved operational efficiencies are expected to supersede the transient headwinds the company currently faces.

Sector Weightings

Percentage Held



Investment Process



Historical Performance Measurement

Performance

	Total Portfolio (Gross)	Russell 2500® Value Index
Inception 12/2002		
2002	-2.36%	-3.12%
2003	52.72	44.93
2004	23.98	21.58
2005	11.15	7.74
2006	12.94	20.18
2007	6.79	-7.27
2008	-37.72	-31.99
2009	33.02	27.68
2010	25.99	24.82
2011	-3.63	-3.36
2012	19.20	19.21
2013	32.41	33.32

Historical Performance Measurement

Performance

	Total Portfolio (Gross)	Russell 2500® Value Index
2014	10.79%	7.11%
2015	-3.70	-5.49
2016	20.84	25.20
2017	23.86	10.36
2018	-14.16	-12.36
2019	31.57	23.56
2020	20.71	4.88
2021	26.38	27.78
Q1 2022	-1.30	-1.50
Q2 2022	-14.94	-15.39
Q3 2022	-1.29	-4.50
Since Inception		
-Annualized	11.70	8.99
-Cumulative	796.95	451.26

Glossary of Key Indices

Russell 2500® Value Index	The Russell 2500® Value Index offers investors access to the small to mid-cap value segment of the U.S. equity universe. The Russell 2500® Value is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small to mid-cap value manager's opportunity set. The index is unmanaged and it is not possible to invest directly in an index.

Disclosure Notes

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