AMI Small Cap Growth Equity Quarterly Update

Growth Through Stability

Q3 ▪ 2022

Strategy Overview

In Q3, the AMI Small Cap Growth strategy returned -6.16% (-6.41% on a net basis) versus Russell 2000® Growth Index ETF, which returned 0.44%. Stock selection primarily drove the relative performance with asset allocation being a minor contributor. Underperforming stock selections in Health Care and Information Technology were partially offset by outperforming selections in Consumer Discretionary and Consumer Staples. Being overweight Consumer Staples and Information Technology detracted from performance, while being underweight Real Estate and Communication Services was a benefit.

As seen in the table below, the top contributors to Q3 performance were PowerSchool, Willscot Mobile Mini, National Vision, BJ's Wholesale Club, and CyberArk Software. The bottom contributors to Q3 performance were Tenable, Olaplex, Upwork, Perficient, and Syneos Health.

Top Contributors in Q3		
Company	**Avg. Weight**	**Contribution**
PowerSchool	3.91%	1.14%
Willscot Mobile Mini	3.65%	0.77%
National Vision	3.30%	0.49%
BJ's Wholesale Club	3.21%	0.44%
CyberArk Software	2.85%	0.41%

**Please see last page for important disclosures.

Bottom Contributors in Q3		
Company	**Avg. Weight**	**Contribution**
Tenable	3.16%	-0.83%
Olaplex	2.48%	-0.85%
Upwork	2.40%	-0.88%
Perficient	3.15%	-0.95%
Syneos Health	3.45%	-1.30%

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Top Contributors

PowerSchool reported very strong second quarter results and raised FY22 guidance, highlighting how the company's essential software for K-12 education has been insulated from broader macroeconomic pressures.

Willscot Mobile Mini reported a strong Q2 with revenue and EBITDA above expectations. The company also raised guidance driven by strong pricing and volume for its mobile storage, workspaces, offices, and classrooms, supported by macroeconomic tailwinds.

National Vision's results stabilized in Q2 after a disappointing Q1 and investors began to appreciate the company's value focus and the non-discretionary nature of the optical industry, which sets National Vision up to perform well in the current economic environment.

BJ's Wholesale Club posted strong financial results in Q2, driven by its sticky membership model and exposure to food and other consumables. BJ's value focus sets the company up well as consumers look for ways to save money in this inflationary environment.

CyberArk's Q2 revenue accelerated as its transition to a subscription-based model for security software continues to gain traction with customers. The company said tailwinds in cyber security have not abated and business spending on securing network infrastructure in a hybrid work environment remains robust.

Bottom Contributors

Tenable reported better-than-expected Q2 results and raised operating income guidance for the full year. However, the company left its revenue guidance for 2022 unchanged, noting that some larger deals in certain international markets were slow to close. However, IT security spending remains strong and Tenable is still adding new customers (35% increase y/y), including a number of large-sized deals. Moreover, the company is improving its profitability which should drive earnings growth.

Olaplex reported in-line Q2 results and maintained FY22 guidance. However, the stock fell throughout the quarter on concerns about increasing competition and consumer spending. We continue to view Olaplex favorably as the leading player in the rapidly growing prestige haircare industry, which has proven to be resilient in prior recessions.

Upwork reported solid Q2 revenue and earnings and raised full-year revenue guidance. Despite the increased guidance, Upwork noted that some small businesses in Europe were less active on its online work platform. The company also reiterated its intention to spend $80 million on marketing. While investing in marketing makes sense long term, many investors questioned the timing given potential macroeconomic concerns. We remain positive on the company's prospects as companies reevaluate the need for full-time employees and will likely turn to Upwork for more freelance workers to complete projects and other tasks.

Perficient's earnings beat estimates, but revenue slightly missed as some deals were canceled during the quarter. While it's not uncommon for deals to be canceled, Q2 saw a slightly elevated amount among a select group of customers that the company believes was specific to those customers vs. a broad business trend. July, for example, still saw 40% bookings growth which was consistent with prior quarters. Perficient remains in the heart of the digital transformation wave which is expected to see strong growth as these projects help drive cost savings for its customers.

Syneos Health's Q2 was mixed as the COVID-driven virtual drug trial monitoring continued, which boosted margins, but the company also saw a weaker backlog build. This weakness fueled concerns that small-mid sized biotech funding could be pressured due to stock market declines. While these concerns have some merit, we believe that Syneos' diversified client base and the fact that most biotech firms are well funded, will continue to drive growth through the current downturn.

Portfolio Additions & Deletions

In Q3, we sold our positions in Genius Sports and PetIQ.

We became less confident in Genius Sports' near-term path to profitability, given the need for a substantial ramp in in-game betting which has yet to materialize. Given the difficult backdrop for unprofitable companies and uncertainty over the path forward for legalized gambling in the U.S., we felt it was prudent to exit the position.

PetIQ has seen significant headwinds in its vet services business due to severe staffing shortages, an issue that we view as likely to worsen in the near term. We also grew concerned with execution issues in the company's distribution business and as a result decided to exit the position.

Disclosures

* Performance Disclosures: AMI Asset Management (AMI) is an independent investment management firm registered with the Securities and Exchange Commission since 1994. Registration does not imply a certain level of skill or training. AMI provides discretionary asset management services to institutional and individual clients through separately managed accounts using seven equity and fixed income strategies. The Domestic Small Cap Growth Composite includes all fully discretionary, fee-paying and non-fee-paying, taxable and nontaxable accounts with at least $100,000 in small cap equities on the last day of each previous quarter. The composite was created on October 1, 2008. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns are presented before management fees but after all trading expenses. Net returns are calculated by deducting 1/4th of the highest applicable annual fee of 1.00% from the gross composite returns on a quarterly basis. Prior to July 1, 2019, net returns were calculated by deducting 1/4th of the highest applicable fee of 1.50% from the gross composite returns on a quarterly basis. Clients should not assume that managed accounts will attain similar investment performance in the future. All accounts are individually managed; therefore, returns for separate accounts may be higher or lower than the average performance stated above. The benchmark we use is the iShares Russell 2000® Growth Index ETF which is designed to replicate the Russell 2000® Growth index and seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The Russell 2000® Growth Index ETF returns are net of fees and other costs, including transaction costs, includes dividends and are based on market price calculated using closing price. The expense ratio is 0.23%. The returns shown do not represent the returns you would receive if you traded shares at other times. Index performance is provided as a point of reference only and does not imply that a Strategy will achieve returns, volatility, or other results similar to the index

** Source: AMI and Bloomberg. The top five and bottom five contributors information is based on a representative account taken from the AMI Small Cap Growth composite. The representative account was selected because it closely reflects the AMI Small Cap Growth investment strategy. Due to factors such as portfolio size, specific investment guidelines and inception dates of individual accounts, there will be dispersion between the weight, returns, and contributions of this account and other accounts in the composite. The Contribution is calculated by multiplying the weight (i.e., percentage of the total account) invested in each holding times the rate of return for that holding during the measurement period. The holdings identified do not represent all of the securities purchased, sold or recommended for AMI's clients. Actual client holdings and characteristics may vary and holdings are subject to change. The reader should not assume that (1) an investment in the securities identified was or will be profitable or (2) that the AMI Small Cap Growth Strategy will hold these stocks in the future. References to specific securities are not intended as representative of past recommendations by AMI. The securities shown should not be considered recommendations or solicitations and may not have been, or in the future be, profitable. Nothing presented herein is or is intended to constitute investment advice, and no investment decision should be made based on any information provided herein. Past performance is not an indication of future returns. There is a risk of loss from an investment in securities, including the risk of loss of principal.

To obtain free of charge (1) a complete list of composite descriptions, (2) the calculation's methodology and a list showing every holding's contribution to the overall account's performance during the measurement period, and/or (3) a complete list of all buy and sell recommendations for this strategy within the last 12 months, please contact Katharine Kim at (424) 320-4003 or katharine@amiassetmanagement.com.