

SIGNIA  CAPITAL



*Investment Strategy*  
*Small-Micro Cap Value*

# Signia Portfolio Manager Buyout

86%

Majority owned  
by Portfolio  
Managers with  
equal share

09.30.20

Rich + Colin  
acquire majority  
stake in firm

14 years

PM's have worked  
together for over a  
decade.

## PERFORMANCE SINCE OWNERSHIP CHANGE\* (%)

Signia Small-Micro Cap Value (net)	103.76%
Rmicrocap Value Index	39.58%
R2000 Value Index	45.51%

- Significant personal capital invested by Rich Beaven and Colin Kelly
- Simplicity of process
- Flexible and adaptive thinking
- Alignment of incentives driving results

\* 09/30/2020 – 09/30/2023 Past performance is not an indicator of future results

# Investment Opportunity

## *EXPERIENCED:*

- *Firm majority owned by Portfolio Managers*
- *Worked together since 2009*

## *PROVEN INVESTMENT PROCESS:*

- *Small and Micro Cap \$1b public market*
- *Fundamental Value approach capitalizing on inefficiencies within Small-Micro Cap*

## *LIMITED CAPACITY:*

*\$350 m*

# Investment Strategy

## SMALL MICRO CAP VALUE PORTFOLIO

*Target Market Capitalization  
of \$1b and Below:*

*Median market cap \$452m*

*Concentrated Portfolio:*

*25-30 holdings;*

*3% to 7% positions maximum*

*Liquid Private Equity Alternative:*

*Improved liquidity, structure, and fees*

*Experienced and Aligned*

*Investment Team:*

*Majority owned by Portfolio*

*Managers; worked together since 2009*

## RESULTS

*Performance since  
ownership change:*

*64%+ of Alpha vs. RMicro Value*

*58%+ of Alpha vs. R2000 Value*

*Private equity alternative:*

*Better liquidity, Lower fees,  
No lock-ups, Similar return*

# Signia Portfolio Construction & Liquidity

**\$350m**

*Strategy will soft close at \$350m, \$83m in AUM as of 09.30.23*

**25-35**

*Concentrated Micro Cap Value*

**\$4m**

*Portfolio holdings trade \$4m in average daily dollar volume.*

**90%**

*\$10m allocation can be 90% invested within 2-3 days*

# SMALL-MICRO CAP: Opportunities & Inefficiencies

*Small & microcap stocks make up only 2% of the market by capitalization, but represent nearly 50% of the investible universe.*

## **SIGNIA SMALL-MICRO CAP VALUE:**

- *Strategy targets the largest opportunity set in the market*
- *Market capitalizations of \$1 billion and below*

## **SMALL TO MICRO CAP COMPANIES ARE LARGELY IGNORED BY WALL STREET:**

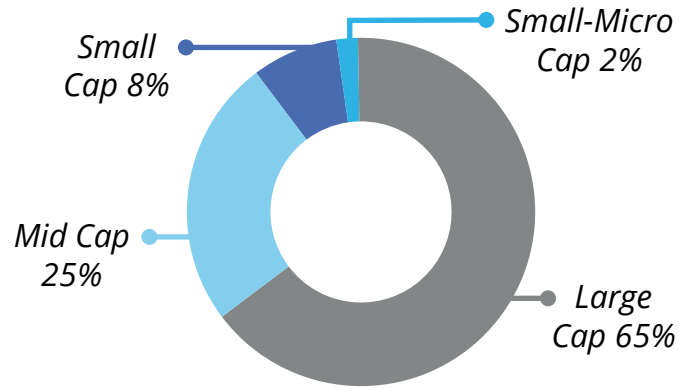
- *The average public Microcap company is covered by 2 analysts*
- *30% of Public Micro-cap companies have no analyst coverage*

# SMALL-MICRO CAP: Opportunities & Inefficiencies

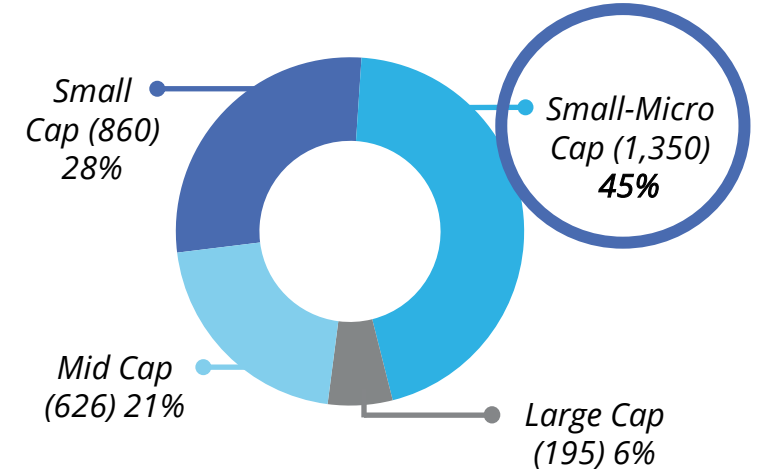
*Small & microcap stocks make up only 2% of the market by capitalization, but represent nearly 50% of the investible universe.*

- *Liquid Microcap Allows for Attractive Valuation Opportunities*

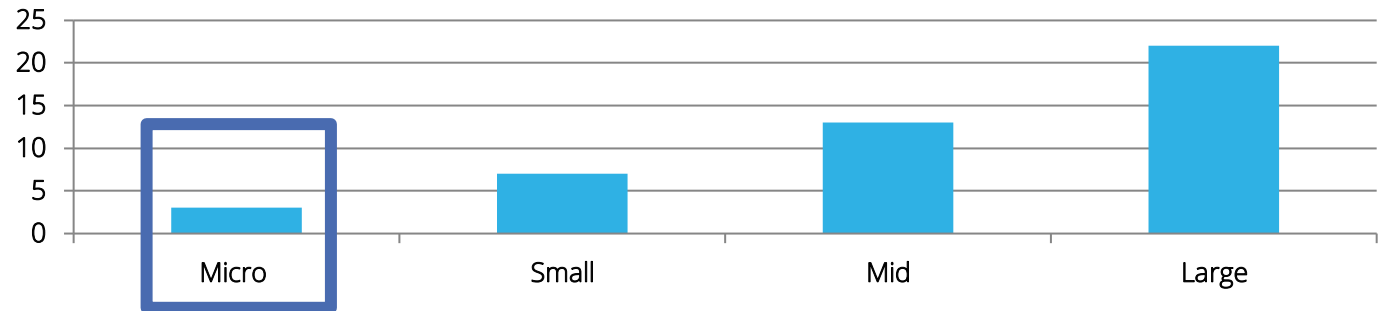
RUSSELL 3000 INDEX  
BY MARKET CAP



RUSSELL 3000 MEMBERS  
BY CAPITALIZATION



AVERAGE NUMBER OF COVERING ANALYSTS





# SIGNIA'S SMALL MICRO CAP STRATEGY: Valuations vs. Private Equity Funds

	<i>SIGNIA</i>	<i>*PRIVATE EQUITY</i>
<i>Median Market Cap/Deal Value</i>	<i>\$452m</i>	<i>\$1b</i>
<i>Enterprise Value to EBITDA</i>	<i>4-6 X</i>	<i>12.3 X</i>
<i>Debt to EBITDA</i>	<i>2-3 X</i>	<i>5-6 X</i>
<i>Debt to Capital</i>	<i>20.0%</i>	<i>0-65%</i>
<i>Holdings per Strategy</i>	<i>25-30</i>	<i>1-30</i>

\* Bain and Company Global Private Equity Report 2021

# SIGNIA'S SMALL MICRO CAP STRATEGY: Liquid Private Equity Alternative

	<i>SIGNIA CAPITAL</i>	<i>PRIVATE EQUITY</i>	<i>US BUYOUT FUND</i>
<i>Management Fee</i>	<i>1%</i>	<i>2%+</i>	<i>2%+</i>
<i>Lock-up</i>	<i>None</i>	<i>5-10 Years</i>	<i>5-10 Years</i>
<i>Liquidity</i>	<i>Daily</i>	<i>Multi-Year</i>	<i>Multi-Year</i>
<i>Pricing</i>	<i>Daily</i>	<i>Quarterly</i>	<i>Quarterly</i>

## *STRUCTURAL BENEFITS*

- *More Transparency*
- *No Lock-up*
- *Improved Liquidity – Avg. Holding – Daily Liquidity of Approximately \$4m*
- *Lower Fees*

# Investment Process: The Value Focus

## VALUATION

**Asset Value:**  
*Price/Book*

**Cash Flow:**  
*EV/EBITDA*

**Break-up Value:**  
*Sum-of-the Parts*

## CATALYST

**Company Specific:**  
*New Products, New Management,  
Hidden Assets, Restructuring,  
Activist Shareholders, Insider  
Purchases*

**Cyclical:**  
*Industry correction over 1-3 years*

**Secular:**  
*5-10 year industry trends*

## QUALITY

**Financial:**

- *Balance Sheet Strength*
- *Cash Flow Generation*

**Business Model:**

- *Margins*
- *Competitive Position*

**Management:**

- *Insider Ownership*
- *Management Pedigree*
- *Capital Deployment*

# Investment Process: Risk Control

## *INDIVIDUAL SECURITY LEVEL:*

- *Focus on quality balance sheets, typically net cash*
- *Low leverage and no covenant issues*
- *Consistent cash flow and free cash generation*
- *Catalyst(s) focus to prevent thesis creep*

## *PORTFOLIO LEVEL:*

- *7% maximum individual position size*
- *Diversified portfolio with no sector 2.5x greater than benchmark or 35% of total portfolio*
- *Daily liquidity with average company trading \$3-4m*

# Investment Process

## SCREEN FOR CANDIDATES

- *Market Cap below \$1.5b (4,000)*
- *Valuation: < 3x Price to Book (2,000)*
- *Quality: Net Debt/EBITDA < 4x (1,000)*

## COMPANY DUE DILIGENCE

- *10-k, 10-Q*
- *Street Research*
- *Transcripts*
- *Conferences*

## TEAM DISCUSSION & ANALYSIS

- *Direct Management Dialog*
- *Identify Catalyst*
- *Calls with Competitors*

## DEVELOP MODEL & PRICE TARGET

- *Analyze model assumptions*
- *Catalyst impact on projected earnings*
- *Review price target objective & timing*

## PRESENT TO INVESTMENT TEAM

- *Portfolio fit*
- *Utilize Alpha Theory software for position sizing*
- *Lead PM makes ultimate decision*

# Specializing in Small-Microcap Investments

## PORTFOLIO CHARACTERISTICS

Investment Process	Fundamental Bottom-Up
Mkt. Cap Range	\$1b and Below
Median Market Capitalization	\$452m
Number of Holdings	25-35

## TOP 10 HOLDINGS (%) \*

Universal Technical Institute	6.4%
Natural Grocers	5.9%
Solaris Oilfield Infrastructure	5.8%
Yatra Online	5.2%
Tejon Ranch	5.1%
Chico's FAS	5.0%
The Bancorp	4.8%
Alexander & Baldwin	4.7%
Tetra Technologies	4.5%
Helix Energy Solutions	4.2%

## SECTORS WEIGHTINGS (%) \*

Technology	2.5%
Consumer Discretionary	17.6%
Energy	21.3%
Materials & Processing	9.3%
Producer Durables	17.0%
Financial Services	18.8%
Consumer Staples	5.9%
Healthcare	4.3%
Cash	3.2%
<b>Total Portfolio</b>	<b>100.0%</b>

## PORTFOLIO SNAPSHOT\*

Current Number of Holdings	29
EV/EBITDA	8.6
Price to Book	4.1
Price to Sales	2.3
Price to Cash Flow	8.8
L.T. Debt to Capital	20.0%
Price to Earnings (forward)	16.7
2023 Vs. 2022 EPS Growth	10.0%
Weighted Average Mkt. Cap (m)	\$706
Average Turnover (annual)	40-60%

\* 09/30/2023

# Signia Performance Since Portfolio Manager Buyout

86%

Majority owned  
by Portfolio Managers

09.30.20

Rich + Colin acquire  
majority stake in firm

\$350m

Strategy will soft close at \$350m,  
\$83m in AUM as of 09.30.23

14 years

PM's have worked together for  
over a decade.

25-35

Concentrated Small-Micro  
Cap Value

26.78%\*

Performance since change  
RMicro Value 11.76% |  
R2000 Value 13.32%

- Significant personal capital invested by Rich Beaven and Colin Kelly
- Simplicity of process
- Flexible and adaptive thinking
- Alignment of incentives driving results

\* Annualized 09/30/2020 – 09/30/2023 Past performance is not an indicator of future results. Net 1% of model fee.

# Signia's Edge

## TEAM

- *Alpha Generating Experienced Emerging Manager*
- *Majority Owned (86%) by Portfolio Managers as of Sept 30, 2020*
- *Deep Knowledge of Portfolio Companies and Catalysts*

## OPPORTUNITY

- *Inefficient Asset Class: Small to Microcap*
- *Liquid Private Equity Alternative*
- *Improved Transparency, Liquidity, Structure, Fees*
- *Limited Capacity: \$350M*

## STRATEGY

- *Concentrated Small Micro-Cap Value 25-35 holdings*
- *Non-Benchmark Exposure: High Active Share*
- *Fundamental Approach to Capitalizing on Inefficiencies within the Small-Micro Cap Universe*



# Investment Management Personnel



**Richard Beaven, CFA**

*LEAD PORTFOLIO MANAGER  
AND PRINCIPAL*

*Rich has 27 years of experience in the investment management industry. Prior to co-founding Signia Capital Management in 2002, Rich was the Director of Research and a Portfolio Manager for a \$2B Pacific Northwest asset management firm. In 2020, Rich and Colin Kelly acquired an equal and majority interest in Signia. Rich also currently sits on the Board of Directors for NYSE listed Idaho Strategic Resources (IDR). Rich holds a BA in business administration from the University of Kentucky and an MBA from Gonzaga University. In addition, he is a CFA charterholder and has served as President of the CFA Society of Spokane.*



**Colin Kelly, CFA**

*DIRECTOR OF RESEARCH, PORTFOLIO  
MANAGER AND PRINCIPAL*

*Colin has 19 years of experience in the investment management industry. Prior to joining Signia in 2009, Colin was Vice President of Equity Research for a Pacific Northwest asset manager. In 2020, Colin and Rich Beaven acquired an equal and majority interest in Signia. Colin also serves as an adjunct finance professor at Gonzaga University. He holds a BBA with emphasis in finance and marketing from Gonzaga University. In addition, he is a CFA charterholder and serves on the Board for the CFA Society of Spokane.*

# Compliance & Board of Directors

## COMPLIANCE

**Lisa Martin** *Chief Compliance Officer*

*Lisa has over 35 years of experience in the investment management industry. Prior to founding her own consulting firm Lisa was CFO and COO of a multi-billion-dollar asset management firm overseeing HR, finance, compliance, IT, and trading for mutual fund, wrap, and institutional accounts.*

## BOARD OF DIRECTORS

**Paul Greenwood** *BOARD MEMBER AND PRINCIPAL*

*Paul is Chief Executive Officer and Chief Investment Officer of Pacific Current Group (PAC.AX), Paul provides overall leadership and strategic vision for Pacific Current Group, as he spearheads the growth efforts of the firm and guides its global sourcing, investment and portfolio management teams. Paul was a co-founder of Northern Lights Capital Group (now Pacific Current Group). Prior to Northern Lights, Paul served as director of US Equity for Russell Investment Group ("Russell"), where he managed a team of more than 20 investment professionals who were responsible for all of Russell's US-equity-oriented portfolio management and research activities. He also served as a Russell spokesperson and authored many articles and research commentaries related to investment manager evaluation.*

**John Swallow** *BOARD MEMBER AND PRINCIPAL*

*John is Chairman and CEO of Idaho Strategic Resources (IDR). John is a successful business owner and entrepreneur in the mining, real estate, and high-tech industries. His unique mixture of business acumen, historical perspective and corporate culture have proven valuable to early-stage and turnaround situations.*

# GIPS Performance Presentation

## SIMCOE SIGNIA SMALL-MICRO CAP VALUE COMPOSITE

<u>Total Return Performance</u>						<u>Annualized</u>			
		<i>Simcoe Signia</i>	<i>Simcoe Signia</i>	<i>Russell</i>	<i>Number of</i>	<i>3-Year Std.</i>	<i>3-Year Std.</i>		
		<i>Composite Net</i>	<i>Composite</i>	<i>Microcap</i>	<i>Portfolios in</i>	<i>Dev.</i>	<i>Dev.</i>		
		<i>of Model Fee</i>	<i>Gross of Fees</i>	<i>Value Index</i>	<i>Composite</i>	<i>Simcoe Signia</i>	<i>Russell</i>	<i>Total Composite</i>	<i>Total Firm AUM</i>
						<i>Composite Net</i>	<i>Microcap</i>	<i>End of Period</i>	<i>End of Period</i>
						<i>of Model Fee</i>	<i>Value</i>	<i>Assets (USD)</i>	<i>Assets (USD)</i>
2020	Q4	35.37%	35.71%	32.76%	5 or fewer	N/A	N/A	\$66,239,914	\$66,239,914
2021	Year	39.14%	40.54%	34.84%	5 or fewer	N/A	N/A	\$96,559,530	\$96,711,291
2022	Year	-6.20%	-5.26%	-16.69%	5 or fewer	N/A	N/A	\$77,887,296	\$77,887,296
2023	Q1	7.09%	7.35%	-5.16%	5 or fewer	N/A	N/A	\$77,190,089	\$77,190,089
	Q2	3.74%	4.00%	4.54%	5 or fewer	N/A	N/A	\$80,270,677	\$80,270,677
	Q3	3.81%	4.06%	-5.59%	5 or fewer	25.10%	24.13%	\$83,780,455	\$83,780,455

	<u>Annualized Performance</u>			<u>Annualized Std. Dev.</u>	
	<i>Composite</i>	<i>Russell</i>		<i>Composite</i>	<i>Russell</i>
	<i>Net of</i>	<i>Composite</i>	<i>Microcap</i>	<i>Net of</i>	<i>Microcap</i>
	<i>Model Fee</i>	<i>Gross of Fees</i>	<i>Value Index</i>	<i>Model Fee</i>	<i>Value Index</i>
<i>Trailing 1 Year</i>	38.67%	40.06%	-0.68%	20.63%	23.52%
<i>Trailing 2 Year</i>	6.18%	7.25%	-11.14%	22.30%	21.99%
<i>Inception to Date</i>	26.78%	28.05%	11.76%	25.10%	24.13%

Inception date is October 2020

Performance updated through September 30, 2023

\* Past performance is not an indicator of future results. Please see the Performance Presentation Disclosures.

# Disclosures

Simcoe Capital, LLC dba Signia Capital Management (“Signia” or “the Firm”) is a registered investment adviser founded in January 2001 and is employee owned.

Sources: Data and information provided by Simcoe Capital, LLC dba Signia Capital Management, ICE Data Services, Thomson Reuters, and Frank Russell Company.

## **Performance Presentation Disclosures**

Signia claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Signia has not been independently verified. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

*Firm.* Simcoe Capital (dba Signia Capital Management) (“Signia”) is defined as an independent investment management firm that is not affiliated with any parent organization. Signia is an equity manager investing primarily in U.S. traded securities.

*Composite Description.* The Simcoe Signia Small-Micro Cap Value Composite (“Composite”) consists of all discretionary fee-paying accounts invested in diversified portfolios of U.S. Small Micro capitalization equity securities with the objective of maximizing total return. The basis for selection is to include all diversified equity portfolios with a mandate to invest in Small Micro capitalization value companies, with few tax or other constraints that would otherwise impede the objective of maximizing total return. The strategy typically includes 25-35 securities at any given time, and some of these securities may be less liquid with the potential for more price volatility given company size and portfolio concentration. Small-cap equity securities may be less liquid and subject to more price volatility than larger capitalization securities. The composite excludes portfolios with material restrictions imposed by the client that impair our ability to fully implement the intended strategy. The creation and inception date of the composite is October 2011.

*Benchmark.* The benchmark is the Russell Microcap Value Index. Signia selected this benchmark because the Russell Microcap Value Index is an unmanaged group of securities generally considered to represent the performance of the micro-capitalization segments of the U.S. equity universe. The structure and diversification across economic sectors of portfolios actively managed by Signia may be meaningfully different compared to the index. Index returns reflect the reinvestment of dividends but do not reflect the fees, brokerage commissions, or other transaction costs.

*Calculations.* Valuations are computed and performance reported in U.S. dollars. Results are calculated at a minimum of monthly and adjusted for external cash flows. Returns are calculated using a time weighted rate of return. Period returns are geometrically linked. Using beginning period market values, the Composite is asset weighted by aggregating assets and cash flows into a single portfolio. Trade date accounting is used. Securities are priced using end-of-day market prices obtained from Interactive Data. Returns include dividends, interest, and realized and unrealized gains and losses. Dividends are recorded on a cash basis. No leverage derivatives are used. The composite gross-of-fees returns have been reduced by all actual transaction costs incurred, but have not been reduced by investment management fees. Net-of-fees returns are presented net of a model fee of 1.00%. Model fees are deducted at a rate of 1/12<sup>th</sup> per month from the gross-of-fees composite returns. Policies for valuing investments, calculating performance and preparing GIPS Reports are available upon request.

*Dispersion and Risk.* The dispersion of annual returns is measured by the asset-weighted standard deviation across gross-of-fees portfolio returns for those portfolios that were included in the Composite for the full year. For periods presented where there are five or fewer accounts in the composite for the entire year, dispersion, and number of portfolios as of each year end are not presented. The three-year annualized ex-post standard deviation is calculated using the composite net-of-fees returns. It is not presented for the composite or the benchmark for periods where there are fewer than three annual periods of performance.

*Fees.* Signia’s standard fee schedule is 1.00% of assets under management. Fees are negotiable and vary based on the size and type of the investment.

Past performance is not an indicator of future results.

To request a complete list and description of the firm’s composites, please contact Colin Kelly at 509-789-8973 or [colin@signiacapital.com](mailto:colin@signiacapital.com).



*Signia Capital Management | [signiacapital.com](http://signiacapital.com) | 509-789-8970*