

# Cardinal Capital Management, L.L.C.

## Cardinal Small Cap Value Fund - CCMSX

### First Quarter 2022

#### FIRM OVERVIEW

- Focus on Small & SMID Cap Value
- Experienced, Stable Team
- 25-Year+ Track Record
- FCF-Based Valuations
- 100% Independent, Partner Owned
- \$4.8 Billion AUM

#### INVESTMENT TEAM

**Eugene Fox, III**  
*Managing Partner/Portfolio Manager*

**Robert Kirkpatrick, CFA**  
*Managing Partner/Portfolio Manager*

**Rachel Matthews**  
*Partner/Portfolio Manager*

**Robert Fields**  
*Partner/Portfolio Manager*

**Chitra Sundaram**  
*Senior Research Analyst*

**Christopher Robertson**  
*Senior Research Analyst*

**Michael Cotogno, CFA**  
*Senior Research Analyst*

#### Market Commentary

Small and large cap stock indices, as represented by the Russell 2000 and 1000, fell 7.53% and 5.13%, respectively, in the first quarter. Within the Russell 2000, the Value Index fell 2.40%, while the Growth Index fell 12.63%. The Value Index fell less than its growth counterpart due primarily to its higher weighting in better performing energy, financials, and real estate stocks and its lower weighting in poorly performing consumer discretionary stocks. The negative returns in the March quarter were the first for the broad market since the onset of the Covid pandemic two years ago. Investors became more defensive as escalating pandemic-driven price pressures, and the invasion of Ukraine began to undermine economic growth expectations. These concerns were exacerbated as the Federal Reserve began to raise short-term interest rates to combat rising inflation. Nonetheless, energy was the best performing sector on potential supply disruptions related to sanctions on Russian oil and gas. Consistent with investors' more defensive positioning, the utilities sector produced the only other positive return, while bond proxies, such as low-risk REITs, also performed relatively well. The first quarter was the story of two distinct periods. High-quality and more attractively valued stocks held up best in the declining market that lasted through February, when the war in Ukraine and economic sanctions that followed increased investor anxiety about growth. In contrast, lower quality and less economically sensitive stocks led the equity market rebound in March. Periods of higher inflation and interest rates have historically favored value stocks. The peak-to-trough decline of over 20% in small caps may have already priced in the increased likelihood of a recession.

The U.S. economy is estimated to have grown modestly in the first quarter on dampened consumer and business confidence due to greater economic uncertainty and increased inflationary pressures following the invasion of Ukraine. The rebound in the U.S. economy and labor market has fueled higher prices as the substantial personal savings built up during the pandemic is supporting consumption well above pre-pandemic levels. Although real personal income growth has recently turned negative, demand has remained robust. After seeing price pressures build over the last year, the Federal Reserve is committed to using its monetary tools aggressively to bring down the inflation rate. Regardless of their actions, the supply chain-related impact on prices should resolve itself as COVID restrictions ease, people rejoin the labor force, and consumer behavior normalizes, but bottlenecks are likely to continue throughout the year. Thus far, companies have largely been able to raise prices to recover higher costs. Investors are clearly concerned that the Federal Reserve may not be able to bring down inflation without hurting demand and potentially causing a recession, as evidenced by the current inversion of the yield curve. Corporate earnings, which have risen to record levels as the economy has emerged from the pandemic, will be tested as companies absorb higher labor, input, and interest costs amidst potentially moderating demand.

#### First Quarter Performance Commentary

The first-quarter return of Cardinal's Small Cap Value Fund, at -2.97% net of fees, lagged the -2.40% return of the Russell 2000 Value Index. The primary detractors from relative performance were a lower weighting and stock selection in the better performing energy sector, a higher weighting and stock selection in the poorly performing information technology sector, stock selection in the real estate sector, and not owning better performing utilities. In the energy sector, the share price of Texas-based Magnolia Oil & Gas rose but lagged other oil and gas producers as a private equity shareholder sold large blocks of stock. Fundamentally, Magnolia is very profitable at current commodity prices but benefits less than its peers because it has little net debt and lower costs. In the information technology sector, the share

# Cardinal Capital Management, L.L.C.

## Cardinal Small Cap Value Fund - CCMSX

### First Quarter 2022

price of Silicon Motion fell more than other semiconductor suppliers despite forecasting strong revenue and profit growth on growing concerns about smartphone and PC demand. In the real estate sector, the share price of Newmark Group lagged, after significantly outperforming peers in 2021, due to concerns about deal activity. The main contributors to performance were stock selection in the consumer discretionary and financials sectors and a lower weighting in the poorly performing health care sector. In the consumer discretionary sector, the share price of Lithia Motors outperformed its peers after the auto dealer reported better than expected results, repurchased a significant amount of stock, and increased its five-year revenue and profit projections. In the financials sector, the share price of FB Financial outperformed other banks due to its asset sensitivity in a rising rate environment and significant loan growth in the most recent quarter.

The annualized net return of Cardinal's Small Cap Value Fund since inception (April 1, 2014) is 7.27% versus 8.06% for the Russell 2000 Value Index. Cardinal managed \$4.8 billion in small and SMID cap value assets as of March 31, 2022.

### Market & Portfolio Outlook

Cardinal's near-term outlook for equities remains cautiously optimistic. While the growth outlook for 2022 has moderated due to fallout from the war in Ukraine as well as rising inflation and interest rates, the U.S. economy is still in the process of emerging from the pandemic. Inflation is likely to remain well above the Federal Reserve's 2% target for most of the year but should begin to ease as supply constraints lessen and demand pressures ebb. The U.S. economy is strong, and liquidity and corporate profits are at record levels. Businesses have adapted well to the pandemic, and the recent volatility and indiscriminate selling have led to more realistic equity valuations. While there is always uncertainty in forecasting business results, changes in consumer and business behavior associated with the pandemic have made the exercise more challenging. As a result, Cardinal continues to prefer investments whose success is dependent on company-specific drivers with as many as possible under management control rather than solely relying on near-term economic growth to produce sustainable growth in free cash flow.

### Net Performance as of March 31, 2022

	Cardinal Small Cap Value Fund %	Russell 2000 Value Index %
Annualized Inception to Date (April 1, 2014)	7.27	8.06
5-Year	7.03	8.57
3-Year	10.74	12.73
1-Year	3.54	3.32
1Q 2022	-2.97	-2.40

*Net Expense Ratio: 1.00%, Gross Expense Ratio: 1.01% - Fee waivers are contractual through February 28, 2023.*

*Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For performance data current to the most recent month end, please call 1-844-CCM-SEIC (1-844-226-7342).*

# Cardinal Capital Management, L.L.C.

## Cardinal Small Cap Value Fund - CCMSX

First Quarter 2022

### Disclosures

There are risks involved with investing, including possible loss of principal. There can be no assurance that the Portfolio will achieve its stated objectives. Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's full or summary prospectus. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility.

The Russell 2000 Index consists of the 2000 smallest stocks in the Russell 3000 Index that represent approximately 10% of the total market capitalization of that Index. The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity universe and includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Index consists of the largest 1000 stocks in the Russell 3000 Index that represent approximately 90% of the total market capitalization of that Index. These indices are included merely to show the general trend in the small-cap equity markets in the periods indicated and is not intended to imply that Cardinal's investments were comparable to the index either in comparison or element of risk. There is no guarantee that the performance of the strategy will meet or exceed any index. An investor cannot invest directly in an index.

The investments discussed herein are not a comprehensive list of securities or positions held by the Strategy. There is no assurance that any securities discussed herein will be or remain in the portfolio or, if sold, have not been or will not be repurchased. Portfolio weights of the securities mentioned as of 3/31/22 are listed below:

Magnolia Oil & Gas (MGY) 2.23%, Silicon Motion (SIMO): 3.01%, Newmark Group (NMRK) 1.92%, Lithia Motors (LAD) 2.49%, FB Financial (FBK) 3.06%

Holdings subject to change. Current and future holdings subject to risk.

Any projections, market outlooks or estimates in this newsletter are forward looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the Strategy. Any projections, outlooks or assumptions should not be construed to be indicative of actual events which will occur.

The Cardinal Small Value Fund is distributed by SEI Investments Distribution Co. (SIDCO), 1 Freedom Valley Dr., Oaks, PA 19456. Funds are managed by Cardinal Capital Management, L.L.C. (the advisor). SIDCO is not affiliated with Cardinal Capital Management, L.L.C.

The investment advisor for the Cardinal Small Cap Value fund has contractually agreed to reduce its fees and/or reimburse expenses in order to keep Total Annual Fund Operating Expenses (excluding interest, taxes, brokerage commissions, Acquired Fund Fees and Expenses and extraordinary expenses) from exceeding 0.99% of the Fund's Institutional Class shares' average daily net assets until February 28, 2023. These reductions have lowered operation expenses and increased total return to shareholders.

**To determine if the Cardinal Small Cap Value Fund is an appropriate investment for you, carefully consider the fund's investment objectives, risk, and charges and expenses. This and other information can be found in the fund's full or summary prospectus which can be obtained by calling 1-844-CCM-SEIC or by visiting [www.cardcap.com](http://www.cardcap.com). Please read the prospectus carefully before investing. There are risks involved with investing, including possible loss of principal. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility.**