



Eastern Shore exploits a market phenomenon known as the **Quality Anomaly** which refers to the consistent mispricing of quality companies that leads to their outperformance over time. The strategy focuses on higher quality stocks which tend to have lower volatility and lower risk of capital loss. The strategy also invests in companies experiencing positive change in quality drivers and prefers those with long runways for future growth. Valuation discipline is used to enhance returns.

Dire Strait

**Small Cap Equity Net Performance Statistics Since Inception
(3/1/2007 – 3/31/2026)***

	Annualized Alpha (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio	Information Ratio
1 Year	10.3	116.3	74.4	2.6	1.7
3 Year	4.1	97.8	87.6	0.6	0.7
5 Year	1.3	94.3	93.2	0.1	0.2
10 Year	0.5	89.3	92.2	0.4	-0.1
SI*	2.4	92.7	89.3	0.4	0.3

**This information is presented as supplemental to the GIPS Report, which is available [here](#). Statistics are calculated using net of fee performance. Net of fee performance was calculated by retroactively applying the highest model fee for the composite (.90%). Performance Statistics are calculated using the Russell 2000 index. The risk-free rate used to calculate the Sharpe ratio is the FTSE 3-month T-Bill. Contains performance from predecessor firm. See important notes at the end of this document. Inception date is 03/01/07. 2007's return represents a partial year beginning at the inception of the fund on 3/01/2007 and is not annualized. Performance from March 1, 2007 through October 26, 2012 occurred while Robert Barringer was the strategy's sole Portfolio Manager at FBR Asset Management.*

Markets/Economy

The beginning of the year started out positively as inflation data continued to moderate and fourth quarter earnings largely beat expectations. The broadening of earnings growth beyond the Magnificent Seven appears to be gaining traction and achieving recognition on the part of investors. Positive trends in the ISM Manufacturing and Services data also added to the positive economic and market narrative.

These positive developments in the US were immediately overshadowed by the conflict in Iran. The global economy is now experiencing the largest oil supply shock in history, sparking concerns about rising inflation and stagnating global growth. Investors cannot accurately predict the path ahead as this conflict unfolds. We remain vigilant in monitoring news flow to help us position our portfolios in this rapidly shifting environment.



Performance Summary (through 3/31/2026)*

	1Q 2026	1 Year	3 Year (Annualized)	5 Year (Annualized)	10 Year (Annualized)	Since Inception 3/1/2007 (Annualized)
	(%)	(%)	(%)	(%)	(%)	(%)
Small Cap Equity (Gross)	4.4	35.2	17.3	5.8	10.5	10.4
Small Cap Equity (Net)	4.2	34.0	16.3	4.8	9.5	9.4
Russell 2000	0.9	25.7	13.0	3.8	9.9	7.7
Strategy Excess Return (Gross)	3.5	9.4	4.3	2.0	0.6	2.7
Strategy Excess Return (Net)	3.3	8.3	3.3	1.0	-0.4	1.7

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First Quarter 2026 Results:

During the first quarter of 2026, the Eastern Shore Small Cap Equity Composite delivered a return of 4.41%/4.17% gross and net of fees, outperforming the Russell 2000's 0.88% return.

Companies with higher returns on equity (ROE) and returns on invested capital (ROIC) outperformed the rest of the small cap market during this turbulent quarter. Profitable companies outperformed non-earners, and lower beta companies outperformed higher beta peers. These conditions are typically favorable for our approach given our emphasis on higher quality stocks and provided a meaningful tailwind for the strategy. Additionally, the flexibility of our process allowed the strategy to outperform through rapidly evolving market conditions, contributing to the strategy's ninth consecutive quarter of outperformance. Both our Established and Improving Quality segments outperformed the benchmark during the quarter, though most of the outperformance for the quarter was driven by Established Quality holdings. The strategy also benefitted from having one holding announce that it was being acquired for a substantial premium during the quarter.

The most significant positive sector contributors to the Small Cap Equity strategy's relative performance during the first quarter were Health Care and Industrials. Biotechnology holdings were the largest contributor to the strategy's outperformance within Health Care, while outliers in data center infrastructure and in aerospace/defense contributed to outperformance within the Industrials sector. Sector detractors for the quarter included Energy and Communication Services. The strategy's underperformance in the Energy sector was largely driven by a few outliers, though being underweight in this outperforming sector also weighed on relative results. Within the Communication Services sector, the strategy's sole holding lagged the sector average for the quarter.

The team made two meaningful changes to sector allocation in the first quarter – increasing exposure to the Energy sector by 3.73% and decreasing exposure to the Health Care sector by 2.35%. No other sector adjustments equaled or exceeded 2% during the quarter.

At the individual company level, the two most significant contributors to the strategy's performance for the quarter were thermal products company Modine Manufacturing (MOD) and biotechnology firm Oruka Therapeutics (ORKA). Modine continues to experience robust demand from data center customers, while Oruka's share price spiked upwards in March upon the release of promising clinical trial results.



Additional notable contributors during the quarter included construction company Argan (AGX), specialty chemical producer Element Solutions (ESI), and savings and loan firm Pathward Financial (CASH). We maintained exposure to all five of these top contributors at the end of the quarter as we feel that each presents further potential for upside.

The two most impactful detractors from the strategy's performance for the quarter were biotechnology firms Wave Life Sciences (WVE) and Crinetics Pharmaceuticals (CRNX). Wave's clinical trial results underwhelmed investors at the end of the quarter, resulting in a substantial sell-off. Crinetics experienced a more gradual decline due to its dearth of major near-term catalysts. Other significant detractors included entertainment products and services provider Sportradar Group (SRAD), data infrastructure company Credo Technology Group Holdings (CRDO), and biotechnology firm Viridian Therapeutics (VRDN). We maintained exposure to all five of these holdings at quarter-end given their promising fundamentals and potential for share price recovery.

From a positioning standpoint, the balance of Improving and Established Quality holdings ended the quarter unchanged at roughly 48% and 52% respectively. This more balanced positioning has helped the strategy to outperform the Russell 2000 during the past two years, and we believe that it will continue to offer both downside protection as well as upside potential in this rapidly shifting environment.

Q1 2026 Top 5 Contributors [†]		
Security	Ticker	Avg. Weight (%)
Modine Manufacturing Company	MOD	1.3
Oruka Therapeutics, Inc.	ORKA	1.2
Argan, Inc.	AGX	1.0
Element Solutions, Inc	ESI	1.8
Pathward Financial, Inc.	CASH	2.0

Q1 2026 Top 5 Detractors [†]		
Security	Ticker	Avg. Weight (%)
Wave Life Sciences Ltd.	WVE	0.8
Crinetics Pharmaceuticals, Inc.	CRNX	1.4
Sportradar Group	SRAD	0.7
Credo Technology Group Holding Ltd.	CRDO	0.7
Viridian Therapeutics, Inc.	VRDN	0.6

[†]The information provided above should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this presentation or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of all securities recommended during the preceding year is available upon request. Past performance is not indicative of future results. The information is presented as supplemental to the GIPS Report available [here](#). Top Contributors and Detractors are considered Extracted. Attribution total return for portfolio differs from composite results due to attribution methodology not taking intraday trading into account. Return data presented gross of fees. Past performance is not indicative of future returns.

Outlook

Recent economic data has been encouraging, and management teams shared primarily positive commentary during recent earnings calls and conferences. These promising developments have been overshadowed in the past several weeks as the market has focused on the price of oil and the inflationary effects of supply disruptions from the Middle East. If the conflict persists for weeks or more, the global economy will experience real shortages in many critical products to include LNG, jet fuel, bunker (tanker) fuel, helium (used in semiconductor manufacturing, MRI machines, and other industrial uses), urea (a key fertilizer), and diesel fuel. This will be inflationary across a wide range of products and services.

From a fundamental perspective, earnings revisions for small, mid, and large cap equities have been accelerating after fourth quarter earnings and hover at or near all-time highs. With the market decline in the past month, valuations have contracted despite these positive revisions. This is normally a bullish signal for stocks, though companies have yet to see increased input costs flow through earnings.



EASTERN SHORE
CAPITAL MANAGEMENT
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Small Cap Equity

First Quarter 2026

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We are closely watching inflation, interest rates, the dollar, and the price of crude oil. These are inter-related and will heavily influence the path ahead for equities. Companies will release first quarter earnings results over the coming weeks, and forward-looking commentary and guidance from management teams will exert a meaningful impact on sentiment going forward.

In our view, three potential scenarios could unfold from this point. The first is that the conflict drags on for several more weeks, and the Strait of Hormuz remains effectively closed. This would be inflationary and would curtail global growth, creating a stagflationary environment characterized by higher interest rates, lower corporate earnings, and multiple compression for stocks. The second scenario involves a rapid resolution that would open the strait, allowing for lower oil prices, lower inflation, and stronger economic growth. Equity markets would most likely experience a powerful relief rally, and corporate earnings would continue their upward trajectory.

The third scenario represents a continuation of the dynamic in place during the past few weeks, which is a stalemate regarding negotiations over the major points that both sides have demanded. In this scenario, daily macro headlines will continue to drive market movements. Sentiment would most likely remain neutral to negative overall with substantial short-term volatility to both the upside and downside.

We have positioned our portfolios with a combination of high-quality defensive names as well as exposure to more pro-cyclical companies and companies with strong visibility and secular growth. This mix has served us well in the first quarter and into April. We believe that this balanced approach will serve the strategies well in any of the scenarios described earlier.

We are monitoring new developments carefully and will adjust positioning as new data becomes available. While we are bottom-up fundamental investors, we recognize that macro factors will impact each of our holdings and are evaluating the risk-adjusted return potential of companies and industries on an ongoing basis. Please feel free to reach out if we can be helpful in any way. Thank you for your support of Eastern Shore.



Robert Barringer,
CFA
CIO, Partner, &
Portfolio Manager



James O'Brien,
CFA
Partner &
Portfolio Manager



Sarah Westwood,
CFA, CMT
Partner &
Portfolio Manager

OFFICE CONTACT



18 Sewall Street
Marblehead, MA 01945



Phone
(781) 639-2750



Fax
(781) 639-2751



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Past performance is not necessarily indicative of future results. This document includes returns for the Russell 2000 index. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. This index is not intended to be a direct benchmark for a particular strategy, nor is intended to be indicative of the type of assets in which a particular strategy may invest. The assets invested in on behalf of a client will likely be materially different from the assets underlying this index and will likely have a significantly different risk profile. Performance statistics, portfolio characteristics, portfolio holdings and other information included in this presentation are targets only and may change without notice to the client. The value of investments can go down as well as up. A client may not get back the amount invested.

Strategy Performance, Strategy Characteristics, Strategy Sector Weights, and Top Holdings, Strategy Statistics are reflecting the aggregate composite for the strategy. As such, individual accounts performance, weights, statistics, and characteristics may vary. †Inception date is 03/01/07. For the period of March 1, 2007 through October 26, 2012, the performance presented occurred while the Portfolio Manager was at a prior firm. Performance for this period has been calculated using custodial transactions for the fund while it was managed as a mutual fund (FBRYX) at FBR Asset Management. Eastern Shore Capital Management has met the requirements for claiming performance record portability and keeps the appropriate books and records as well as a portability memo on file. The Eastern Shore Capital Management Small Cap Equity Composite has undergone a portability examination for the period of March 1, 2007 through October 26, 2012. A client's return will be reduced by the advisory fees as described in Form ADV Part 2A and other expenses incurred by the account. For example, an annual advisory fee of .90% compounded quarterly over 3 years will reduce a gross 28.92% annual return to a net 28.1% annual return. Actual returns may vary from the performance information presented.

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