

TOWLE & CO.

October 26, 2026

To: Investors

Gaining Traction!

Over the past three, five, and ten years, the Towle Small-Cap Value Composite (“TSCV”)¹ has lagged the Russell 2000® Value Index. Why? Historically, our deep-value approach has performed best during early-cycle recoveries but faced headwinds as bull markets matured. We believe two forces amplified that pattern after the Global Financial Crisis: prolonged policy support stretched out economic cycles and passive flows began to compete with valuation signals.

That changing market prompted us to refine our investment process. We kept the valuation discipline that has defined Towle since 1981 and rethought what surrounds it: how we identify opportunities, commit capital, and exit positions.

The centerpiece of this evolution is VALT™ (Value + Traction), a proprietary system that ranks stocks from our value screen by combining valuation with a momentum-based measure we call traction. The two counterbalance each other: a deeply undervalued stock needs only modest traction to rank highly while a less discounted one needs stronger traction. As market conditions evolve, we believe the interplay of valuation and traction can help the portfolio adapt – seeking deeper discounts during recoveries, stronger traction in sustained advances, and greater resilience as risks rise.²

Our objective is to deliver more consistent results in small-cap value investing across full market cycles.³ Early evidence is encouraging, as discussed on page three under **Evaluating VALT**.

TSCV declined 2.1% net of fees in the third quarter but outperformed the index by 277 basis points. Year-to-date through September 30, 2026, TSCV returned 19.5% net, versus 17.0% for the Russell 2000® Value Index. Full performance results follow with multi-year returns annualized:

<i>Periods ending 9/30/26</i>	<i>TSCV (Gross of fees)</i>	<i>TSCV (Net of fees)</i>	<i>Russell 2000 Value Index</i>	<i>S&P 500 Index</i>
Quarter	-1.90%	-2.14%	-4.91%	2.30%
YTD	20.43	19.53	16.96	12.75
1 year	22.38	21.17	20.77	15.74
3 years	10.45	9.36	17.93	22.89
5 years	6.82	5.76	7.80	13.79
10 years	8.23	7.15	9.40	15.33
20 years	8.68	7.61	7.58	11.21
30 years	11.69	10.58	9.48	10.33
Inception (1/1/82)	14.50%	13.37%	11.43%	12.32%

*Returns are preliminary and subject to change. Past performance is no guarantee of future outcome.
Please refer to the last page for additional disclosures.*

¹ Prior to October 2026, the composite was called the Towle Value Composite (“TVC”).

² Momentum-based measures, including those used in VALT, can underperform. Valuation-based measures can also underperform. No assurance is made that objectives will be met.

³ Think of Towle’s strategy as a rear-wheel-drive muscle car. On dry pavement (an early-cycle recovery), few cars accelerate faster. In winter (mid- to late-cycle), the wheels tend to spin and the corners get tricky. For most of our history, we could wait for dry pavement. After the Global Financial Crisis, the winters grew longer. So we kept the engine – valuation – and rebuilt the rest of the car. New tires: a wider screen, with every inch of tread on the road. And traction control: VALT is designed to steer capital toward cheap stocks gripping the road and away from those spinning in place or sliding off the road. The goal: speed on dry pavement, traction in winter. The VALT score is an important metric in Towle’s investment screening and decision-making process. However, it is not a guarantee of effectiveness or better outcomes.

Towle 4.0

“The difficulty lies, not in the new ideas, but in escaping from the old ones.” –John Maynard Keynes

VALT marks the beginning of Towle 4.0. Developed in-house following decades of investing and years of quantitative research, VALT represents the latest chapter in our ongoing evolution:

- **Towle 1.0 (1980s):** Founder Woody Towle pioneered an approach focused on small-cap stocks trading at exceptionally low price-to-sales ratios, relying primarily on fundamental research.
- **Towle 2.0 (1990s):** Woody and Chris Towle built an institutional investment firm, strengthening research capabilities, systems, and organizational infrastructure.
- **Towle 3.0 (2010s):** The firm incorporated team-based investment decisions, systematic research disciplines, and greater emphasis on enterprise value-to-sales.
- **Towle 4.0 (today):** VALT and a refined screen.¹

Across every Towle era, valuation has remained the constant. VALT adds a second perspective. Traction grades whether investors are buying, and we designed it to be a steadier signal than standard momentum measures.

Valuation and traction usually pull in opposite directions,² and each may help counterbalance the other’s limitations. For example, traction can help a value investor avoid falling knives, sitting in value traps, and selling winners too early. Valuation can help a momentum investor avoid chasing stocks that have come untethered from their worth. Together, we believe they provide different but complementary information and help identify what neither can see alone.³

Here is how VALT has sharpened our investment process:

- **Screening and Ranking:** We have always screened for cheap stocks and systematically ranked the results; that discipline is unchanged. What changed is the core metric we screen on and how we rank. VALT now does the ranking, combining fundamentals (sales, margins, earnings, cash, debt, and valuation) with technicals (market-based indicators of how the stock is trading).
- **Fundamental Underwriting:** Strong VALT rankings are starting points, not automatic approvals – our portfolio managers still underwrite every investment. VALT prioritizes our fundamental research; the team then verifies the underlying financial data, challenges assumptions, and looks for reasons to disqualify. AI tools speed up that research, freeing our investment team to focus on the judgment calls no system can make.
- **Portfolio Management:** Ultimately, VALT helps us evaluate when to be patient. A cheap stock that keeps falling tends to rank lower until it stabilizes, supporting patience before buying. An appreciating stock tends to stay highly ranked while traction persists, supporting a longer hold. And a stock with neither compelling value nor improving traction tends to slip down the rankings, signaling it may be time to move on. Patience with bargains, patience with winners, impatience with stagnation.⁴

¹ Our old screen took the cheapest decile of stocks by enterprise value-to-sales, but many of those companies lacked the earnings power to interest us. Recognizing this shortcoming, we built a measure that combines earnings power with EV/Sales and widened the screen to the cheapest two deciles. The result is more real candidates for VALT to rank.

² A falling stock typically gets cheaper but weaker, and a rising stock gets stronger but more expensive. New information can break the link: after a strong earnings report, a stock can rise and still get cheaper if its fundamentals improved more than its price. In general, though, the price drop that makes a stock look cheaper also makes it look weaker.

³ In 1947, Denmark made Niels Bohr, the Nobel Prize-winning physicist, a Knight of the Order of the Elephant, an honor usually reserved for royalty and heads of state. Knights need a coat of arms, so Bohr designed one: a yin-yang symbol above the motto *Contraria sunt complementa*, “opposites are complementary.” It summed up his life’s work. Bohr had argued that light behaves as both a wave and a particle, two descriptions that seem to contradict each other yet are each incomplete alone. Value and momentum work much the same way: one asks whether a stock is cheap, the other whether the market agrees, and each tells only part of the story.

⁴ These describe how VALT’s rankings are designed to behave. Actual decisions and outcomes may differ.

Evaluating VALT

In the third quarter of 2025, VALT's first, we bought nine new positions and fully exited ten. To evaluate these decisions, we compared each stock's subsequent one-year return (or holding period return if shorter than one year) following its purchase or sale with the return of the iShares Russell 2000 Value ETF (IWN) over the same period.¹

VALT's First Quarter: Grading Our Q3 2025 Decisions*

Bought			Sold		
Ticker	Stock Return‡	Decision Alpha†	Ticker	Stock Return	Decision Alpha†
HOUS**	111%	+88%	SNBR	-100%	+131%
UNFI	72%	+42%	GT	-37%	+61%
SNX	69%	+33%	WOOF	-24%	+58%
BWA	50%	+26%	AAP	-11%	+47%
MYRG	16%	+1%	ASTL	-3%	+39%
SANM	15%	-3%	CBRL	0%	+36%
LYFT	12%	-5%	TSN	-6%	+29%
OSK	-14%	-38%	UAA	3%	+21%
ACI	-21%	-39%	FL	-6%	+12%
			AVT ²	85%	-61%
Dollar-weighted	37.8%	+14.8%	Dollar-weighted	-9.1%	+36.0%

*Returns measured through the one-year anniversary of the initial buy or sell. Returns for purchases sold prior to one year (MYRG, SANM, LYFT, OSK, ACI), and sales that were repurchased or delisted prior to one year (SNBR, FL), are for the relevant holding period. ‡Stock Returns in the Bought column are stated net of fees, while Stock Returns in the Sold column reflect a period after each was sold from the Towle portfolio and are not reduced for management fees. †Decision Alpha measures the value added by each investment decision relative to the benchmark over the same period. For purchases, it is the stock's subsequent return minus the benchmark return; for sales, it is the benchmark return minus the stock's subsequent return. The benchmark is the iShares Russell 2000 Value ETF (ticker IWN) and its returns do not reflect the deduction of Towle management fees but do reflect other fees as disclosed in its offering documents. **HOUS was acquired in an all-stock transaction by COMP, and we still hold COMP shares. Past performance is no guarantee of future outcome. Refer to the last page for additional disclosures.

The nine stocks we bought during VALT's first quarter gained 37.8% on a dollar-weighted basis over the following year, outperforming the benchmark by 14.8 percentage points. The ten stocks we sold subsequently declined 9.1%, underperforming the benchmark by 36.0 points. **The significance is clear: VALT helped us identify what to own and what to move on from – improving decisions on both sides of our trading activity.**

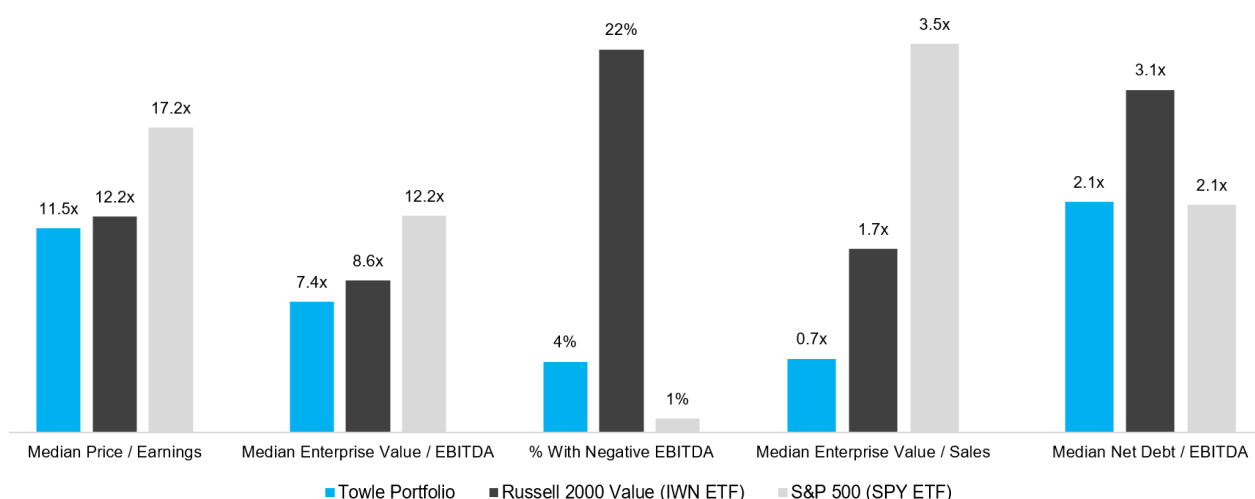
As the portfolio has evolved over subsequent quarters, our trades increasingly reflect reallocations within a higher-VALT group rather than a shift away from legacy holdings. Going forward, we believe the best measure of VALT's impact will be the performance of the overall Towle Small-Cap Value Composite.

And today's portfolio is still the cheap one we expect. As the next chart illustrates, our portfolio remains cheaper than our benchmark on P/E, EV/EBITDA, and EV/Sales, with fewer unprofitable companies and less leverage:

¹ The table reflects security-level returns and does not reflect the total performance of the Towle Small-Cap Value Composite or any TSCV client account. Security-level returns associated with Bought securities are extracted performance that should not be interpreted as indicative of overall portfolio results. Extracted performance can differ meaningfully from composite performance and from any individual client. The comparison is provided solely to illustrate how our process behaved during its initial quarter of implementation. It includes all buys and all sells from that quarter and is not intended to suggest that similar results will occur in the future.

² AVT is an example of how VALT works and where we are still learning. Its VALT score became unattractive in Q3 2025, so we sold. In early 2026, a surprisingly strong earnings report sent the shares higher and pushed AVT to a price above where we had sold – but, also, to the top of our buy list. Anchored to our previous sale price and concerned AVT wasn't cheap enough anymore (though it still met our cheap-screen criteria), we passed.

Portfolio Median Statistics as of 9/30/2026



Data as of 9/30/26. "Towle Portfolio" reflects a fully discretionary representative account in the Towle Small-Cap Value Composite. All financial data provided by S&P Capital IQ. Median Price/Earnings, Enterprise Value/Sales and Enterprise Value / EBITDA are based on forward estimates when they are available in CapIQ. Price / Earnings ratios are calculated on normalized earnings excluding one-time, extra items. P/E and EV/EBITDA ratios exclude companies with negative earnings and negative EBITDA, respectively. EV/EBITDA and Net Debt / EBITDA ratios exclude banks & other financial institutions (EBITDA is not a recognized income statement item for most Financials). % With Negative EBITDA includes banks & other financial institutions by substituting Earnings Before Taxes.

It bears repeating: while VALT ranks every company, we buy only from within our cheap universe. **Valuation remains nonnegotiable.** What has changed is how we respond to price trends. Historically, falling prices attracted us, while rising prices prompted us to sell. Yet the research we've completed in the last few years, which is corroborated by decades of academic evidence, shows that relative strength and weakness often persist. Today, a falling price may be a reason to wait before buying, while a rising price may be a reason to hold rather than sell.

Keynes was right: the real challenge is letting go of old habits.

Quarterly Portfolio Review

On a sector basis, Information Technology (IT) and Energy were our leaders. IT drove much of the quarter's outperformance in two ways: our IT holdings rose while the benchmark's IT stocks fell, and we held nearly three times the benchmark's IT weight throughout the quarter. Healthcare and Consumer Discretionary were our largest detractors.

Below are the largest contributors and detractors to quarterly performance at the security level (as measured by contribution to return):

<u>Company</u>	<u>Contribution %</u>	<u>Company</u>	<u>Contribution %</u>
1. Five9 (FIVN)	1.26%	1. Methode Electronics (MEI)	-1.10%
2. PBF Energy (PBF)	1.17%	2. Compass (COMP)	-0.90%
3. Par Pacific (PARR)	0.91%	3. Astrana Health (ASTH)	-0.65%
4. PagerDuty (PD)	0.77%	4. Liberty Energy (LBRT)	-0.61%
5. Insperity (NSP)	0.51%	5. Scholastic (SCHL)	-0.55%

Past performance is no guarantee of future outcome. The contribution to return characteristics shown do not reflect the deduction of all fees and expenses that a client has paid or would have paid. See page 1 for composite gross and net performance to understand the overall effect of fees over the same period. Refer also to the last page for additional disclosures.

Looking Ahead

"I violated the Noah rule: Predicting rain doesn't count; building arks does." –Warren Buffett

The yield on 10-year Treasuries recently hit its highest level since 2002. Persistent inflation and higher rates change the math of investing: capital costs more, elevated valuations face greater scrutiny, and debt becomes a heavier burden. Meanwhile, market leadership remains concentrated in a narrow group of companies tied to AI. The technology may transform the economy, but great technologies are not necessarily great investments.



We believe prudent diversification belongs in place before market leadership shifts, not after.

Towle Small-Cap Value invests in attractively valued, company-specific opportunities beyond crowded mega-cap equities and illiquid private markets. Our refined valuation screen and VALT ranking system help us evaluate those opportunities, including when to stay invested as traction persists or redeploy capital as other prospects emerge. The portfolio is also cheaper and less leveraged than our benchmark – attributes we believe are particularly valuable when capital costs more.

Our aim is diversification without drag: a more adaptable small-cap value strategy built to compete across full market cycles. Investors need not bet against today's market leaders to invest beyond them.

We are pleased to share three team updates:

Luke Barthelmess has been named Head of Investment Management, recognizing eight years of leadership and his instrumental role in developing and implementing VALT. Luke will oversee portfolio management, research, and trading priorities, ensuring coordinated execution of our investment process. He also continues to serve on the firm's Management Committee. Our collaborative governance and equal-vote decision-making structure remain unchanged.

Andrew Wolcott joins Towle as Portfolio Manager, bringing extensive fundamental research and investment experience. Previously, Andrew founded and served as Chief Investment Officer of Tolland Capital, managing a concentrated portfolio emphasizing financial institutions and small-cap equities. Earlier, he founded an independent equity research firm serving institutional investors and worked as a bank research analyst at SNL Financial.

Joel Prather, now our Trader & AI Workflow Engineer, is expanding his responsibilities to include integrating practical applications of AI technology across the firm. Early applications within our investment process are already bringing greater rigor and breadth to fundamental research, improving analytical efficiency, and strengthening portfolio oversight.

Thank you for your continued partnership. We welcome your comments and feedback at info@towleco.com.

-Towle Investment Team

DISCLOSURES: 1) Towle Small-Cap Value Composite performance results are calculated using a time-weighted total-rate-of-return method and are expressed in U.S. dollars. Results include the reinvestment of all income. Gross of fee performance is presented as supplemental information and reflects the deduction of all trading expenses, except in those accounts where ABP (Asset-Based Pricing) fees are assessed in lieu of standard trade commissions. Net of fee performance was calculated using actual management fees and ABP fees. 2) Although Towle & Co. makes no attempt to manage against the composition of a specific benchmark, the Firm provides the Russell 2000 Value Index as a readily accessible indicator of comparative small cap performance as well as the S&P 500 Index as a general indicator of the market at-large. The performance of an index is not an exact representation of any particular investment as one cannot invest directly in an index and investments made by Towle & Co. differ in comparison to the Russell 2000 Value Index in terms of security holdings and industry weightings. Towle & Co. invests in considerably fewer companies than either index with lower average multiples to book value, sales, earnings, and cash flow, and as a result, the volatility and returns of the indexes may be materially different from the individual performance attained by a Towle & Co. investor. 3) Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Unless otherwise noted, references to 'the Towle Portfolio' or 'the Portfolio' refers to a representative, fully discretionary portfolio managed in the Towle Small-Cap Value strategy and member of the Towle Small-Cap Value Composite. Contribution to return is a performance attribution characteristic that measures how much an individual asset, sector, or portfolio component contributes to the overall portfolio return. Information regarding the methodology used to calculate the contribution to return for Portfolio contributors and detractors and a report showing the contribution to the Portfolio return for each security in the Portfolio are available upon request. 4) The companies identified and described in this communication are intended to illustrate certain concepts employed by Towle & Co. in the management of its Value strategy. The companies identified do not represent all of the securities purchased, sold or recommended for client accounts and certain data, such as the purchase price, sell price, or holding period return may not be indicative of an individual client's actual experience. The reader should not assume that an investment in the securities identified was or will be profitable. 5) Under no circumstances does the information contained within represent a recommendation to buy, hold or sell any security. Towle & Co.'s opinion of a company's prospects should not be considered a guarantee of future events. Opinions expressed are those of Towle & Co. and should not be considered a forecast of future events or a guarantee of future results. Opinions and estimates offered constitute our judgment as of the date set forth above and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. All material presented is compiled from sources believed to be reliable, but no guarantee is given as to its accuracy. 6) CFA® is a designation issued by the CFA Institute. To earn the designation, candidates must pass three course exams, each requiring approximately 250 hours of self-study, and have completed four years of qualifying work experience.