



July 2024

Dear Clients and Advisors,

We are pleased to report that all Corbyn separately-managed account strategies delivered strong performances in the first half of the year, achieving solid positive total returns, both absolutely and relative to our benchmarks. In the second quarter, our fixed income strategies generated slightly positive returns, demonstrating the benefits of our approach in a volatile interest rate environment. Our equity-oriented strategies had stable to marginally negative performance for the quarter, with the equity investments continuing to outperform the broader value equity indices. We remain confident that our strategies, based on rigorous fundamental, security-specific analysis and a focus on achieving long-term performance with reduced volatility, are well-suited for the current uncertain macroeconomic and geopolitical landscape.

Equity and fixed income markets remain heavily influenced by investors' attempts to predict the timing and magnitude of the Federal Reserve's (the "Fed") response to inflation, employment, and economic growth data. As the quarter progressed, inflationary pressures showed some signs of easing but remained elevated, reflecting the macroeconomic data that still indicates a growing economy, albeit at a slower pace.

At its June meeting, the Fed responded to persistently higher-than-expected inflation by reducing the pace of its anticipated rate cuts, forecasting only one rate cut this year, with any further cuts now delayed until 2025. Investors continue to struggle with this uncertain and changing outlook, often reacting dramatically to new economic data reports or comments from Fed officials. We do not see much value in trying to predict the exact timing of the Fed's next move. Instead, we prefer to remain patient and focused on identifying specific investment opportunities that are well-positioned to generate healthy, risk-adjusted returns over the long term, in various economic and market conditions.

### **Fixed Income**

Corbyn's fixed income investments generated positive returns during the quarter, building on the solid positive first quarter performance. We are pleased to have provided consistent positive performance so far this year, despite the challenges faced by the broader fixed income market. The Bloomberg Aggregate Index – a broad-based fixed-income index often considered to be the most representative of the overall bond market - remains *down* -0.71% year-to-date, after returning only 0.07% in the second quarter.

Similar to last quarter, fixed income markets remained focused on the ever-changing perceived pace of Fed rate cuts, leading to volatility in the Treasury market as investors reacted sharply to certain economic data reports. The 10-year U.S. Treasury yield ended the quarter at approximately

4.4%, only slightly higher than the previous quarter-end, but experienced significant fluctuations, bouncing between 4.2% and 4.7% during the quarter. The mid-June release of the Fed “dot plot” allowed for more convergence between market expectations and the Fed’s outlook for rate cuts, but we recognize the historical shortcomings of the dot plot as an accurate prediction of future interest rates. As economic conditions and election assumptions evolve over the summer, investors are likely to scrutinize the 2025 rate outlook more closely.

Regardless of the continual changes in rate expectations, our focus remains on delivering stable returns, while minimizing volatility. We continue to find attractive opportunities in specific fixed income securities within the capital structures of businesses well-positioned to navigate various macroeconomic environments. We believe this security-specific focus, combined with our preference for short duration, can provide clients with superior risk-adjusted performance in their fixed income portfolios.

### **Equities**

Corbyn equity investments ended the first half with high-single-digit to low-double-digits returns, retaining much of the strong gains achieved during the first quarter. Results continued to exceed those of broader value indices, such as the Russell 3000 Value, which declined 2.3% in the second quarter.

We emphasize investing in well-capitalized businesses that generate significant free cash flow because we are confident that these characteristics enable management teams to opportunistically undertake actions designed to grow long-term shareholder value in a variety of ways. During the second quarter, we were encouraged by shareholder-friendly actions taken by several companies in the portfolios. This activity included (a) a transformational merger with a close peer, (b) a significant asset sale to fund reinvestment and repurchases of debt and common shares (c) a plan to separate into three different businesses, and (d) initiation of dividends by two companies and a substantial special dividend payment by another. These developments reinforce a core tenet of our investment philosophy: companies that generate ample free cash flow and are led by capable management teams are in an advantageous position to create shareholder value in diverse market conditions.

We hope you are enjoying the summer season and look forward to reporting on further progress next quarter. Please do not hesitate to reach out for any reason to ensure that you are best positioned to meet your investment needs.

Respectfully,



Charles vK. Carlson, CFA  
President, Portfolio Manager



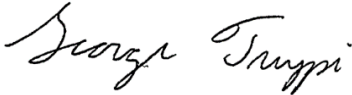
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*Duration is a commonly used measure of the potential sensitivity of the price of a debt security, or the aggregate market value of a portfolio of debt securities, to changes in interest rates prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. Free cash flow measures the cash generating capability of a company by adding certain non-cash charges (e.g. depreciation and amortization) to earnings and subtracting capital expenditures. The Bloomberg U.S. Aggregate Bond Index is a benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market and includes Treasuries, government-related and corporate securities, MBS, ABS, and CMBS. Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). Bloomberg or Bloomberg’s licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material or guarantee the accuracy or completeness of any information herein, nor does Bloomberg make any warranty, express or implied, as to the results to be obtained therefrom, and, to the maximum extent allowed by law, Bloomberg shall not have any liability or responsibility for injury or damages arising in connection therewith. Index returns reflect the reinvestment of dividends and capital gains, if any, but do not reflect brokerage commissions or other expenses of investing. It is not possible to invest directly in an index.*

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