

# CROMWELL GREENSPRING MID CAP FUND

Portfolio Managers Chip Carlson, CFA and Michael Goodman, CFA discuss the Fund's recent outperformance, the importance of ample free cash flow, and why mid-cap companies currently look attractive.

## ▶ How have the Fund's equity holdings performed against the Russell Midcap Index?

Over the 3-year period ended June 30, 2024, the Fund's equity holdings have outpaced the Index with less risk as measured by standard deviation, as shown in the table below.

We believe the outperformance is due to the Fund's focus on well-capitalized companies with strong balance sheets and substantial free cash flow. These attributes empower management teams to operate from a position of strength, allowing them to opportunistically pursue actions intended to grow long-term shareholder value. Regardless of the economic environment, shareholder-oriented managements can leverage their free cash flow to reinvest in their business, buy back shares, engage in mergers and acquisitions, and/or pay or boost dividends.

### Triple the Return and Less Volatility over 3 Years

|                        | Cumulative Total Return | Standard Deviation   |
|------------------------|-------------------------|----------------------|
| Fund's Equity Holdings | 23.23%                  | 16.57%               |
| Russell Midcap Index   | 7.28%                   | 19.67%               |
|                        | <b>3X More Return</b>   | <b>16% Less Risk</b> |

Source: Morningstar, 6/30/24.

Expense Ratio: 1.16%

Click [here](#) for standardized performance. The performance data shown represents past performance. Past performance is not a guarantee of future results. Current performance may be lower or higher than the performance data quoted. The investment return and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance information through the most recent month end please call 855.625.7333 or visit [thecromwellfunds.com](http://thecromwellfunds.com).

The Fund was previously managed as a mixed-asset portfolio investing mostly in mid-cap equities along with some fixed income securities before joining the Cromwell Funds in August 2023. Specifically, from the end of 2020 to August 2023, the Fund held between 11% and 20% in fixed income securities.

## ▶ How are portfolio companies deploying free cash flow?

Many companies in the Fund have recently engaged in various activities to unlock shareholder value. A few examples in the first half of 2024 include:

- » **Primo Water**, a leading provider of bottled water and water filtration services and a top 10 Fund holding, entered into a merger agreement with beverage company BlueTriton, home to several iconic water brands. The merger will create the leading North American water company across both the single-serve bottle and bulk water delivery segments. We believe the combined entity will have significant opportunities to accelerate growth, enhance profitability and increase free cash flow generation.



*Cromwell Greenspring Mid Cap Fund became the successor fund to the Greenspring Fund on August 14, 2023.*

| CLASS         | INCEPTION | TICKER |
|---------------|-----------|--------|
| Institutional | 7/1/83    | GRSPX  |

## Fund Facts

Asset Class: **Mid-Cap Blend**

Net Assets: **\$121.8 million**

Benchmark: **Russell Midcap Index**

Active Share: **97.5%**

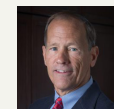
Holdings: **56**

## Sub-Advisor



Founded in 1973, Corbyn Investment Management provides investment management services to individual and institutional clients through separately managed accounts and mutual funds.

## PORTFOLIO MANAGERS



**Charles vK. Carlson, CFA**

President, Portfolio Manager and Co-CIO



**Michael A. Goodman, CFA**

Portfolio Manager and Senior Investment Analyst

- » **Alight**, a leading provider of cloud-based human resources and employee benefits technology and services, announced (and subsequently completed in July) the sale of its payroll and professional services business to a third party. Alight used a portion of the proceeds to reduce its debt and buy back a substantial amount of stock. This strategic divestiture simplifies Alight's business, strengthens its balance sheet, and increases the proportion of recurring revenue. Alight anticipates improved profit margins and faster earnings and free cash flow growth moving forward.
- » **DuPont de Nemours** announced a plan to split into three independent, publicly traded companies. This separation should enable each entity to pursue more focused business strategies under independent management teams. By valuing each company based on its distinct attributes and market opportunities, we expect greater shareholder value can be unlocked than by remaining a combined entity.

Additionally, based on the last 12 months of financial statements, approximately 75% of the companies held by the Fund have paid dividends, 60% raised or initiated dividends, 40% have reduced debt, and 75% repurchased stock.

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.

### ► Why are mid-cap companies currently attractive?

An investment in mid-caps helps diversify a portfolio and capitalize on pricing inefficiencies. Compared to large-cap companies, many mid-caps are underfollowed by Wall Street analysts. Mid-cap companies generally have deeper, more experienced management teams and possess stronger balance sheets than their smaller peers, enabling them to better withstand economic weakness.

In addition, mid-cap companies currently look attractively valued to large-caps. As of June 30, 2024, the price-to-next-twelve-months earnings ratio (NTM P/E) for the Russell Midcap Index was about 17x compared to 21x for the S&P 500. Historically, mid-sized businesses traded at a premium to the overall market but the current discount is the largest in over 30 years.

We believe these factors make mid-cap stocks particularly attractive for investors today.

## About Cromwell Funds

Headquartered in Baltimore, MD, the Cromwell Funds provide Financial Advisors with high-quality, differentiated and actively managed strategies in a mutual fund format. The Funds are sub-advised by asset managers who have built a national reputation managing their investment strategies.

### Cromwell Funds' Sub-Advisors:

- » Aristotle Pacific Capital
- » CenterSquare Investment Management
- » Corbyn Investment Management
- » Foresight Group
- » Mutual of America Capital Management
- » Tran Capital Management

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***Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 855.625.7333 or visit thecromwellfunds.com for a prospectus. Read it carefully before investing or sending money.***

<sup>1</sup> Reflects equity holdings only. Active share was calculated relative to the iShares Russell Mid-Cap ETF which tracks the Russell Midcap Index.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security. Click [here](#) to view the Fund's holdings. Any of the securities identified and described herein are for illustrative purposes only. Their selection was based on nonperformance-based objective criteria.

Mutual fund investing involves risk. Principal loss is possible. Mid-capitalization companies may be subject to greater price volatility, significantly lower trading volumes, and cyclical, static or moderate growth prospects than equity securities of larger companies. The investment strategies, practices and risk analysis used may not produce the desired results.

Active Share measures the percentage of stock holdings in a fund that differ from a benchmark. Free cash flow is the money left over after paying its operating expenses and capital expenditures. Price-to-earnings values a company's share price relative to its earnings per share. Standard deviation is a statistical measure of historical volatility.

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe, is a subset of the Russell 1000 Index, and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The S&P 500 Index is a capitalization-weighted index of 500 stocks. An investment cannot be made directly into an index.

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