The Essex Exchange

ESSEX

Summer 2022

ESSEX INVESTMENT MANAGEMENT COMPANY, LLC

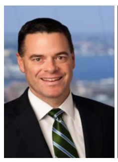
Inside this issue:

Investment Team

- Joseph C. McNay
- Nancy B. Prial
- Robert J. Uek
- William H. Page
- Saralyn Sacks
- Marcy R. Carlin
- Anne Marie McMichael
- Elizabeth Giroux
- Martin P. Cournan
- Jack Lloyd

125 High Street
Suite 1803
Boston, MA 02110
617-342-3200

Please see our website www.essexinvest.com for updated insights from our portfolio management and research team.



How to Whip Inflation

By: William Page - Senior Portfolio Manager

Our investment philosophy at Essex Investment Management rests on the early identification of growth, wherever growth exists. Since our founding by Joe McNay in 1976, we have remained firmly committed to this investment philosophy. We strongly believe in active equity management, using fundamental analysis to assess themes exhibiting strong long-term growth potential. Our investment teams research and then uncover what we believe to be the best positioned companies across these themes or trends. During our daily investment committee meetings, we challenge our theses, stock key drivers, and consider what we could well get wrong to assess our holdings rationale and potential risks. We believe this investment approach is of particular value at this time.

The price of a security reflects the overall market view of the value of the business – its prospects for growth in revenue and profitability. As fundamental investors, we believe there are times of significant disconnect between business fundamentals and stock prices. We also believe the narrowness of performance in the equity market has exacerbated the disconnect between value and price. For example, the chart below from Bloomberg depicts the outperformance of large growth stocks versus small stocks over the past decade:

Large Cap Stocks outperform since 2012

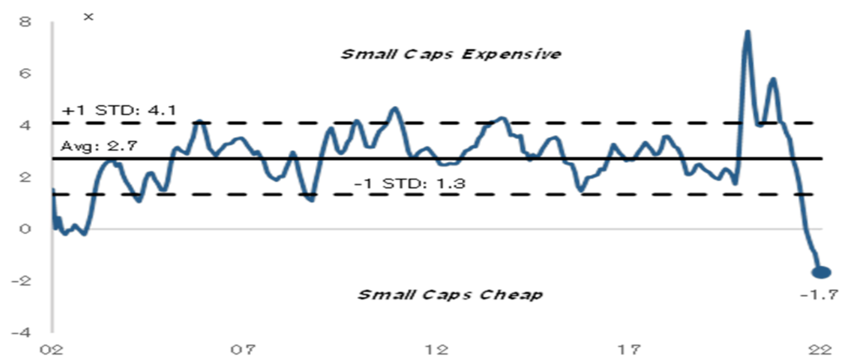
larger companies – the black line - have posted over 277% returns since 2012 versus 133% for smaller companies. These returns equate to over 6% greater annualized returns for large companies versus small. Our focus at Essex tends toward smaller companies, given our investment philosophy which focuses on dynamic growth opportunities. Smaller companies are the engines of growth for our economy, and historically release the leading technologies and services of tomorrow.

How to Whip Inflation

By: William Page - Senior Portfolio Manager

We believe the market has been overly focused on large cap growth equities the past decade and given the relative outperformance, has not questioned increasing investments toward smaller companies. We also believe the market could be at an inflection point of broader stock market participation in favor of smaller cap equities. Amidst the recent market turmoil reflecting both economic and geopolitical strife, prices have corrected in much greater fashion for smaller companies, and valuations for small companies are at historic lows:

Small Cap Stocks at Historically Cheap Valuations

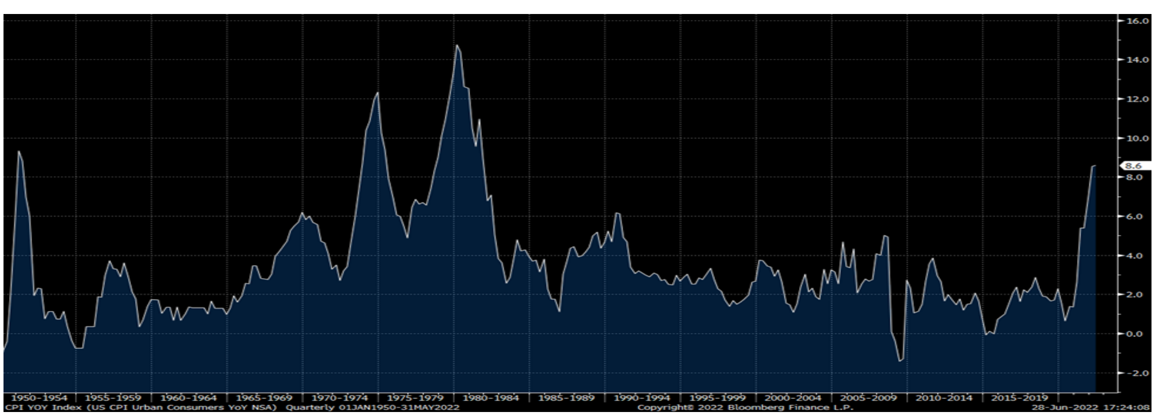


Source: Credit Suisse, July 2022

In comparison, while the stock market correction did not ignore larger companies, valuations are back to historical averages, nowhere near the historically favorable valuations present with small cap companies.

Our economy is amidst severe inflation, depicted in the following chart of year-to-year changes in the Consumer Price Index (CPI) since 1950:

Inflationary Cycle Highest Since 1970s



How to Whip Inflation

By: William Page - Senior Portfolio Manager

The profound spike of inflation is the compound result of years of accommodative Federal Reserve Policy coupled with the disruptions of the pandemic and the Ukrainian crisis. Since 2008, all facets of our economy have had access to cheap capital, from mortgages to commercial bank financing. We are now, in the words of Warren Buffett, seeing who swims naked as interest rates rise rapidly. The pandemic has exacerbated inflation as nations compete for all inputs to economic growth, from labor to materials such as commodities and semiconductors. On shoring plans abound, the result of global supply chain disruption, trade tariff disputes, and commodity price pressures. For example, as automotive manufacturers move production to electric cars, all are forming joint ventures not only with battery manufacturers but are also linking collaborative efforts with each other to ensure assess to materials and technology. At the end of the quarter, inflationary pressures and resultant Fed action did result in some declines in consumer sentiment and demand, as well as price declines for commodities from copper to wheat. Whether this signal points to full recession or temporary slowdown remains to be seen. We acknowledge that this is a cycle where above market growth will be had with differentiated business models.

Smaller companies have more flexible business models, are adaptive, and can generate greater relative growth during periods of duress and inflation. Key considerations in the Essex investment process are the business stability of a company, sources of growth capital, and returns on investment. Above all, our holdings must represent companies with commercially viable technologies. We often state that we don't invest in lab experiments. Our holdings are generally profitable or are on the path to profitability. Most importantly, the companies of which we have exposure are solving the problems we face today. Amidst the multitudes of global problems, we believe the greatest investment opportunities are in the solutions. Our world is experiencing rapid urbanization, lower agricultural yields, and an energy crisis coupled with an antiquated electrical grid. Healthcare costs are skyrocketing. We read of plastics in our water supplies, and limited irrigation and hydroelectric production in the west due to the ongoing drought. Commodity prices and labor costs are pressuring corporate margins, and freight logistics rates are the highest in decades. All dire, and just a sample of some global challenges. The answers lie in our Essex portfolios for each of these challenges: precision agriculture and heat pumps, battery storage and smart meters, AI healthcare diagnostics, water treatment and energy recovery, industrial robotics and fleet management applications. While we are amidst challenging times, we hone and focus our attention to our long-standing investment philosophy.

ESSEX

ESSEX INVESTMENT MANAGEMENT COMPANY, LLC

Client Service and Support:
Essex is fortunate to have great clients whom we are more than happy to assist. Please feel free to contact any of the following Essex personnel below should you need assistance or have questions:

Michael S. McCarthy
Chief Operating Officer
Phone: 617-342-3245 or mmccarthy@essexinvest.com

Carly Semerjian
Senior Executive Administrator
Phone: 617-342-3202 or csemerjian@essexinvest.com

Sue Bathalon
Operations Manager
Phone: 617-342-3204 or sbathalon@essexinvest.com

Client Service & Support Fax Machine: 617-342-3280

Essex Strategies

LONG EQUITY STRATEGIES

Micro Cap, Small Cap and SMID Cap Equity Growth Strategies are managed by our all-women investment team based in Evanston, Illinois, which is focused exclusively on long-only growth equity strategies and has worked together for more than 15 years. The team manages three equity strategies that each share a common investment philosophy and process:

Micro Cap Growth Strategy: We look for under-followed, under-owned, under-appreciated companies & industries in early stages of acceleration.

Small Cap Growth Strategy: The strategy focuses on identifying companies in an inefficient sector of the market at an inflection point where their growth rate is improving.

Small/Mid (SMID) Cap Growth Strategy: Our approach is to execute a systematic, fundamental process to find companies whose future growth prospects are not fully reflected in the price of the stock.

Essex Research Strategy is managed by a team of investment professionals seeking growth equity opportunities across an all-cap universe. By employing fundamental top down economic and sector analysis with bottom-up stock picking skills, the strategy provides the investment team a wide framework in which to identify growth candidates regardless of market capitalization restraint. Individual client portfolios are offered in two risk profiles: aggressive growth or growth and income.

Essex Global Environmental Opportunities Strategy (GEOS) is a thematic, all-cap global stock strategy that invests in clean technology and clean energy companies that help solve the world's environmental problems. The Strategy is focused on nine environmental technology themes and invests with a long investment horizon, typically holding about 40 companies. GEOS is clean technology and energy infrastructure-focused, with companies that exhibit generally high growth rates. ***This strategy is available as both a separate account and mutual fund.***

LIMITED PARTNERSHIP HEDGE FUNDS

Essex Performance Fund is an ultra-aggressive equity strategy which primarily aims to uncover small and mid-sized companies that exhibit the potential for meaningful growth over time. Seeks to maximize returns by utilizing both fundamental and technical analysis with an emphasis on thematic investing and tactical market positioning. The strategy will use leverage to enhance returns.

Essex Evolution Long/Short strategy is a hedged equity strategy that aims to provide competitive risk-adjusted returns by utilizing both fundamental and technical analysis with an emphasis on thematic investing and tactical market positioning. Specifically, we aim to understand key themes within dynamic sectors to capture the growth in those trends and utilize short positions to both hedge portfolio risk and exploit specific mispriced stock opportunities. The fund generally has an equity exposure less than that of the overall market.

Please refer to our firm's website at www.essexinvest.com for more information about Essex, the strategies we manage and important disclosures.