

Q3 2021 Riverwater ESG MICRO Cap Opportunities Strategy Update

The micro strategy underperformed its benchmark for the quarter, but its return for the year remains above 25% (net of fees) for the first three quarters. The strategy was down for the first time in more than a year. The two largest detractors in the quarter were Farmer Brothers (FARM), down 34%, and Infusystems (INFU), down 39%. We are not concerned with the weakness in either name and remain confident in the future outlook for both stocks.

Farmer Brothers manufactures and markets coffee and other culinary products to restaurants, bars, convenience stores, and hotels. The management team has been making progress in turning the business around, but the Delta variant put a hold on the sales rebound everyone was expecting. Profitability reached the best level though since the pandemic began and insiders have continued to buy stock at current levels.

InfuSystem is a healthcare company that provides products and services to facilitate outpatient care. The majority of INFU's revenue today is derived from the supply and service of infusion pumps for cancer treatment at home. InfuSystems sold off on their last quarterly report as they indicated many customers over-ordered during the pandemic and so there will be a temporary lull in their growth rate. We expect growth to reaccelerate next year and are still bullish on their long-term opportunities in Negative Pressure Wound Therapy and Pain Management.

The strategy did have some standouts last quarter with two companies up more than 40%: Centrus Energy up 49% and Oramed Pharmaceuticals was up 65%. Oramed is now up 418% this year. We are holding on as we are confident in their potential for their Diabetes pill that could replace the need for needles. They are in Phase 3 trials with a top line data readout possible by late 2022. If approved for use it would revolutionize the treatment of type II diabetes.

We sold one company, Heritage Insurance (HRTG) as it has underperformed due to high continued claims and we also trimmed Nephros to fund the only new purchase Dario Health (DRIO). Dario Health is a virtual chronic care company that drives behavioral change and better health outcomes using connected devices, personalized engagement, and digital and human coaching. Dario's solutions include a set of devices (smart glucose meter, blood pressure cuff, digital scale, and Upright MSK training device), the Dario Engage patient coaching platform, and the Dario Loop reinforcement learning engine.

There is a high correlation between chronic disease and behavioral health. Dario's solution to continuously monitor a patient's vitals and offer personalized prompts to adhere to prescribed treatment improve outcomes, resulting in lower medical expenses for patients over time, making Dario's solution attractive for health insurance providers and self-insured corporations. Dario has a significant pipeline of potential customers, which will fuel growth in the form of new providers, lives covered, and recurring revenue.

Disclosures:

Performance is presented net of fees and includes the reinvestment of income. Past performance is not indicative of future results. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

ESG MICRO Cap Opportunities Microcap Strategy

Largest Contributors & Detractors

Q3 2021

5 Best - Absolute Contribution				
Ticker	Company	Average Weight	Contribution	
AMRK	A-Mark Precious Metals	4.49 %	139	bps
VRS	Verso Corp	4.93 %	81	bps
ORMP	Oramed	1.49 %	75	bps
LEU	Centrus Energy Corp	1.58 %	74	bps
MYFW	First Western Financial	3.84 %	41	bps
5 Best Total		16.3 %	410	bps

5 Worst - Absolute Contribution				
Ticker	Company	Average Weight	Contribution	
INFU	InfuHoldings	3.16 %	-156	bps
TEUM	Tuesday Morning Corp	3.86 %	-132	bps
FARM	Farmer Bros. Co.	2.47 %	-109	bps
HBIO	Harvard Bioscience	5.93 %	-93	bps
UTL	Unitil Corp	3.19 %	-66	bps
5 Worst Total		18.6 %	-556	bps

Contribution reflects the impact of performance and the portfolio weight to total portfolio return.

Data shown is from a representative account of the Strategy Name Composite. All Returns Are Gross-of-Fees. Included as supplemental information and complements a full disclosure presentation, which can be found in the appendix section of this presentation. Reader should not assume that investments in the securities identified were or will be profitable. Timing differences of purchases and sales may have a modest impact on the actual contribution numbers presented. The holdings identified do not represent all of the securities purchased, sold, or recommended. The calculation's methodology along with details on all holding's contribution to the overall account's performance during the measurement period are available upon request. Past performance does not guarantee future results.