

The Micro Opportunities Strategy delivered strong relative returns in the first quarter, outperforming our benchmark. This success was primarily driven by our emphasis on owning higher-quality companies compared to those in the microcap benchmark. Both stock selection and sector allocation contributed positively to outperformance. While we do not actively position the portfolio based on sector allocation, we continue to find certain sectors more attractive than others in the current environment, as detailed below.

Sector Highlights

Utilities

Our top-performing sectors were utilities and healthcare. The outperformance in utilities is somewhat nuanced, as the sector classification includes Aris Water Solutions (ARIS) alongside Util (UTL). ARIS, our best-performing stock in Q1, is more aligned with energy fundamentals than traditional utilities, though it exhibits utility-like characteristics within the energy ecosystem. As we maintain a more defensive stance in the near term—partly in response to recently announced tariffs—we may look to increase our exposure to utilities. Additionally, given the benchmark's low weighting in this sector, we believe utilities can serve as a driver of relative performance.

Health Care

Healthcare also performed well, largely due to our deliberate avoidance of biotech stocks. These companies tend to be unprofitable and rely heavily on binary outcomes from clinical trials. Instead, we continue to find attractive opportunities in the MedTech space, which we believe offers more defensive characteristics while maintaining growth potential. We expect that ongoing volatility may create opportunities to add quality names in this area at attractive valuations.

Energy

Our worst-performing sector was energy, though this is somewhat misleading due to the classification of ARIS, as mentioned earlier. Our only other holding in this sector is NPK International Inc. (NPKI), which sold its energy business in 2024 and is now focused exclusively on providing matting systems for industries

including power transmission, oil and gas, renewables, and construction. We remain comfortable with our current exposure and do not anticipate increasing our allocation to energy in the upcoming quarter.

Top Performers & Detractors

Top Contributor: Aris Water Solutions (ARIS)

Aris Water Solutions (ARIS) was the top contributor to portfolio performance in Q1 2025, driven by solid execution on both operational and strategic fronts. The company provides infrastructure and water recycling solutions to energy producers in Texas. The company reported strong Q4 results:

- Adjusted EBITDA of \$54.5 million and revenue of \$118.6 million—both exceeding consensus estimates
- Increased dividend by 33%, reinforcing confidence in its free cash flow profile
- Successfully integrated recently acquired assets in Texas and New Mexico, notably McNeill Ranch, has reduced operating costs and expanded long-term growth opportunities.

With growing regulatory focus on water reuse and a rising demand for sustainable infrastructure, ARIS is well-positioned to benefit from secular ESG trends.

Top Detractor: Limoneira Company (LMNR)

Limoneira Company (LMNR) was our largest detractor during the quarter. The company concluded its strategic review and chose to prioritize internal growth initiatives rather than pursuing external alternatives. While this decision is intended to create long-term value, it introduced short-term uncertainty that weighed on investor sentiment. In short, our thesis remains that the company's assets currently trade at less than half of their true private market value. This is supported by the fact that management's strategy to increase cash flows and returns on capital is sound, focusing on:

- Converting lemon acreage to avocados which are 5 times more profitable per acre
- Monetizing land and water rights
- Optimizing existing lemon acreage to improve cash flow stability and lessen market volatility.

Strategy Additions

Climb Global Solutions (CLMB)

Climb Global Solutions (CLMB) is an information technology distributor with a strong presence across North America and Western Europe.

Key investment highlights of Climb include:

- Serves over 7,000 customers and vendors through more than 100 curated partnerships
- Specializes in cloud-based and data center software distribution
- Differentiates itself by identifying and partnering early with emerging, disruptive technology vendors—enabling robust organic growth.
- Strong capital allocation track record with four accretive acquisitions completed by 2023
- Compelling valuation, trading at a market multiple despite expectations for sustained 10–15% EPS growth
- Focus on responsible business practices and robust cybersecurity enhances its investment appeal

Additionally, a newly installed, experienced management team has repositioned CLMB from a transactional model to a sales and marketing oriented culture. This shift, combined with a revamped vendor recruitment strategy, has helped attract high-value software partners in areas such as security and networking.

Red Violet Inc. (RDVT)

Red Violet Inc. (RDVT) provides advanced data analytics and identity intelligence solutions through its two main platforms: FOREWARN, a safety tool for real estate professionals, and Interactive Data Inc. (IDI), an analytics platform serving multiple industries with applications in identity verification, fraud prevention, compliance, and due diligence.

While FOREWARN has reached approximately 50% market penetration, IDI remains underpenetrated and offers significant expansion potential across both industry verticals and existing clients. The total addressable market continues to grow with the

increasing relevance of big data, cybersecurity, and cloud-based technologies.

RDVT's management team brings a strong track record, having built and sold two previous companies in this domain. The current platform's cloud-native, machine-learning-enabled architecture is scalable and well-positioned for enterprise adoption. As RDVT gains market share, its recurring revenue base and high margins support a premium valuation.

Position Adjustments

We trimmed several positions in the quarter as they grew in size: Coastal Financial Corp. (CCB), Aris Water Solutions (ARIS), Tecnoglass (TGLS), Suro Capital Corp., and Uranium Royalty Corp. (UROY). We also exited a number of positions entirely: Alerus Financial Corp. (ALRS) and International Money Express (IMXI).

Looking Ahead

Microcaps briefly outperformed large caps following the presidential election but have since lagged in early 2025. Despite a difficult start to the year across equity markets, our focus on high-quality companies allowed us to outperform our benchmark.

As of this writing—shortly after “Liberation Day”—the newly announced tariffs appear more punitive than anticipated. Market sentiment is clearly risk-off, and with few places to hide, we believe it is prudent to maintain a defensive posture and preserve dry powder for future opportunities.

The challenge in writing a quarterly letter under such conditions is the rapid pace at which the market environment can evolve. The administration currently appears committed to maintaining the announced tariffs, though this stance could shift depending on market reactions and public sentiment. A week from now, our investment thesis could shift materially if the administration shifts materially. It is worth noting that this uncertainty also constrains corporate capital allocation decisions, as companies hesitate to deploy CAPEX amid compounding volatility in an already stressed environment.

On a positive note, we view market dislocations as opportunities to acquire high-quality businesses at attractive valuations. As 2025 progresses, we believe microcaps may be well-positioned to benefit from domestic economic tailwinds and reduced exposure to global uncertainties. In volatile environments, we believe active management is more important than ever, particularly when driven by fundamental research. Our strategy remains focused on identifying undervalued microcaps with resilient business models that can thrive in a dynamic macroeconomic landscape.

Thank you for your trust and confidence and please reach out with any questions.



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(Disclosures and chart showing strategy largest contributors and detractors on next page).

Micro Opportunities Strategy
 Largest Contributors and Detractors – Q1 2025

5 Best - Absolute Contribution			
Ticker	Company	Average Weight	Contribution
ARIS	Aris Water Solutions, Inc. Class A	4.14%	136 bps
ALCO	Alico, Inc	3.62%	46 bps
UTL	Unitil Corp	3.76%	26 bps
CCB	Coastal Financial Corp	5.32%	25 bps
DCTH	Delcath Systems, Inc.	4.53%	13 bps
5 Best Total		21.37%	246 bps

5 Worst - Absolute Contribution			
Ticker	Company	Average Weight	Contribution
LMNR	Limoneria Company	6.24%	-192 bps
AEHR	Aehr Test Systems	1.44%	-117 bps
PWP	Perella Weinberg Partners	4.56%	-105 bps
IMXI	International Money Express, Inc	2.11%	-84 bps
NPKI	NPK International Inc	3.24%	-77 bps
5 Worst Total		17.59%	-575 bps

Disclosures:

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