Performance	QTD	YTD
DJ Industrial Average	4.9%	13.7%
S&P 500	8.4%	15.2%
Russell 2000	3.8%	17.0%
allcapbros	**15.2%**	**48.8%**

We returned 15.2% in Q2, bringing our YTD return to 48.8%. Our performance on the quarter was assisted by our portfolio's positive correlation to small-cap-value which was up close to 20% during the period. Our core holdings DFIN, AOUT, FC, and FREE continued to improve operating leverage and earnings potential. Rate markets began to stabilize towards the end of Q2 with the ten-year coming down to 1.45% from a recent high of 1.74%. This gave a bit of lift to high-duration assets like growth stocks. At one point, however, small-cap-value was outperforming small-cap-growth by ~25% YTD. As for the broader market, we see a continuation of tightening labor markets, record-level business formation, and above all an accommodative monetary and fiscal environment that put the odds in the favor of equities over any other asset class. Not to mention as stock pickers, we are excited by the fact that the current number of publicly-traded companies on the Nasdaq & NYSE is roughly 14,700. Compare this to the end of 2019, where there were only 12,500 companies that were traded on both exchanges. Although a decent portion of the differential is SPACs that haven't found a deal, this still represents a substantial increase in the number of publicly traded equities which enables good active managers higher likelihoods of finding bargains. Below are some of our newly initiated names.

New Positions

SES Imagotag (SESL:FR)

The global retail sector is gargantuan, with about $30 Trillion in sales. The retail sector has been facing both revenue and margin compression as it is squeezed by rapidly growing e-commerce players. Enter digitization. It increases revenues and margins for retailers while bettering the customer experience, a win-win. Digitization is a broad term but encompasses things such as electronic shelf labels (ESLs) and other add-ons such as shelf monitoring that have significant effects on retailers' margins. An ESL is simply a digital price tag that enables retailers to dynamically price objects, reduce waste, and save time. Estimates show both revenues and net margins can increase by about 5%. **An order of magnitude analysis of the impact ESLs can have show an increase of $50 Billion to the bottom line for the global retail market.** Currently, the market is comminated by two players, SES Imagotag and Pricer with a combined EV of a little over $1 billion.

SES is the ESL market leader with about 250mm ESLs installed to date, equating to about a 50% market share. By revenue, SES is about 50% larger than Pricer and by bookings, it is about 3x the size. They have gained market share at the expense of Pricer, who was the previous market leader until 2012. The CEO Thierry Gadou is relentlessly focused on reducing the cost and effort to install ESLs for retailers- the Total Cost of Ownership (TCO). This covers everything from plug n play to reducing IT costs through using the cloud, preventative maintenance etc. SES has been growing revenues at about a 21% CAGR for the last 10 years (graph shown below) and its annual bookings have grown at about a 33% CAGR! This has been primarily through Europe up until 2017 when SES entered the US and Asia markets.

As the e-commerce and retail worlds blend, the retail experience will begin to offer a much better customer experience with features such as tap to pay, dynamic pricing, and convenient access to product info. Employees will be able to spend more time helping customers, an advantage that retail will always have. We believe as ESL adoption evolves, the main selling point of ESLs today, which is the cost of labor to replace paper price tags, will be the smallest contributor to the aggregate value that ESLs bring to retailers and customers. Given the acceleration of these trends, SES's dominant position in this space, and their increasing profitability**, we believe SES to be at a minimum worth double its current valuation of 6x 2023 EBIT.** The digitizing of retailers is a clear trend which we think will continue to not only persist but grow stronger as the e-commerce and brick & mortar worlds become blended.

Delta Apparel (NYSE:DLA)

Delta Apparel (DLA) is a vertically integrated apparel company that is composed of three segments: a manufacturer of basic and private labels, apparel brands, and most recently a Direct to Garment (DTG) fulfiller for brands and retailers. DLA has leveraged its competitive advantages from being a vertically integrated apparel company towards DTG so that it can supply printed custom shirts to brands and retailers in a faster and cheaper fashion than competitors. DLA is currently trading at around 6x 2023 EBIT.

DLA's core business that it has operated in for the last two decades revolved around selling basic and private label apparel to screen printers and retailers. This has been met with mediocre success as these industries have been commoditized by much larger players. ***So what's changed?*** For the last 9 years, DLA has been leveraging its relationships and supply chain to become the only vertically integrated digital to garment player- named DTG2GO (direct to garment to go). DTG printing is printing designs on t-shirts. You insert a blank t-shirt into the printer, enter in the wanted design digitally, and voila, outcomes a t-shirt with art on it. Before DTG printing, screen printing was the primary method of imprinting designs. Screen printing is very labor and time-intensive (with extremely long setup times) and as a result, is only economical when producing large bulk orders. Digital printing is a technological leap forward and is an order of magnitude faster, less labor-intensive and only getting better. DTG favors smaller orders and more time-constrained operations. DLA's vertical integration means they manufacture their shirts (done in Central America), they can distribute them, and they can digitally print on them. DTG2Go provides the full stack: the technology, personnel, quality control, equipment, blank apparel, and experience to be able to offer this service at the cheapest price in the fastest time.

DLA has been growing this segment organically at about a 25% CAGR for the last four years. DLA is catering to the retail sector (direct to retail) and brands to fulfill their DTG needs. DLA currently has about 70 Atlas Printers (a little over a 100k prints per day capacity) and 9 fulfillment centers throughout the USA-enough to offer two-day shipping anywhere. We expect printing capability will continue to improve and take share from screen printing for the foreseeable future. There are also large economies of scope as DTG printing can eventually go after other markets such as embroidery. Given the rapid rise of DTG and DLA's competitive position in this industry, **DLA has about one hundred percent upside from its current levels.**