

4Q24 NCG PERFORMANCE AND COMMENTARY

Next Century Growth Investors		Latest 1	Latest 3	Latest 5	Latest 10	Inception [^]
Compound annual returns as of 12/31/2024	4Q24	Year	Year	Year	Year	To Date
Large Cap Growth Composite (%) (net of fees)	5.18	26.60	8.02	18.33	16.70	11.00
Russell 1000® Growth Index (%)	7.07	33.35	10.47	18.96	16.77	8.68
Small Cap Growth Composite (%) (net of fees)	7.78	18.47	1.03	16.88	14.18	10.89
Russell 2000® Growth Index (%)	1.70	15.15	0.20	6.85	8.09	7.06
Micro Cap Growth Composite (%) (net of fees)	12.78	23.22	(1.56)	20.08	19.15	17.24
Russell Microcap® Growth Index (%)	11.55	21.91	(2.23)	5.72	5.29	8.22
Smicro Cap Growth (%) (net of fees)	7.79	19.20	1.11	16.97	15.66	16.46
Russell 2000® Growth Index (%)	1.70	15.15	0.20	6.85	8.09	10.44
SMID Cap Growth Composite (%) (net of fees)	6.64	18.32	0.77	16.88	13.63	7.57
Russell 2500™ Growth Index (%)	2.42	13.89	(0.01)	8.08	9.45	6.42

Market Review

In the fourth quarter of 2024, equity markets were positive and large cap stocks generally outperformed small cap stocks. However, the micro cap space delivered a good quarter and bested large caps. This capped a strong 2024 across the market cap spectrum leading to the second consecutive year of decisively positive returns. Despite some expected volatility around the November 5th presidential election, stocks were up in November before giving back some gains in December. With the new administration, the market will be closely watching how campaign promises and post-election rhetoric around various priorities will impact the trajectory of the US economy over the next four years. Investors will be focused on key topics such as tariffs, taxes, immigration policies, regulatory environment, geopolitics, among other things. In our experience, moving past election outcomes allows the market to refocus on the path of the economy and the direction of earnings estimates. Overall economic data continues to be mostly solid, and inflation continues to decline and is now approaching the Fed's target level of 2%, although it has remained stickier than Fed expectations. Following the 50bp rate cut in September, the Fed proceeded with 25bp cuts in November and December but indicated at the December meeting that the pace of 2025 rate cuts would be less than previously anticipated by the market due to recent inflation data, which led to a market pullback at year end. Our philosophy, process and team remain consistent, and we continue to invest in what we believe are the fastest growing and highest quality companies in America.

2024 was another year of large caps significantly outperforming small caps, with the Russell 1000 Index +24.5% and the Russell 2000 Index +11.5%. This was the 4th worst annual relative performance ever for small caps vs large caps in the history of Russell benchmarks (*Source: Jefferies 1/1/2025*). The rolling 10-year relative return by small vs large is in the 1st percentile going back to 1926 (zero being the worst relative performance and 100 being the best). See *Exhibit 1*.

Due to a number of positive factors, we believe we could be at an inflection point where small caps start to improve on an absolute basis and outperform large caps on a relative basis. These include:

- US Fed interest rate cuts. Rate cuts began in September 2024 and are expected to continue in 2025. See *Exhibit 2 for historical performance following initial rate cuts*.
- Small cap earnings growth inflection. After two consecutive years of earnings declines, small cap stock earnings are expected to increase about 16% in 2025. See *Exhibit 3*.
- Potential business sentiment improvement following US presidential election.



- Attractive valuation. The Russell 2000 Index now trades at a forward P/E discount to the Russell 1000 Index compared to historically trading at a premium, and valuation of the small cap sector relative to large caps is in the 15th percentile historically. *See Exhibit 4.*

As we have highlighted in the past, much of this performance delta over the last decade relates to healthy business fundamentals of large cap companies, which we think will continue. But we believe starting in 2025, small cap earning growth will be much closer to large caps creating an opportunity for stronger small cap relative performance.

Portfolio Review

Our investment philosophy emphasizes direct research and adhering to a strong sell discipline. We strive to own companies that we believe can grow revenue and profits at strong rates in any economic and market environment. We feel we have the opportunity, if we pick the right stocks, to perform better than the index in all market environments. In 4Q24 and for all of 2024, we outperformed in all strategies (net of fees) except large cap.

For the quarter, our large cap strategy underperformed, mainly due to our holdings in the technology sector not keeping pace with that of the index. In small and mid cap, we outperformed and experienced strong performance from our holdings in the technology and consumer discretionary sectors. Our micro cap strategy kept pace with the benchmark and outperformed during the quarter as well, with relative outperformance in technology and health care, partially offset by relative underperformance in the industrial sector.

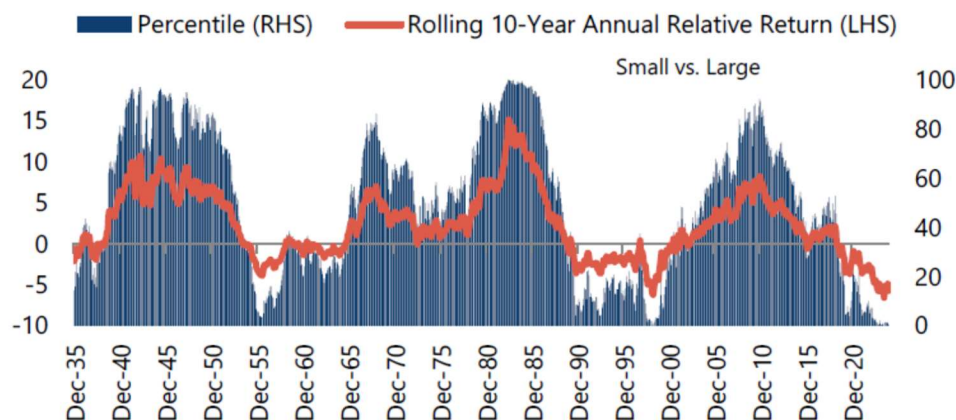
Market Outlook

As 2025 gets rolling, NCG is starting its 27th year of investing in growth companies. Every year has its own unique set of opportunities and challenges at both the micro and macro level, and 2025 is no different. The Fed has started cutting rates, the US has a new government leadership in place, economic data and the jobs numbers have remained quite solid, there are exciting technological developments in many industries, geopolitical concerns abound, and on and on. Our experienced and stable team has worked through many of these environments over the past 26 years, and we believe we can lean on our experience of bottom-up stock picking to navigate this market as well. We believe the future direction of the market will depend on the path of the economy and the direction of earnings estimates. As of now, investors are expecting strong earnings growth in 2025 for small, mid and large cap companies. *See Exhibit 3.* If this growth materializes, it would be a significant step-up year over year in small and mid cap and a continuation of strong growth in large cap.

As always, we will stay focused on our core investment philosophy. We believe a portfolio of high-quality growth companies, selected using our original research, and combined with a strong sell discipline will lead to compounding of portfolio value and market outperformance over time. We believe our since inception investment results continue to support this approach.



Exhibit 1. Rolling 10-year Relative Performance of Smal Cap Stocks vs. Large Cap Stocks



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies 1/1/2025

Exhibit 2. Performance after first Fed interest rate cut⁺



Note: Used Fed Funds from 1954 until 1963, then used the Discount rate from 1963 until 1994 and Fed Funds rate after that.
Source: Federal Reserve Board; Haver Analytics; Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

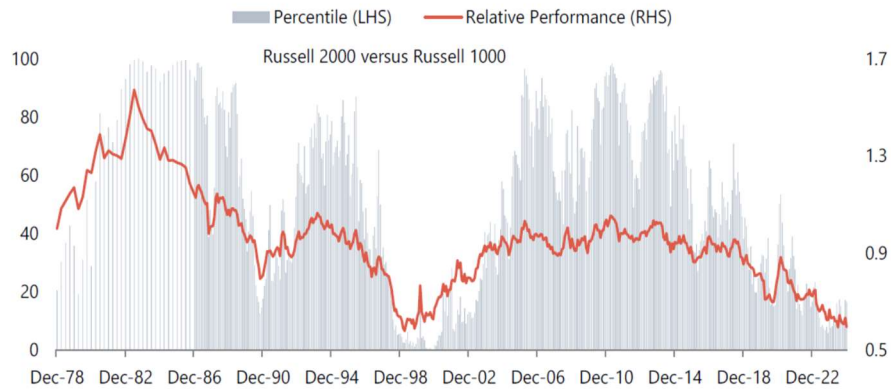
Exhibit 3. 2024 and 2025 Earnings Growth Estimates (as of 12/28/2024)

Quarter/Year	Earnings Growth (%)								
	Small	Mid	Large	Small Caps		Mid Caps		Large Caps	
				Growth	Value	Growth	Value	Growth	Value
1Q24A	-13.4	-0.9	6.9	-10.3	-15.2	5.4	-2.4	23.6	-3.1
2Q24A	-8.9	2.7	13.5	-3.6	-9.6	15.0	0.9	19.5	8.1
3Q24A	-8.2	1.1	7.7	0.8	-12.7	10.7	-0.7	12.2	3.6
4Q24P	0.2	-1.1	11.7	0.0	-1.7	1.7	-1.7	16.7	5.3
2024P	-3.6	-1.7	8.6	-1.6	-4.9	2.1	-2.7	16.3	2.0
2025P	15.8	12.2	13.5	17.1	13.4	17.2	11.1	16.9	10.4

Source: FactSet; Standard & Poor's; Jefferies *Small represented by Russell 2000, Mid by Russell Midcap, Large by Russell 1000



Exhibit 4. Relative Valuation and Relative Performance of Russell 2000 vs Russell 1000



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies 1/1/2025

†Past performance is not an indicator of future performance. The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index. The Russell 1000 Index is a U.S. stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index.



Next Century Growth Investors, LLC

NCG LARGE CAP 4Q24 REVIEW

	QTD	1 year	3 year	Annualized		
				5 year	10 year	Since Inception^
Large Cap Growth (%) (Net of fees)	5.18	26.60	8.02	18.33	16.70	11.00
Russell 1000® Growth Index (%)	7.07	33.35	10.47	18.96	16.77	8.68

^Inception 1/1/1999

4Q Attribution

Contributors	Detractors
<ul style="list-style-type: none"> Sector outperformance: slight outperformance in industrials and health care Top 3 contributors to absolute performance: TSLA, NVDA, AMZN 	<ul style="list-style-type: none"> Sector underperformance: technology was the main driver of underperformance in the quarter, and slight underperformance in financials and consumer discretionary Top 3 detractors to absolute performance: AMD, MPWR, LLY

4Q Portfolio Activity

- In technology, we are underweight, but we maintain significant exposure to the sector as growth fundamentals remain strong in many of the large index positions as well as in many other areas.
- In consumer, we are underweight and continue to focus on companies we believe have long-term secular growth opportunities.
- In health care, we are underweight after selling four positions to zero in Q4 (see below).
- Overweight in industrials driven by companies with what we believe have secular growth drivers.
- The portfolio is overweight the financial sector.
- We added 7 new positions in Q4:
 - four in technology: AppLovin Corp., Tyler Technologies, Inc., Toast Inc., Guidewire Software, Inc.
 - two in industrials: Axon Enterprises Inc, Saia, Inc.
 - one in consumer: Trade Desk Inc.
- We sold 9 positions to zero in Q4:
 - four in health care: DexCom, Inc., Vertex Pharmaceuticals Incorporated, UnitedHealth Group Incorporated, Eli Lilly and Company
 - three in technology: Workday, Inc., Adobe Inc., Monolithic Power Systems, Inc.
 - one each in industrials (Old Dominion Freight Lines, Inc.) and consumer (D.R. Horton, Inc.)

Sector Weights
As of 12/31/2024

	Large Cap Growth	Russell 1000 Growth Index
Technology	57%	60%
Consumer Discretionary	18%	20%
Industrials	13%	7%
Financials	5%	3%
Health Care	3%	6%
Real Estate	0%	0%
Basic Materials	0%	0%
Consumer Staples	0%	2%
Energy	0%	0%
Telecommunications	0%	1%
Utilities	0%	0%
Cash	3%	0%

DISCLOSURES

Past performance is not indicative of future results. Mention of companies/stocks herein is for illustrative purposes only and should not be interpreted as investment advice or recommended securities. The securities identified do not represent all of the securities purchased, sold or recommended and the reader should not assume that any listed security was or will be profitable. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by NCG) or any other discussion made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from NCG. Performance related information provided in this document is available. A description of our services and fees is included in our Brochure, ADV Part 2, which is available upon request.

Source: FactSet for Attribution and Sectors.

Reported in USD. Performance figures for less than one year are not annualized. An investment in this strategy is speculative and involves substantial risks, including the possible loss of the entire investment and the potential for economic and market conditions and factors to materially adversely affect the value of the investments. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Performance information presented may include "estimated" figures in circumstances where "final" figures are not yet available. Both gross and net performance reflects the reinvestment of dividends and interest, and the deduction of brokerage or other commissions, and any other expenses that a client would have paid or actually paid, other than custodial fees. For the Small Capitalization Growth Equity Composite IPOs contributed significantly to performance in 1999. Next Century Growth Investors claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

^Large Cap Growth Composite Inception 1/1/1999, represent 13.09% firm AUM

^SMID Cap Growth Composite Inception 4/1/2000, represent 1.83% firm AUM

^Small Cap Growth Composite Inception 1/1/1999, represent 40.08% firm AUM

^SMicro Cap Growth Composite Inception 1/1/2013, represent 1.47% firm AUM

^Micro Cap Growth Composite Inception 1/1/2003, represent 34.24% firm AUM

The Russell Microcap® Growth Index measures the performance of the microcap growth segment of the U.S. equity market. It includes Russell Microcap companies that are considered more growth oriented relative to the overall market as defined by Russell's leading style methodology. The Russell Microcap Growth Index is constructed to provide a comprehensive and unbiased barometer for the microcap growth segment of the market. The Index is completely reconstituted annually to ensure larger stocks do not distort performance and characteristics of the microcap opportunity set. The Russell Microcap Growth Index is not an actual investment and does not reflect the deduction of transaction charges and other expenses that your account must bear. Additional information regarding policies for calculating and reporting returns is available upon request.

The NCG Micro Cap Growth Equity Composite contains portfolios investing primarily in the equity securities of smaller U.S. companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio manager seeks to identify the fastest growing and highest quality companies for investment. Investment results are measured versus the Russell Microcap® Growth Index.

The Next Century Growth Investors Small/Micro Cap Growth Equity Composite contains portfolios investing primarily in the equity securities of smaller companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio manager seeks to identify the fastest growing and highest quality companies for investment. The strategy invests in both small and microcap companies. Investment results are measured versus the Russell 2000® Growth Index.

The NCG Small Capitalization Growth Equity Composite contains portfolios investing primarily in the equity securities of smaller U.S. companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio manager seeks to identify the fastest growing and highest quality companies for investment. Investment results are measured versus the Russell 2000® Growth Index.

The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. The Russell 2000® Growth Index is not an actual investment and does not reflect the deduction of transaction charges and other expenses that your account must bear.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000® Growth Index is not an actual investment and does not reflect the deduction of transaction charges and other expenses that your account must bear.

The NCG Focused Large Capitalization Growth Composite contains portfolios investing primarily in equity securities of U.S. companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio manager seeks to identify the fastest growing and highest quality companies for investment. The strategy invests in both large and medium companies with an emphasis on large capitalization. Investment results are measured versus the Russell 1000® Growth Index.

The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the US equity universe. It includes those Russell 2500™ companies with higher growth earning potential as defined by FTSE Russell's leading style methodology. The Russell 2500™ Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect growth characteristics.

The NCG Small/Mid Capitalization Equity Composite contains portfolios investing primarily in the equity securities of small and medium-sized U.S. companies that the portfolio manager believes have substantial potential for high long-term growth. The portfolio manager seeks to identify the fastest growing and highest quality companies for investment. Investment results are measured versus the Russell 2500™ Growth Index.

A GIPS Report and/or the firm's list of composite descriptions is available upon request. The Russell Indexes ("Russell Indexes") are a trademark of Frank Russell Company ("Russell"). The FTSE Indices and/or Russell Indexes are not in any way sponsored, endorsed, sold or promoted by FTSE, Russell or the LSEG (together, the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the FTSE Indices and/or Russell Indexes, (ii) the figures at which the FTSE Indices and/or Russell Indexes are said to stand at any particular time on any particular day or otherwise, or (iii) the suitability of the FTSE Indices and/or Russell Indexes for any purpose. None of the Licensor Parties have provided or will provide any financial or investment advice or recommendation in relation to the FTSE Indices and/or Russell Indexes. The Russell Indexes are calculated by Russell or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the FTSE Indices and/or Russell Indexes or (b) under any obligation to advise any person of any error therein.