

Composite Performance: March 31, 2024

PERFORMANCE (%)	1Q24	YTD	1 YR	3 YR Ann	5 YR Ann	7 YR Ann	10 YR Ann	ITD Ann*
US Small Cap (Gross)	15.79%	15.79%	36.32%	1.83%	15.85%	15.35%	11.43%	10.70%
US Small Cap (Net)	15.50%	15.50%	34.96%	0.82%	14.70%	14.20%	10.32%	9.60%
R2000 GROWTH	7.58%	7.58%	20.35%	-2.68%	7.37%	8.39%	7.89%	7.90%
Excess Return (Net)	7.92%	7.92%	14.61%	3.50%	7.33%	5.81%	2.43%	1.70%

*Composite inception date: 7/1/2007. Returns over one year are annualized. Performance for individual accounts may vary. See performance disclosure for additional information. **Past performance is no guarantee of future results.** There are risks associated with all investments and returns will vary over time. The value of investments can go down as well as up, and a loss of principal may occur.

Key Take Aways

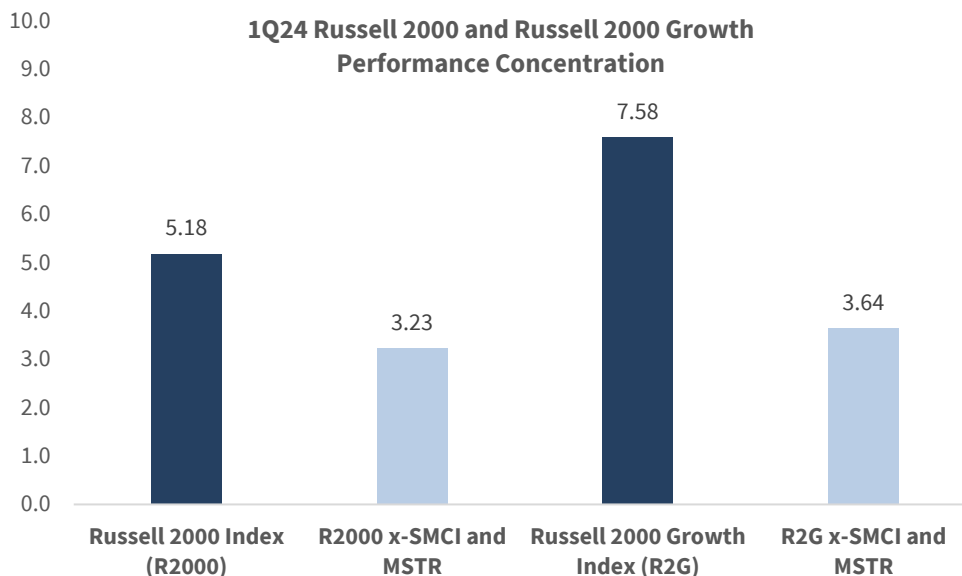
- Our US Small Cap strategy significantly outperformed the Russell 2000 Growth Index with a +15.50% return (net) versus +7.58% for the Russell 2000 Growth, thanks to strong security selection and portfolio positioning. Major gains were driven by standout performances in technology and industrials.
- The start of 2024 saw strong performance in US equity markets, driven by high-quality growth stocks. However, gains moderated in March following mixed signals regarding interest rates and economic strength. For the quarter, technology, industrials, healthcare, and energy sectors led, while financials and real estate underperformed within the small-cap segment. Notably, MSTR and SMCi had outsized impacts on their indices, distorting broader market perceptions.
- We believe our US Small Cap portfolios are positioned to navigate interest rate uncertainties and geopolitical risks, with a cautious but optimistic outlook on companies and industries that are poised to benefit from technological advancements and infrastructure needs in Generative-AI.

Market Review: 1Q24

The first quarter of 2024 showcased a strong start with high-quality growth stocks, particularly those with solid revenues and earnings, gaining traction. This momentum continued into February but saw a shift in March as market sentiment wavered between expectations of rate cuts due to declining inflation and the realization of a strong economy bolstered by robust employment and consumer spending. The rapid surge in yields in March, driven by robust GDP growth and a recalibration of investor expectations regarding interest rate cuts in 2024, resulted in subdued performance across equity markets. We anticipate that, owing to the robust economy, Federal Reserve interest rate cuts may fall short of market projections.

Mega caps continued to capture investor interest with large-cap stocks outpacing small once again, despite a shift in March when small-caps beat large. Within the small cap space, size and quality were the main drivers. Tech, industrial, healthcare and energy stocks emerged as leaders for the quarter while financials and real estate stocks faltered.

An interesting observation was the dominance of two stocks, MSTR (MicroStrategy, Inc.) and SMCI (Super Micro Computer) which heavily influenced the Russell 2000 and Russell 2000 Growth Index's performance, accounting for 38% and 52% of the benchmarks YTD gains respectively, highlighting a unique market dynamic.



As of March 31, 2024. Source: FTSE/Russell; FacstSet, Nicholas Investment Partners
Based on returns and constituents of the Russell 2000 and Russell 200 Growth Index.
Results will vary in different periods. **Past performance is not guarantee of future results.**

Performance Discussion

The US Small Cap strategy delivered a solid +15.50% net gain, outperforming the Russell 2000 Growth Index by +7.9% YTD, with the index itself rising +7.58% this quarter. Returns were driven by both our security selection and portfolio construction.

Contributions across various sectors propelled the portfolio's quarterly performance. Standouts included technology (notably in hardware storage solutions and semiconductors), industrials (aerospace/defense and machinery), and consumer staples. These sectors saw significant portions of their holdings surpass quarterly sales or EPS growth expectations. Key performers were SMCI, BWXT, and CELH. Conversely, healthcare (specifically biotech) and energy sectors, despite gains, did not keep pace with the benchmark.

Our edge largely came from strategic picks in consumer sectors, technology, and industrials. However, no investment in MSTR, a lighter stance on SMCI, and underperformance in healthcare slightly hampered our relative returns. Our February update communicated a strategic reduction in SMCI as it joined the S&P 500, and as we exit the position ahead of the Russell 2000 Growth Index June rebalance. Relating to MSTR, the stock is largely a proxy for Bitcoin and lacks fundamental metrics, precluding our ownership of the company.

Security Highlights

Top Contributors

Super Micro Computer (SMCI): Led with a 435-bps boost, thriving on accelerated demand for Gen-AI systems, which led to a significant upward revision in its yearly guidance.

BWX Technologies (BWXT): Gained from its niche in small modular reactors and nuclear propulsion, alongside a strong cash flow performance exceeding \$200mm in 2023.

Celsius Holdings (CELH): Excelled with impressive sales and gross margin results, reporting a 95% y/y revenue increase and expanding its market reach and efficiency.

E.l.f. Beauty (ELF): Surpassed expectations with robust sales and EBITDA growth, benefiting from strategic expansion and innovation.

AppFolio (APPF): Contributed positively, reflecting strong quarterly results and promising C2024 guidance, underscored by continuous margin improvement.

Largest Detractors

Fluence Energy (FLNC): Faced challenges after disappointing quarterly results and ongoing litigation issues with Siemens Energy, leading to our exit from the position.

Freshworks (FRSH): Despite a modest margin expansion forecast for C2024, Freshworks reported a revenue beat and inline guidance, demonstrating its commitment to innovation and AI-based solutions. We maintain our position due to the company's strategic investments in these areas, which we believe offer long-term growth potential and could result in conservative guidance becoming more favorable as the year progresses.

Mirum Pharmaceuticals (MIRM): Mirum's shares faced challenges with a narrower label than expected for its PFIC approval. However, we remain invested due to the company's promising pipeline, including upcoming clinical readouts in PFC and PBC that we view positively. Mirum's focus on developing novel therapies for debilitating liver diseases underpins our growth investment thesis, suggesting potential for significant advancements and market impact.

BILL Holdings (BILL): BILL's recent quarter and guidance met expectations, but concerns arose over a potential shift by Bank of America (BoFA) to bring in-house solutions for SMB customers. Despite this, we continue to hold BILL, drawn by its appealing valuation at 20x FCF and 5x EV/Sales, along with its growth trajectory and margin prospects. The company's strong market position and technological foundation present a compelling case for sustained growth, reinforcing our confidence in its future performance.

Ironwood Pharmaceuticals (IRWD): Shares pulled back following a failure in a critical short bowel syndrome study. We exited the position to invest in a more attractive investment candidate.

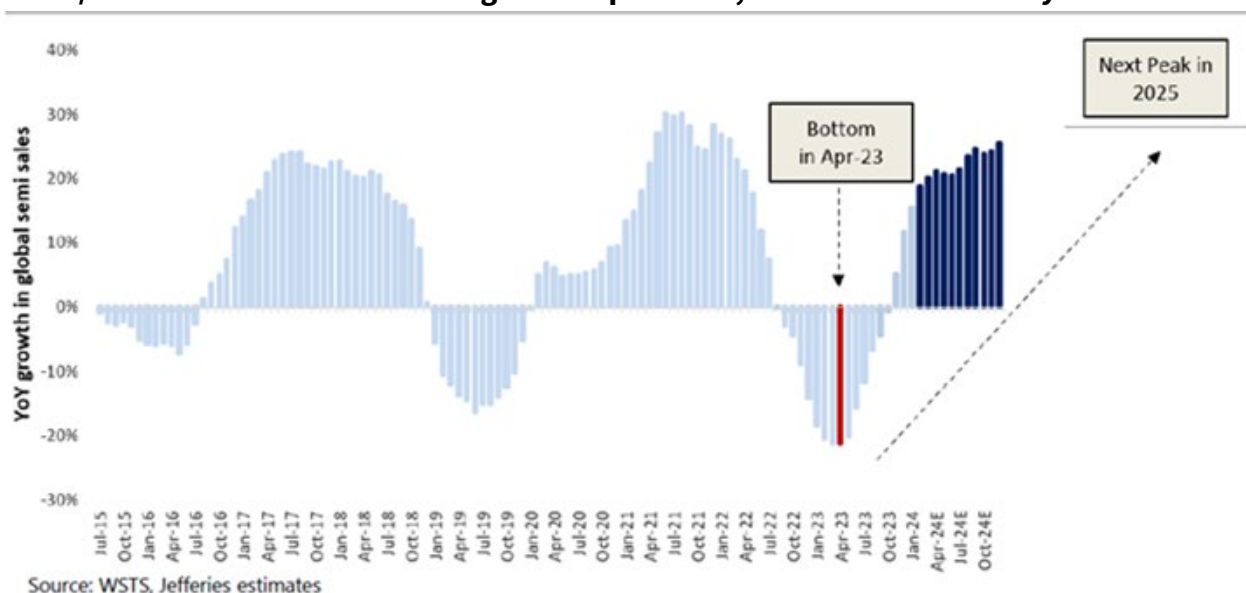
In summary, our portfolio's outperformance this quarter is a testament to our disciplined security selection and diversified sector investment approach, though we remain vigilant and adaptive to changing market dynamics and opportunities.

Positioning

The current market, characterized by its factor volatility and divergent sector performances, underscores the importance of careful stock picking and active management strategies. We continue to find attractive investment opportunities with sustainable and accelerating growth profiles. Areas of special interest include:

Tech Sector Diversification: Specific technology stocks, particularly those involved in AI and specialized equipment, show significant potential. Semiconductor and semiconductor capital equipment remain a significant component of our tech position, comprising over 6.8% of our overall holdings. Following a trough in growth observed in April 2023, there has been a steady acceleration in semiconductor year-over-year sales growth, as noted in the chart below. It is our current view that this growth momentum will persist, with expectations for further acceleration extending into the latter half of 2025.

Y/Y Global Semis Growth Troughed in April'2023; Next Peak At least 2-years Out



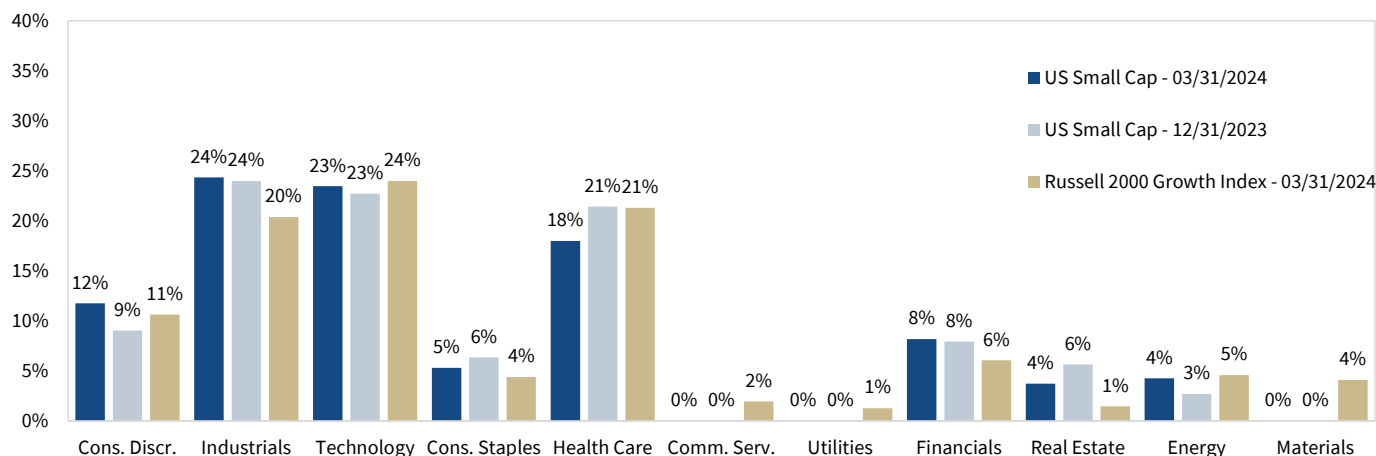
Our investment approach revolves around strategically entering the market during periods when semiconductor growth approaches trough levels. This strategy is driven by our anticipation of a subsequent upswing in estimates and earnings as the industry experiences improvements in growth. Consequently, we positioned ourselves for potential outperformance by companies in the semiconductor sector. This philosophy has led us to maintain a substantial overweight position in semiconductors for the past 5-6 quarters.

The US small cap equity space offers a vast and expanding array of investment opportunities in stocks poised as secondary beneficiaries of growth in data centers and AI, including generative AI. These potential winners, often in underexplored industries like industrials, power infrastructure, and healthcare, reflect the broad, untapped potential associated with small-cap investments.

Industrials: We continue to find attractive growth opportunities among the “picks and shovels” that will provide the power grid infrastructure (electricity generation and transmission, fuel cells, liquid cooling, small modular reactor, and energy/battery storage) and data storage needs for the secular AI-tailwind. Small modular reactors (SMRs), for example, have gained interest as another promising solution for power delivery to AI-driven data centers. SMRs are typically advanced nuclear reactors that have a power capacity of 300MW per unit, which is about 35% of the generating capacity of traditional large nuclear power reactors.

Healthcare: Throughout the quarter, we selectively adjusted our healthcare positioning to an underweight. Specifically, we reduced our exposure to pharmaceuticals (UW) and biotech, though we remain overweight this segment. For example, we sold our position in Cymabay (CBAY: liver disease) driven by its acquisition by Gilead. Cytokinetics (CYTK: develops cardiovascular and neuromuscular drugs), which was down off of December highs following given diminished M&A speculation and concerns that CYTK management may decide to build a specialty cardiology franchise by themselves. Our overweight position in biotech largely reflects holdings driven by a combination of strong financial execution and/or greater appreciation of pipeline potential.

Sector Weight Changes



Source: FactSet, FTSE/Russell, Nicholas Investment Partners.

Information is reported in US dollars. Results are for a representative portfolio as of the date above and subject to change. The characteristic profiles for client accounts may vary from the representative account. While Nicholas believes the information is representative of other accounts in strategy, specific information for client accounts may differ from the representative account. Additional information about the portfolio is available upon request. Please refer to the appendix for additional disclosures. Supplemental information.

Potential Risks

Interest Rate Sensitivity: The market's initial anticipation of rate cuts has evolved, with a growing consensus around maintaining the current rates. This adjustment poses a risk to stocks that had previously benefited from the expectation of lower rates.

Geopolitical Tensions: Increasing geopolitical unrest, particularly involving major global players like China, Russia, and Israel, could introduce volatility and uncertainty into the market, potentially affecting investor sentiment and market stability.

Healthcare Sector Uncertainty: Despite being traditionally viewed as a safe haven, the healthcare sector has shown signs of underperformance, attributed to its sensitivity to macroeconomic factors and rate expectations. While the direction and magnitude of interest rates expectations will remain a near-term factor impacting day-to-day price behavior, we believe valuations of our positions are sufficiently discounting this factor on a 12+ month time horizon.

Near-term Outlook

The investment landscape remains complex, with macroeconomic factors such as inflation, interest rates, and geopolitical tensions influencing market dynamics. Despite these factors, our outlook remains cautiously optimistic based on several key observations:

Credit Markets: The compression of US corporate high yield credit spreads, as noted in the chart below, alongside an active market signals a resilient financing environment. This resilience is evident despite challenges in treasury refinancing and federal deficits.

US High Yield Credit Spreads Narrowed



However, small-cap stocks have faced headwinds due to increased short-term borrowing costs, stemming from their higher dependence on floating-rate rather than fixed-rate debt. This distinction is critical for small-cap companies, especially as short-term interest rates, indicated by the Secure Over Night Financing Rate (SOFR), remain elevated. Despite tighter high-yield (HY) spreads, small caps have not experienced the expected relief in borrowing costs typical of other cycles. In this context, it becomes crucial to assess companies' free cash flow growth, balance sheet robustness, and debt structures, including maturities, to support sustainable growth. Having a credit specialist on the team provides a strategic advantage in navigating these complexities.

Outlook (cont.)

However, Short-Term Rates Remain Stubbornly High



Source: Bloomberg, Nicholas Investment Partners. As of April 4, 2024. Results will vary in different periods.

Consumer Markets: In the U.S., a strong consumer base contrasts with China's shift towards local consumption, presenting a nuanced global economic picture that requires careful consideration.

Commercial Real Estate: Signs of recovery in premium commercial real estate deals provide a positive outlook, although the sector continues to face challenges.

The closing quarter showed the economy and inflation aligning more closely with long-term trends, leading to a conservative stance from the Federal Reserve, with scaled-back expectations for interest rate cuts.

Our near-term outlook is shaped by a focus on sectors showing resilience and growth, particularly those benefiting from AI and tech-driven demands, such as industrials and energy. These sectors are seen as second derivative beneficiaries of the long AI demand tailwind, propelled by the infrastructure needs to support this growth.

Given the market's sensitivity to macroeconomic indicators and geopolitical dynamics, active management and strategic stock selection remain pivotal. Our strategy is to invest in companies that not only demonstrate fundamental growth but are also on the cusp of sustainable, accelerating growth before they achieve widespread market recognition. This approach aims to uncover opportunities that offer significant returns while carefully managing risk.

In summary, while cautious, we are optimistic about the potential for selective companies and sectors to drive positive returns in the near term, guided by strategic investments, active portfolio management and a keen eye on macroeconomic trends.

Strategy Overview

Nicholas Investment Partners US Small Cap strategy offers investors attractive opportunities for capital appreciation and diversification within this less-widely-followed market segment. Small-cap companies typically demonstrate higher revenue and earnings growth potential than larger companies. US Small Cap capitalizes on a disciplined and forward-looking investment process to invest in successful, growing companies—those that manage change advantageously and are poised to exceed expectations.

- Over 30 years of experience investing in dynamic growth companies whose revenues and earnings are catalyzed by positive change
- Specialists in small- to mid-cap companies
- Invest in both equities and convertibles
- Edge comes from combining global fundamental equity and credit research with objectivity and efficiency of quantitative analytics

Objective

Seeks long-term capital appreciation

Benchmark

Russell 2000 Growth

Vehicle

Separately managed account

Portfolio Construction

Portfolios are actively managed to continually drive to the strongest investment ideas. Position sizes are based on the conviction in the investment thesis of each company relative to other portfolio holdings and risk exposures. Early warnings signs that suggest deterioration in company fundamentals or earnings strength lead to timely sell decisions. When constructing portfolios, the portfolio manager will typically adhere to the following general guidelines under normal market conditions:

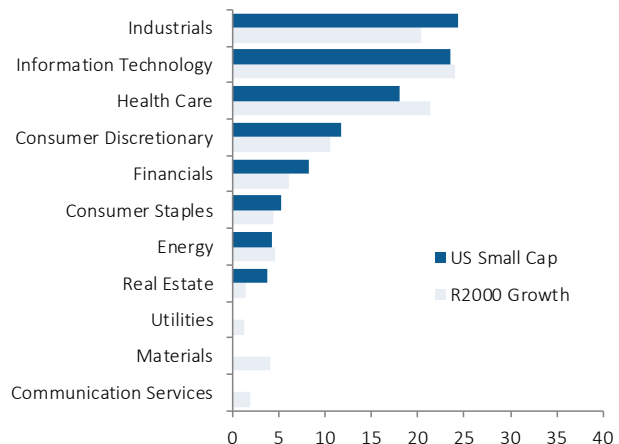
- Number of Positions: Less than 90
- Geography: US-listed public equities
- Capitalization: \$100M to 2x max of R2000 Growth
- Security Max: 5%
- Sector Max: 35% or 2x max of R2000 Growth
- Cash: Transactional, typically <5%

CHARACTERISTICS	US SMALL CAP	R2000 GROWTH
Number of Securities	87	1,064
Active Share	88.0%	---
Off-Benchmark Weight	49.9%	---
Market Cap (wtd. avg.)	\$7.8 B	\$6.5 B
Market Cap (median)	\$4.9 B	\$1.3 B
P/E* (FY2)	18.2 x	17.1x
P/B*	3.7 x	3.5 x
EPS Growth (FY1/FY2 wtd. avg.)	19.6%	23.1%

*Weighted harmonic average.

TOP 10 POSITIONS (% weight)	US SMALL CAP	R2000 GROWTH	ACTIVE WEIGHT
BWX Technologies	4.1	0.0	4.1
Monolithic Power	3.0	0.0	3.0
Weatherford International	2.7	0.6	2.1
MGIC Investment Corp	2.6	0.0	2.6
Lattice Semiconductor Corp	2.5	0.0	2.5
Evercore Inc.	2.5	0.0	2.5
Tanger Inc.	2.4	0.1	2.3
TFI International Inc.	2.3	0.0	2.3
REV Group, Inc.	2.2	0.0	2.2
ArcBest Corp	2.1	0.1	2.0

SECTOR EXPOSURE (% weight)



MARKET-CAP DISTRIBUTION	US SMALL CAP (%)	R2000 GROWTH (%)
>\$15 Billion	6.1	5.7
\$7.5 – \$15 Billion	33.1	7.7
\$4.5 – \$7.5 Billion	22.8	26.1
\$1.5 – \$4.5 Billion	30.4	45.1
\$750 Million – \$1.5 Billion	6.2	10.1
\$400 – \$750 Million	0.9	3.4
<\$400 Million	0.5	1.8

Specific securities identified do not represent all securities purchased, sold or recommended to advisory clients. It should not be assumed investments in these securities were or will be profitable.

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Performance contribution/attribution, characteristics and portfolio risk statistics information is calculated in Factset performance contribution and attribution information is calculated using a holdings-based methodology utilizing end-of-day portfolio holdings and does not include transaction data and therefore the returns may not match actual portfolio returns. The information is presented to illustrate the drivers of performance and is not intended to match the actual returns of the representative portfolio or composite. The differences between the FactSet returns and the actual returns will vary due to various circumstances such as portfolio turnover and market volatility, among others. While Nicholas believes the information is representative of other accounts in the strategy, specific information for other accounts may differ from the representative account. The representative portfolio was chosen based on non-performance criteria such as account size, cash flows and the level of account restrictions. Nicholas used third-party information in the preparation of the characteristics and/or market environment charts. While Nicholas believes the third-party information was obtained from reliable sources, we cannot guarantee the accuracy, adequacy or completeness of the information obtained from these sources. Additional detailed return information (gross and net of fees) for the representative portfolio is available upon request.

Gross and net returns, presented within were calculated in U.S. dollars on a time-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign taxes. Accrual accounting was used for dividend income recognition. Securities transactions are accounted for on trade date. Cash and cash equivalents are included in the performance returns. The gross returns do not give effect to investment advisory fees. The deduction of investment advisory fees will reduce gross returns and are subject to compounding. The composite results include all actual fee paying fully discretionary accounts under management by Nicholas after one full calendar month that have substantially the same investment objectives, policies and restrictions. Unless otherwise noted the returns reflect the performance of the product composite. Performance and incentive-based fees will have similar, yet often larger, impacts to performance and account values than standard management fees. Please see Nicholas' ADV Part 2A for a complete description of investment advisory fees.

Disclosure *(continued)*

Index returns are provided as a general indicator of the investment environment existing during the time periods shown and are provided for comparison purposes only. The returns for the index do not include any transaction costs, management fees or other costs. Investors may not make direct investments into any index. Investors should consider comparing the performance of any potential investment to other benchmarks and indices that are representative of their particular investment objectives, horizons and risk tolerances.

Net returns reflect the deduction of the highest investment management fee for the product, which is 1.00%. Actual fees charged may vary by portfolio due to various conditions such as account size, client relationship, complexity, etc. Client's accounts may also be subject to additional fees unrelated to Nicholas such as custodial and administration fees, among others. Standard Management fee schedule: First \$50M 1.00%, Next \$25M 0.85%, Next \$25M 0.75%, Thereafter 0.65%. **Past Performance is not indicative of future results.**

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-book 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. Index returns include the effect of dividends and income which are reinvested daily.

The Russell 1000® Growth Index is a market-capitalization weighted index that measures performance of those Russell 1000 companies with higher price/book ratios and higher forecasted growth values. You cannot invest directly in an index.

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