

Performance (%)	US Small Cap (Gross)	US SMALL CAP (Net)	R2000 Growth
4Q24	1.30%	1.05%	1.70%
YTD	20.81%	19.60%	15.15%
1 Year	20.81%	19.60%	15.15%
3 Year	0.27%	-0.72%	0.21%
5 Year	13.79%	12.65%	6.85%
7 Year	13.19%	12.06%	7.16%
10 Year	11.94%	10.83%	8.08%
ITD*	10.48%	9.38%	7.97%

Risk Statistics (%)	US Small Cap (Net)	R2000 Growth
5 Year		
Alpha (%)	5.96	--
Beta	0.95	1.00
R-Squared (%)	0.90	1.00
Sharpe Ratio	0.41	0.17
Standard Deviation (%)	24.97	24.87
Upside Capture (%)	103.56	--
Downside Capture (%)	89.25	--

*Composite inception date: 7/1/2007. Returns over one year are annualized. 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.** See performance disclosure for additional information. **Past performance is no guarantee of future results.**

Note: Except for Standard Deviation and Sharpe Ratio, the performance based-statistics above were calculated using Nicholas Partners US Small Cap Composite (net of fees) relative to the versus the Russell 2000 Growth Index using monthly returns. Performance statistics for additional periods will be provided on request. Source: Nicholas Investment Partners; FTSE/Russell; NASDAQ evestment. Returns over one year are annualized. 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.** See performance disclosure for additional information. **Past performance is no guarantee of future results.**

Performance Overview

The US Small Cap strategy concluded 2024 delivering a net return of +1.1% in 4Q, compared to +1.7% for the Russell 2000 Growth Index. For the full year, the strategy generated a +19.6% net return, outperforming the benchmark's +15.2% and solidifying our long-term track record of adding value. Over the five- and seven-year periods, our disciplined and forward-looking investment approach has delivered 5.8% and 4.9% annualized outperformance, respectively. These results reflect our focus on identifying companies with sustainable growth catalysts, supported by active sector positioning and rigorous stock selection.

Market Overview

The fourth quarter was defined by heightened market volatility as investor sentiment shifted amidst economic uncertainty and policy ambiguity. Following the presidential election, mega-cap stocks regained dominance, with the S&P 500 advancing +2.4% in Q4, driven by the "MAG 7." In contrast, small caps underperformed, with the Russell 2000 Growth Index rising +1.7%. While small caps underperformed, the broadening market in October and November provided selective opportunities before narrowing back in December.

Key economic indicators, such as the ISM Manufacturing Index, showed some improvement in December but remained weak throughout the year, raising questions about the earnings potential for small-cap companies. The Federal Reserve's anticipated 25 bps rate cut in December provided some support, but uncertainties surrounding fiscal policy—including potential tax reforms, tariffs, and deregulation under the new administration—continued to dampen investor confidence. Despite these challenges, we believe these dynamics present opportunities for active managers to identify and capitalize on mispriced small-cap securities that exhibit catalysts of positive change leading to sustainable and accelerating growth profiles.

Performance Drivers – 4Q24

The US Small Cap strategy returned +1.1% net during the quarter, slightly underperforming the Russell 2000 Growth Index (+1.7%). Technology holdings were the top contributors during the quarter, driven by demand for semiconductor components and IT services tied to AI and cloud infrastructure. Astera Labs exemplified this trend, reporting better-than-expected Q3 earnings and raising guidance for Q4, supported by its leadership in PCIe retimers and growing adoption of AI-driven solutions.

Industrials and Financials also contributed positively to portfolio returns. Within Industrials, positions aligned with secular trends such as energy storage and grid modernization delivered strong performance, though gains moderated late in the quarter due to economic concerns and policy uncertainty, including potential tariff implications. In Financials, targeted allocations to rate-sensitive subsectors, such as property and casualty insurers, supported performance.

Conversely, Healthcare and Consumer Discretionary detracted from portfolio performance. In Healthcare, strong contributions from MedTech were offset by volatility in biotech holdings, driven by limited generalist investment and subdued M&A activity, which weighed on the segment's performance. Our team remains focused on MedTech and other stable subsectors. Within Consumer Discretionary, despite strong holiday season spending, rising borrowing costs amid higher interest rates created headwinds for consumer stocks.

On a relative basis, the portfolio benefited from an underweight in Materials and Healthcare, sectors that experienced significant pullbacks during the quarter. Stock selection within Technology—particularly in Equipment/Components and IT Services—bolstered relative performance, as did holdings like Tanger Factory Outlet Centers, a retail REIT that outperformed its peers. However, challenges in Consumer Discretionary and Consumer Staples weighed on relative results.

Security Highlights – 4Q24

Top Contributors

Astera Labs, Inc. (ALAB): Astera Labs delivered exceptional Q3 results, with revenue surpassing estimates by 16% and Q4 guidance raised by 17.2%, driven by robust AI-related demand. The company's market-leading PCIe retimers and emerging Ethernet retimers and CXL memory cards position it as a key enabler of AI systems. With accelerating adoption of GPUs and ASICs in advanced computing, Astera's complementary role to NVIDIA, AMD, and other processor vendors underscores its strong growth trajectory.

GeneDx Holdings Corp. (WGS): GeneDx exceeded Q3 expectations with rising adoption of whole genome and exome testing, particularly in pediatric neurology. NICU volumes rose alongside outpatient penetration, driving improved collections and higher average selling prices (~\$3,100). Adjusted net income reached \$1.2M, as the ongoing shift to higher-margin testing is expected to enhance pricing and profitability over the next 12–24 months.

Mirion Technologies, Inc. (MIR): Mirion Technologies advanced on Q3 revenue growth of 8.2%, driven by strong performance in its nuclear power and cancer care segments. The nuclear power adjusted order book grew 12%, excluding large one-time orders in Q3 2023. Strategic relationships with small modular reactor (SMR) and utility-scale nuclear providers position Mirion to capitalize on next-generation nuclear technology developments.

Rush Street Interactive, Inc. (RSI): RSI, a recent addition, rallied on better-than-expected Q3 sales and earnings growth. The company's strategic focus on high-margin regulated markets in Latin America, Canada, and key U.S. states, combined with partnerships spanning tribes and lotteries, bolstered its platform performance. With 4,000+ games and ongoing platform enhancements, we believe RSI is well-positioned for continued growth in user engagement and satisfaction.

Largest Detractors

TransMedics (TMDX): TransMedics missed Q3 revenue estimates by \$6M, primarily due to soft transplant volumes and some market share loss. Higher logistics and third-party broker costs weighed on margins. Despite the company's long-term growth potential in DCD and DBD penetration, we exited the position to reallocate capital toward more compelling opportunities.

Onto Innovation (ONTO): ONTO shares declined amid concerns over potential administration restrictions and tariff fears, weighing on semiconductor capital equipment companies. Execution challenges at Intel (INTC), a major wafer fab equipment spender, added further pressure. However, advanced packaging inspection sales, driven by TSMC's CoWoS expansion, are projected to double. With its differentiated AI packaging exposure and strong growth potential, we remain confident in Onto's long-term outlook and continue to hold the position.

Vaxcyte, Inc. (PCVX): Broader biotech sector weakness impacted Vaxcyte shares, overshadowing its progress in vaccine development. Operating expenses slightly exceeded estimates in Q3, but its pipeline remains on track. The upcoming VAX-24 Phase 2 infant data readout in 1Q25 represents a key milestone, and we remain optimistic about the potential of VAX-31 as a market leader in pneumococcal conjugate vaccines.

Monolithic Power Systems, Inc. (MPWR): Monolithic Power pulled back following Q3 results, which highlighted weakness in the Enterprise Data segment. Despite strong AI-driven growth in other areas, we exited the position at a profit after it exceeded our market-cap criteria. The decision reflects our commitment to adhering to the portfolio's investment framework while capturing gains from appreciated positions.

Halozyne Therapeutics, Inc. (HALO): Halozyne declined after a competing hyaluronidase technology showed positive results in a Phase 3 trial for Merck's subcutaneous Keytruda formulation. Increased competition and near-term uncertainty led us to exit the position to manage risk and focus on higher-conviction investments.

Positioning and Outlook

We believe the US Small Cap strategy is positioned to capitalize on a range of cyclical and structural opportunities heading into 2025, despite an uncertain macroeconomic environment. Our approach remains focused on identifying companies undergoing transformative change while balancing near-term risks with long-term growth potential.

Economic Backdrop

The Federal Reserve's policy direction will remain a critical focus in 2025. While the target federal funds rate currently stands at 4.25%–4.5%, markets are pricing in an implied rate of 3.88% by year-end, reflecting expectations for modest easing. However, the path forward may be volatile as inflation, though significantly reduced from prior peaks, remains sticky and above the Fed's 2% target. The Fed will continue to be data dependent, monitoring labor markets and inflation trends closely to determine the future path of policy.

Key catalysts include:

- **Policy clarity from the new administration:** Potential pro-growth deregulation, tax reforms, and budgetary efficiency measures could provide tailwinds for small-cap equities, particularly in domestically oriented sectors.
- **Employment trends:** Monthly payroll reports will be critical in assessing the resilience of consumer demand and the broader economy.
- **ISM Manufacturing Index:** An improving ISM could signal a more favorable backdrop for small-cap earnings growth, particularly in sectors like Industrials and Technology.

Structural and Secular Growth Drivers

We believe the portfolio is strategically positioned to benefit from several long-term themes that align with the evolving economic landscape:

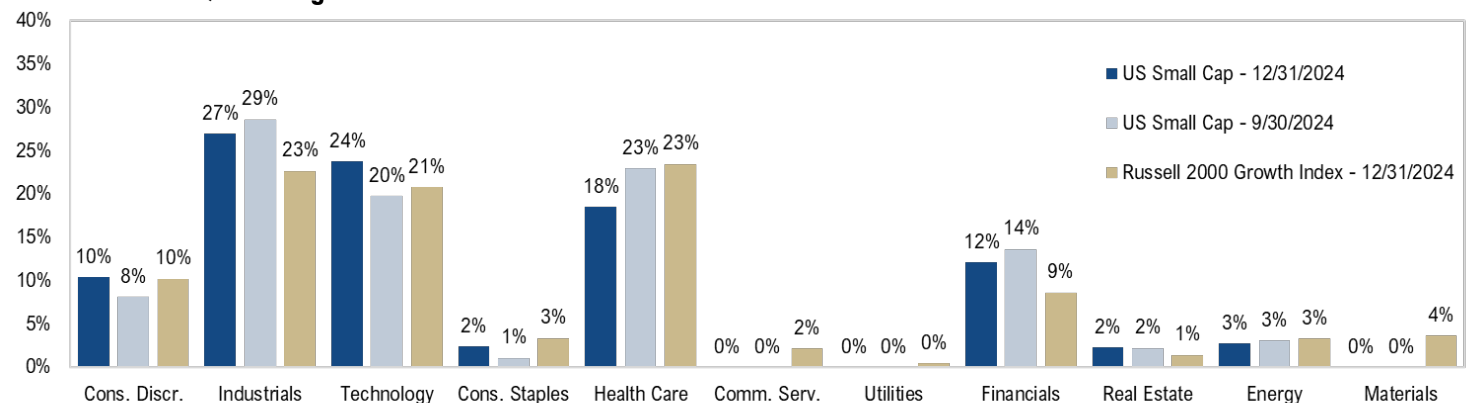
- Onshoring and CapEx Expansion:** As companies increasingly prioritize domestic production, investments in infrastructure and manufacturing capabilities are accelerating. This trend supports our overweight in Industrials, where we see strong opportunities in power grid modernization, energy storage, and AI-driven automation.
- AI Integration and Robotics:** Generative AI and related technologies continue to transform business operations, driving demand for advanced computing and supply chain optimization tools. Within Technology, we believe our holdings in semiconductor components, cloud-based platforms, and IT services are well-positioned to capitalize on these trends.
- Consumer Resilience:** Despite sluggish housing affordability, we remain focused on consumer-facing businesses with innovative models and niche market advantages.

Sector Positioning

We have made incremental adjustments to align with these growth themes while we seek to manage risks:

- Industrials:** We maintain an active sector tilt with an emphasis on energy infrastructure and supply chain innovation.
- Technology:** We trimmed mature positions to reallocate to high-growth opportunities tied to generative AI and advanced infrastructure.
- Healthcare:** We have adopted a cautious approach reducing our biotech exposure as headwinds persist, including lower capital recycling from M&A proceeds, heightened policy uncertainty, and continued interest rate volatility. Stabilization in rates will be critical for a more sustainable recovery in biotech. Until then, we've increased our exposure to sub-segments with more sustainable fundamentals, such as MedTech.
- Consumer discretionary:** During the quarter, we selectively added to our exposure in hotels and restaurants, including new positions in Rush Street Interactive and Shake Shack. We are closely monitoring consumer sentiment, noting a significant bifurcation between higher- and lower-income consumers. This dynamic necessitates a highly selective approach.

Sector Wts. – 4Q24 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.

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Near-term Outlook

We anticipate that small-cap equities have the potential to benefit from improved earnings revisions, driven by cyclical recovery and renewed fiscal stimulus. Pro-business policies, including tax incentives and deregulation, could provide additional support to domestically focused sectors. However, challenges such as elevated valuations, sticky inflation, and potential policy volatility underscore the importance of active management in navigating the year ahead.

Key Risks:

- **Valuations:** Elevated levels in certain sectors may constrain upside without robust earnings growth.
- **Policy Delays:** Prolonged uncertainty in fiscal and regulatory actions could weigh on sentiment.
- **Global Pressures:** A strong dollar and geopolitical uncertainties may challenge exporters and companies with significant international exposure.

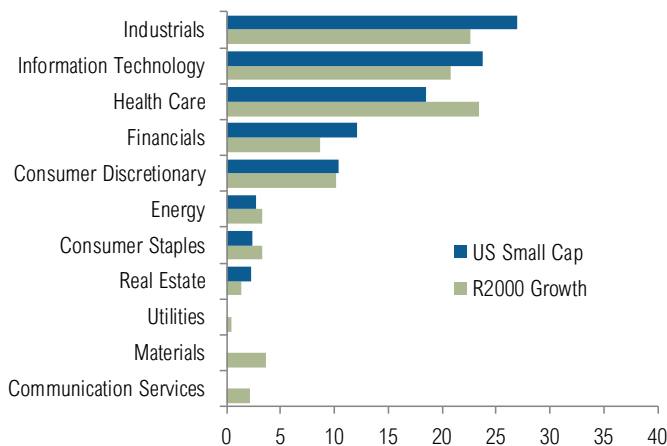
Our disciplined, forward-looking strategy seeks to capture opportunities arising from structural change while maintaining a balanced and risk-aware approach. As we head into 2025, we remain confident in our ability to navigate the complex macro environment and deliver value to our clients.

Characteristics	US Small Cap	R2000 Growth
Number of Securities	85	1,117
Active Share	85.5%	---
Off-Benchmark Weight	46.1%	---
Market Cap (wtd. avg.)	\$6.9 B	\$4.3 B
Market Cap (median)	\$5.2 B	\$1.2 B
P/E* (FY2)	20.6x	18.0x
P/B*	3.7x	3.7x
EPS Growth (FY1/FY2 wtd. avg.)	23.6%	20.9%

*Weighted harmonic average.

Top 10 Positions (% weight)	US Small Cap	R2000 Growth	Active Weight
BWX Technologies	4.3	0.0	4.3
Embraer S.A.	3.2	0.0	3.2
Evercore Inc.	2.5	0.0	2.5
Rush Street Interactive	2.5	0.1	2.4
FTAI Aviation Ltd.	2.3	1.1	1.2
Tanger Inc.	2.3	0.1	2.2
Western Alliance Bancorp	2.2	0.0	2.2
Core Scientific Inc	2.2	0.1	2.1
Wix.com Ltd.	2.1	0.0	2.1
Astera Labs, Inc.	2.1	0.0	2.1

Sector Exposure (% weight)



Market-cap Distribution	US Small Cap (%)	R2000 Growth(%)
>\$15 Billion	2.1	0.1
\$7.5 – \$15 Billion	40.1	12.6
\$4.5 – \$7.5 Billion	23.3	29.6
\$1.5 – \$4.5 Billion	27.4	43.5
\$750 Million – \$1.5 Billion	5.6	9.2
\$400 – \$750 Million	1.5	3.3
<\$400 Million	0.0	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.

US Small Cap Strategy Overview

Investing in small-cap companies undergoing transformative change, the Nicholas US Small Cap strategy seeks to capitalize on market inefficiencies and uncover growth opportunities early. With a high-conviction, research-driven approach, the strategy focuses on delivering long-term capital appreciation while maintaining active risk management.

At a Glance

Objective: Achieve long-term capital appreciation and outperform the Russell 2000 Growth Index.

Portfolio: Actively managed, diversified portfolio with less than 90 holdings.

Approach: Disciplined stock selection targeting innovation and growth catalysts.

Edge: Security selection and active industry tilts drive returns.

Positioning: Focused on US-listed small-cap equities, dynamically adjusted based on conviction and risk management.

Key Highlights

- **Inception date:** July 1, 2007
- **US Small Cap AUM:** \$604 million
- **Geography:** US-listed public equities
- **Capitalization:** \$100M to 2x max of R2000 Growth, at point of purchase
- **Security Max:** Typically 5%
- **Sector Max:** Typically 35% or 2x max of R2000 Growth
- **Cash:** Transactional, typically <5%



Catherine Nicholas
Managing Partner, Chief Investment Officer and Lead Portfolio Manager
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 17 years with Firm



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Disclosure (continued)

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The Russell 2000® Index The Russell 2000® Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index which is designed to represent approximately 98% of the investable US equity market. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The S&P 500 Index is a float-adjusted market capitalization (FMC) weighted index that measures the performance of the large-cap segment of the U.S. market. Considered to be a proxy of the U.S. equity market, the index is composed of 500 constituent companies.

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