

Performance (%)	US Small Cap (Gross)	US Small Cap (Net)	R2000 Growth
QTD	12.19%	11.91%	11.97%
YTD	-2.14%	-2.63%	-0.48%
1 Year	5.45%	4.40%	9.73%
3 Year	13.60%	12.47%	12.37%
5 Year	10.85%	9.75%	7.41%
7 Year	10.87%	9.76%	5.68%
10 Year	10.18%	9.09%	7.13%
ITD*	10.05%	8.95%	7.71%

*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.**

5 Yr Risk Statistics (%)	US Small Cap (Net)	R2000 Growth
Alpha (%)	2.87	--
Beta	0.93	1.00
R-Squared (%)	0.89	1.00
Sharpe Ratio	0.31	0.20
Standard Deviation (%)	22.15	22.49
Upside Capture (%)	95.54	--
Downside Capture (%)	90.80	--

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 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.**

Market Overview: From Policy Shock to Repricing

April's unexpected tariff measures triggered a sharp spike in volatility — the so-called "Liberation Day" moment — driving the VIX above 50 and rattling sentiment, but markets quickly reversed course as the administration signaled a willingness to negotiate tariff deals. The pause on new tariffs marked a peak in global trade policy uncertainty, which retreated sharply alongside risk measures like the Economic Policy Uncertainty Index, the VIX, and credit spreads, all rapidly unwinding back to pre-Liberation Day levels. This easing of policy concerns supported a strong equity recovery into quarter-end, with major indices reaching new all-time highs: the Nasdaq gained +17.96%, the S&P 500 rose +10.95%, and small-cap stocks rebounded as well, with the Russell 2000 Index up +8.5% and the Russell 2000 Growth Index outperforming with a +11.97% gain, led by secular growth and cyclical sectors.

POV: Retail Trading: Short-Term Noise, Long-Term Lens

Beneath these broad market moves, another dynamic continues to shape near-term price action: **retail flows now account for over 20% of daily U.S. equity trading volume**, surpassing hedge funds and traditional long-only managers, as shown in the charts. This activity remains heavily concentrated in lower-quality, non-earning stocks and is often amplified by speculative headlines on social media. Our process is intentionally designed to look through this noise — focusing instead on fundamental quality, visible growth catalysts, balance sheet strength, and valuation discipline. While this approach may weigh on relative performance during bursts of speculative trading, we believe maintaining a clear filter for unsustainable trends is essential to delivering durable results across a full cycle.

Retail trading volume has risen to 20.5% of total from 10% in '10



Source: Bloomberg; Jefferies

Year-to-Date "Retail Traded" Stocks Contribution to Return (as of 6/24/25)

	Index Return*	"Retail Traded Cohort" Contribution	Return ex- "Retail Traded Cohort"	# of "Retail Traded Cohort"
Russell 2000	-2.5%	0.4%	-2.9%	154
Russell 2000 Growth	-1.2%	0.9%	-2.2%	96
Russell 2000 Value	-3.7%	-0.1%	-3.6%	106

Source: Factset; FTSE/Russell; Jefferies

Retail stocks" generally refer to stocks that attract heavy trading activity from individual (non-institutional) investors, often over shorter holding periods than typical Long-Only managers. For the analysis, retail stocks as those with a high average daily trading volume relative to shares outstanding — typically at least 3% of total shares traded daily, compared to about 1.5% for the broader Russell 3000. These stocks also tend to have lower ownership by traditional Long-Only institutional managers across Lipper style categories.

SC-MC-2Q25-MR ADV

Performance Highlights – 2Q25

The US Small Cap strategy posted a strong recovery in the second quarter, delivering an +11.9% net return, essentially matching the Russell 2000 Growth Index. **After a volatile start, June marked a turning point as the strategy regained meaningful relative ground**, driven by positive stock selection and sector positioning.

Key drivers of absolute performance were concentrated in Industrials, particularly Aerospace & Defense, and in Technology, with notable contributions from Semiconductor and Software holdings. In Consumer Discretionary, positions in hotels and restaurants also lifted returns, supported by resilient demand and improving operating metrics.

One highlight was our position to Semiconductors and Semiconductor Capital Equipment, which rebounded sharply after being among the hardest hit by prior U.S.–China trade tensions. As noted in prior commentaries, we positioned the portfolio early to capture a recovery in this space, and that tactical allocation paid off this quarter. Similarly, our Software & Services holdings posted strong gains on solid earnings, reassuring investors that demand fundamentals remain intact despite macro uncertainty.

Offsetting these gains, Real Estate and Consumer Staples were modest drags on absolute performance, reflecting both company-specific headwinds and broader shifts in macro sentiment.

From a relative perspective, stock selection in Healthcare — particularly Biotech and Pharma — and Industrials outpaced the benchmark, demonstrating the benefit of our research-driven approach. However, certain Technology names, along with our Real Estate and Consumer Staples exposure, lagged peers. While some underperformance stemmed from isolated execution missteps, the larger impact reflected our decision to avoid lower-quality, speculative companies that do not align with our quality and earnings discipline.

Encouragingly, as the quarter closed, over half of our portfolio companies continued to deliver positive momentum: **52% reported upward FY1 sales revisions and 53% upward FY1 EPS revisions — well above the Russell 2000 Growth Index at 40% and 43%**. This reinforces our focus on businesses with sustainable growth catalysts and the potential to exceed expectations.

Largest Contributors – 2Q25

BWX Technologies (BWXT) manufactures nuclear components for defense, civil power, and medical markets under long-term government contracts. Shares rose after reporting better-than-expected results and reaffirming their 2025 outlook, supported by steady demand in Government Operations and nuclear refurbishment. Early traction in small modular reactors for AI-related power needs and growth in medical isotopes add to its multi-year revenue potential, in our view.

REV Group (REVG) designs and builds specialty vehicles such as fire trucks, ambulances, and RVs. The stock advanced on strong earnings, raised FY25 EBITDA guidance, and management's confidence in meeting longer-term targets, supported by a healthy backlog and clear margin visibility.

Rush Street Interactive (RSI) operates online casino and sports betting platforms in the U.S. and Latin America. The stock rose on solid quarterly results, 21% year-over-year revenue growth, record EBITDA, and expanding monthly active users. Its expansion into proprietary online poker and new betting products highlights its ability to capture share in the growing digital gaming market.

Verona Pharma (VRNA) develops therapies for respiratory diseases and gained following the launch of Ohtuvayre, the first new COPD treatment in over a decade, with strong early uptake. Merck's recent agreement to acquire Verona for \$107 per ADS, a 23% premium, aims to accelerate Ohtuvayre's global rollout.

Largest Contributors (cont.) – 2Q25

Carpenter Technology (CRS) produces specialty alloys for aerospace engines and medical applications. The stock gained after record margins, steady order momentum, and resilient pricing power underscored continued strong demand across key end markets.

We believe these top contributors illustrate our commitment to identifying companies with durable demand, clear end-market tailwinds, and strong execution that can navigate changing market conditions and deliver sustainable growth over time.

Largest Detractors – 2Q25

While individual detractors weighed on results this quarter, we actively redeployed capital from lower-conviction names into opportunities with stronger fundamentals and clearer execution, while maintaining positions where we see durable demand and supportive long-term growth drivers.

Aris Water Solutions (ARIS) provides water management for the oil and gas industry. Shares declined with broader oil price volatility, despite solid Q1 results. Softer crude prices and uncertain volumes have added risk to their growth outlook. We are trimming the position to reduce stock-specific risk and may reallocate capital to higher-conviction ideas.

Mister Car Wash (MCW) operates a large network of express car washes across the U.S. The stock lagged despite industry checks showing steady demand and slowing new competition, which could support fundamentals. Management's stepped-up investment in advertising and disciplined unit growth may help drive operating leverage and stronger member retention over time, and we continue to hold our position given its attractive subscription model and potential for reaccelerating growth.

GeneDx Holdings (WGS) offers genetic testing for rare disease diagnosis. Shares pulled back after results that, while solid, fell short of high market expectations, with sequentially lower volume trends. We exited the position to reallocate capital toward higher-conviction ideas with clearer growth paths.

Axogen (AXGN) develops medical devices for repairing peripheral nerve injuries. The stock declined following disappointing gross margins, an unexpected inventory write-off, and a CFO transition that added near-term uncertainty. Slower hiring in breast surgery sales also weighed on growth visibility. We exited to redeploy capital to stronger opportunities.

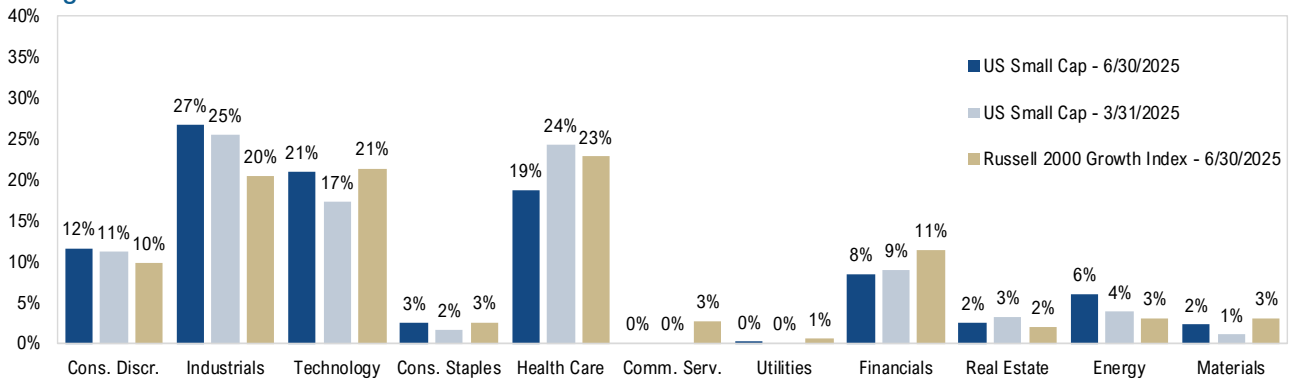
Tanger Inc. (SKT) operates upscale open-air outlet centers. The stock slipped as higher seasonal costs modestly reduced rental cash profits (Core FFO), though results were roughly in line with consensus and the full-year outlook was maintained. Outlet traffic remains steady, supported by value-focused consumer demand during periods of economic uncertainty. We continue to hold our position given its stable fundamentals, favorable tenant mix, and potential for steady cash flow growth through portfolio improvements and lease spread gains.

Positioning

Our core thematic positioning is driven by our bottom-up, security-focused process, which leads us to companies benefiting from timely structural themes and underappreciated change with the potential for sustainable, accelerating growth. Throughout the quarter, we maintained our emphasis on fundamental quality, visible growth catalysts, resilient balance sheets, and clear paths to long-term value creation.

Consistent with this discipline, we exited names facing greater execution risk or weaker macro support — including GeneDx Holdings and Axogen — and redeployed capital to higher-conviction opportunities. This quarter, we added MACOM (MTSI) to capture evolving demand in semiconductors, AI-driven power infrastructure, and next-generation data centers.

Sector Changes – 2Q25



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

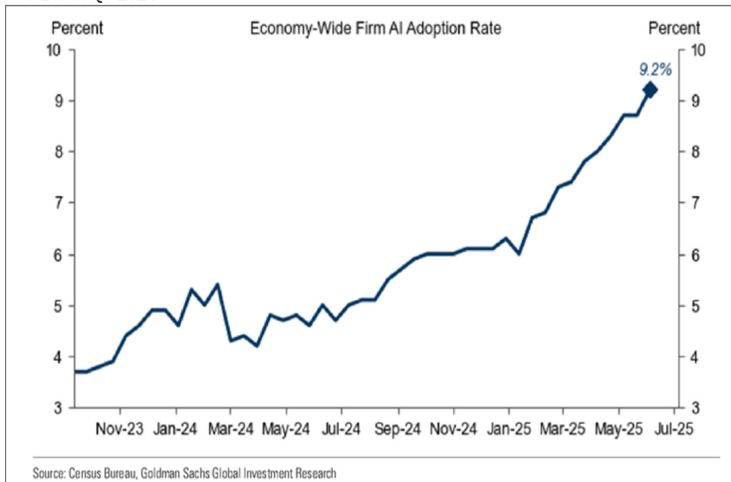
Information is reported in US dollars. Results are for a representative portfolio as of the date above and subject to change. The characteristic profiles for client accounts may vary from the representative account. While Nicholas believes the information is representative of other accounts in strategy, 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 including the GIPS performance presentation. Supplemental information.

Our tilts in select Industrials, Technology, and Healthcare reflect our conviction in durable structural trends and differentiated business models.

Our selective Technology exposure remains anchored in high-quality hardware and critical infrastructure that enable the rising power needs of generative and agentic AI systems. We continue to see early signs that enterprise-focused agentic AI applications — tools capable of automating workflows and complex tasks — will play a meaningful role in driving productivity and cost efficiencies for companies positioned to adopt and deploy them. Recent data underscores the accelerating pace of AI integration across U.S. businesses, as shown in the Adoption Trends charts below.

Chart 1: AI Adoption by Firms Has Accelerated Since the Beginning of This Year

The share of firms using AI in the production of goods or services rose from 7.4% to 9.2% in Q1 2025.



Source: Census Bureau, Goldman Sachs Global Investment Research

Note: Data reflects U.S. firm-level AI usage based on responses to the Census Bureau's Business Trends and Outlook Survey (BTOS) from October 2023 to June 2025. The survey tracks reported use of AI—including generative AI—in the production of goods or services – using high frequency (biweekly) estimates of AI use rates by firm size class from the Business Trends and Outlook Survey (BTOS) and then aggregated. Results will vary over different time periods.

Chart 2: 9.2% of Firms Across All Industries Have Adopted AI, Up From 7.4% Last Quarter

AI adoption rates vary across industries, with the largest gains in Information, Education, Finance, and Professional Services.



Source: Census Bureau, Goldman Sachs Global Investment Research

Note: AI adoption rates by North American Industry Classification System (NAICS) industry sector based on data from the U.S. Census Bureau's Business Trends and Outlook Survey (BTOS) from October 2023 to June 2025. The survey captures firm-reported use of AI—including generative AI—for the production of goods or services, using high frequency (biweekly) estimates of AI use rates from the Business Trends and Outlook Survey (BTOS). Results highlight variation across sectors. Results will vary over different time periods.

Beyond AI applications themselves, our Industrials and Materials positioning focuses on the physical infrastructure needed to support massive increases in AI-driven power demand — from grid upgrades and advanced manufacturing to aerospace and critical data center components. Holdings like **BWX Technologies (BWXT)** (off-benchmark) and **Kratos Defense (KTOS)** illustrate this focus: BWXT's nuclear systems are vital for stable power generation, while Kratos advances autonomous systems and defense technologies that align with rising automation and security needs. We also see automation and robotics as key drivers of productivity gains, particularly in industries facing structural labor shortages or requiring mission-critical precision.

At the same time, our exposure to sustainable resource management and clean energy infrastructure — spanning nuclear, natural gas, and renewables — reflects our conviction that the evolving global energy mix will be central to balancing growing power demand from AI and the expanding stablecoin and bitcoin mining ecosystems. Positions such as **Carpenter Technology (CRS)** and **Centrus Energy (LEU)** — **both not held in the Russell 2000 Growth** — **demonstrate this differentiated approach**: Carpenter's specialty alloys enable next-generation turbines and grid reliability, while Centrus provides nuclear fuel solutions critical for base-load power. We believe this real-assets lens provides a less speculative way to benefit from broader digital asset adoption (i.e., bitcoin, cryptocurrency) through demand for energy, materials, and technologies that power blockchain networks and next-generation data infrastructure.

Within Healthcare, we see incremental tailwinds in next-generation treatments, such as oral GLP-1s, as well as ongoing strength in procedure volumes and advances in diagnostics and real-time health data delivery. These trends reinforce our conviction in companies that can manage cost pressures while driving meaningful innovation in large, growing addressable markets.

Additionally, we are monitoring broader developments in the financial sector, including the potential for bank deregulation in the second half of the year and the evolution of decentralized finance platforms. While our exposure remains selective, we recognize that shifts in regulation and the growth of digital assets — including stablecoins and their potential impact on U.S. Treasury demand — could have broader implications for liquidity and funding markets over time.

Outlook: Fundamentals Regaining Influence

As we move into the second half of 2025, we expect policy headlines, geopolitical tensions, and macro data to continue driving near-term market swings. There could also be some volatility induced by the expiration of the tariff pause as the administration attempts to finalize tariff policy and deals. Recent economic data points to steady but moderating growth, with softer readings in retail sales, housing, and industrial production, while the labor market remains resilient but is showing early signs of cooling. Inflation appears to have plateaued, though the risk of renewed upward pressure from tariff-related costs remains, even as broader pricing trends continue to stabilize. The Fed has reiterated its patient stance, signaling no rate cuts before September unless incoming data shift materially.

At the same time, renewed optimism for fiscal stimulus — including increased capital spending on defense and re-shoring, financial deregulation, and 2026 tax relief under the Big Beautiful Bill signed in early July — supports a constructive backdrop. Combined with signs that earnings revisions are stabilizing and broader market breadth is improving, **we believe conditions are in place for fundamentals to regain greater influence.**

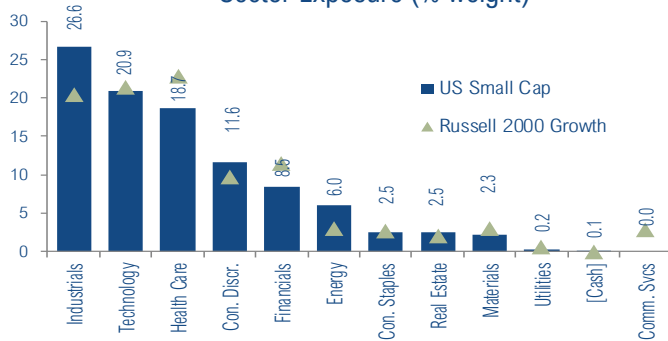
Small-cap valuations remain deeply discounted relative to large caps — a backdrop that historically favors active management. Our team remains focused on companies with fundamental quality, clear structural growth catalysts, resilient business models, and disciplined capital allocation that we believe can deliver sustainable, accelerating growth over the next 12–24 months.

While tariff uncertainty, geopolitical flashpoints, and the Fed's next moves are likely to keep volatility elevated, we are encouraged by improving credit conditions, stabilizing inflation, and resilient labor trends. These dynamics support our long-term approach: investing in quality businesses with clear catalysts for value creation, even as the broader macro environment remains fluid.

As always, we remain committed to our disciplined, research-driven process and aim to position the portfolio to capture durable opportunities and add value for our clients over time.

*Securities mentioned are for illustrative purposes only and are not recommendations to buy or sell. Holdings and views may change without notice. **Past performance does not guarantee future results.***

Sector Exposure (% weight)



Characteristics	US Small Cap	R2000 Growth
Number of Securities	90	1,100
Active Share	86.91%	---
Off-Benchmark Weight	46.71%	---
Market Cap (wtd. avg.)	\$6.8 B	\$4.1 B
Market Cap (median)	\$5.2 B	\$1.1 B
P/E* (FY2)	20.6x	17.3x
P/B*	3.7x	3.8x
EPS Growth (FY1/FY2 wtd. avg.)	24.3%	22.6%

Top 10 Positions (% weight)	US Small Cap	R2000 Growth	Active Weight
BWX Technologies, Inc.	4.7	0.0	4.7
Rush Street Interactive, Inc. Class A	3.0	0.1	2.9
Embraer S.A. Sponsored ADR	2.8	0.0	2.8
REV Group, Inc.	2.6	0.2	2.4
Verona Pharma plc Sponsored ADR	2.5	0.0	2.5
Tanger Inc.	2.5	0.2	2.2
Wintrust Financial Corporation	2.4	0.0	2.4
Solutions, Inc.	2.3	0.5	1.8
SkyWest, Inc	2.3	0.0	2.3
Insmed Incorporated	2.2	0.0	2.2

Market Cap Distribution (x-cash)	US Small Cap (%)	R2000 Growth
>\$15 Billion	5.3	1.0
\$7.5 – \$15 Billion	35.6	8.7
\$4.5 – \$7.5 Billion	20.7	27.8
\$1.5 – \$4.5 Billion	30.1	47.0
\$750 Million – \$1.5 Billion	7.8	9.9
\$400 – \$750 Million	0.4	3.5
<\$400 Million	0.0	2.1

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.

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:** \$602 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
 >40 years Industry Experience
 19 years with Firm



John Wylie
Partner, Portfolio Manager
 >40 years Industry Experience
 18 years with Firm

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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 which would 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. Please see Nicholas' ADV Part 2A for a complete description of investment advisory fees.

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Disclosure (continued)

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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.

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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.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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Brian Pringle, CAIA
858-381-8006 (direct)
415-264-4842 (cell)