

Performance (%)	US Small Cap (Gross)	US Small Cap (Net)	R2000 Growth	5 Yr Risk Statistics (%)	US Small Cap (Net)	R2000 Growth
QTD	28.71%	28.39%	25.71%	Alpha (%)	3.70	--
YTD	33.18%	32.51%	22.18%	Beta	0.94	1.00
1 Year	61.95%	60.33%	38.74%	R-Squared (%)	0.91	1.00
3 Year	26.50%	25.24%	18.42%	Sharpe Ratio	0.24	0.09
5 Year	10.07%	8.97%	5.56%	Standard Deviation (%)	21.69	21.89
7 Year	18.13%	16.95%	10.82%	Upside Capture (%)	98.16	--
10 Year	18.13%	16.95%	11.96%	Downside Capture (%)	89.78	--
ITD*	12.31%	11.19%	9.15%	As of June 30, 2026. 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 eventment. 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.		

***Composite inception date: 7/1/2007.** As of June 30, 2026. 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.**

Key Takeaways | US Small Cap – 2Q2026

Strong performance, driven by stock selection. The US Small Cap strategy extended its lead year-to-date and across multiple trailing periods, with nearly 90% of the quarter's excess return generated through stock selection rather than broad sector positioning.

Market leadership is broadening. Small-cap leadership expanded beyond the largest technology companies as improving operating performance and earnings expectations supported a wider range of businesses—creating a healthier backdrop for active, bottom-up investing.

Our highest-conviction themes remain intact. We continue to emphasize opportunities across digital infrastructure, industrial modernization, and innovative biotechnology while thoughtfully increasing concentration in our highest-conviction ideas.

A constructive outlook. Attractive small-cap valuations, improving earnings and sales expectations, and increasingly positive estimate revisions continue to support our outlook. While periods of volatility are likely, we believe today's environment presents a compelling opportunity for disciplined active investors.

Investment Environment – 2Q26

The second quarter marked an important shift in market leadership. While U.S. equities rallied to record highs, **the more meaningful development for active investors was the broadening of leadership** beyond the largest technology companies. Small-cap stocks outperformed their large-cap counterparts during both the quarter and year-to-date, supported by resilient economic conditions, improving earnings expectations, and expanding investor confidence.

Reflecting this improving backdrop, the **S&P 500** returned **+15.2%** during the quarter and **+10.2%** year-to-date, while the **NASDAQ Composite** gained **+21.6%** and **+13.1%**, respectively. Small-cap leadership was even more pronounced, with the **Russell 2000** advancing **+21.5%** for the quarter and **+22.6%** year-to-date. Our benchmark, the **Russell 2000 Growth Index**, returned **+25.7%** for the quarter and **+22.2%** year-to-date.

The investment backdrop remained constructive despite several crosscurrents. The de-escalation of the Iran conflict eased pressure on oil prices and interest rates, while a change in Federal Reserve leadership reinforced expectations for a higher-for-longer rate environment with less forward guidance. Even so, consumer spending remained resilient, business capital expenditures continued to accelerate, and corporate earnings broadly exceeded expectations. Investment supporting **digital infrastructure** also expanded beyond the largest technology companies, benefiting a wider range of industries across the economy.

Technology continued to lead the market, particularly among semiconductor companies and businesses supporting **next-generation compute**, where **positive estimate revisions** remained strongest. Health Care also regained momentum as investors returned to innovative biotechnology and life sciences companies, while the annual Russell reconstitution restored a more attractive valuation discount for small-cap stocks relative to large caps and increased the benchmark's exposure to Health Care and biotechnology.

As the quarter progressed, we believe market leadership increasingly reflected **strengthening operating performance, resilient revenue growth, and company-specific execution** rather than multiple expansion alone. As participation broadens beyond a narrow group of market leaders, we believe this as a constructive environment for disciplined, bottom-up stock selection and one that reinforces our long-term conviction in high-quality small-cap growth companies exhibiting positive change that we believe can drive accelerating, sustainable growth.

Performance Discussion

The **US Small Cap Growth Strategy** returned **+28.4%**, net of fees, during the quarter, outperforming the **Russell 2000 Growth Index** by approximately **280 basis points**. The strong quarterly result further extended the strategy's lead year-to-date and across multiple trailing periods, reinforcing the consistency of our investment process through a variety of market environments. Nearly **90% of the strategy's excess return** was driven by stock selection, reflecting our continued focus on identifying companies with strengthening operating performance, positive estimate revisions, and durable long-term growth opportunities rather than broad macro positioning.

Information Technology and **Industrials** were the primary drivers of both absolute and relative performance. Within Technology, our semiconductor and semiconductor-equipment holdings benefited from sustained investment across the **digital infrastructure ecosystem** and strong business execution. Rather than concentrating exposure in a narrow group of AI beneficiaries, the portfolio is positioned across the broader ecosystem—including timing, networking and connectivity, testing, inspection, advanced packaging, and power technologies that enable **next-generation compute**. Industrials also generated meaningful gains as companies tied to infrastructure modernization, electrification, and manufacturing investment continued to execute well. **Health Care** added positively to absolute performance, supported by innovation across biotechnology and life sciences.

The portfolio's largest contributors reflected three themes that remain central to our investment strategy: **digital infrastructure, industrial modernization, and healthcare innovation**. **Sterling Infrastructure**, our largest contributor during the quarter, benefited from robust demand for infrastructure modernization and power-related investment supporting the expansion of AI-enabled data centers. **Revolution Medicines** advanced on encouraging clinical progress for its lead oncology program, including positive data for its pan-RAS inhibitor, while continued investor interest in differentiated cancer therapies supported the shares. Within Technology, **SiTime** delivered another quarter of strong execution as adoption of its silicon timing solutions expanded across next-generation compute platforms and the company successfully integrated its Renesas timing acquisition.

The portfolio's largest detractors were driven primarily by company-specific developments rather than changes in our broader investment outlook. **Kratos Defense** gave back a portion of its earlier gains following a strong advance, while **Insmad** declined after investors reacted to higher-than-expected discontinuation rates during the early commercial launch of Brinsupri. **Century Aluminum** weakened alongside softer commodity sentiment during the quarter.

Relative to the benchmark, **Industrials** and **Information Technology** generated the majority of the portfolio's excess return, supported by strong security selection and our differentiated exposure to **digital infrastructure**, industrial modernization, and resilient consumer demand. These gains were partially offset by modest headwinds from **Health Care**, where our below-benchmark allocation and biotechnology stock selection detracted from relative performance, as well as a small cash drag during a quarter of broad market strength. Importantly, our investment discipline remains unchanged. Positions are continuously evaluated as company outlooks evolve, and we will reduce or exit holdings when our investment thesis weakens, the risk-reward profile becomes less compelling, or more attractive long-term opportunities emerge.

Positioning and Outlook

Our current positioning reflects where we continue to see the strongest combination of **earnings momentum**, **strengthening company outlooks**, and attractive long-term growth opportunities. We remain meaningfully overweight **Industrials**, where we continue to find compelling opportunities tied to infrastructure modernization, electrification, and the expanding power demands created by **next-generation compute**. While we modestly reduced our Industrials exposure during the quarter as several holdings appreciated and exceeded our targeted position sizes, the sector remains one of our highest-conviction areas.

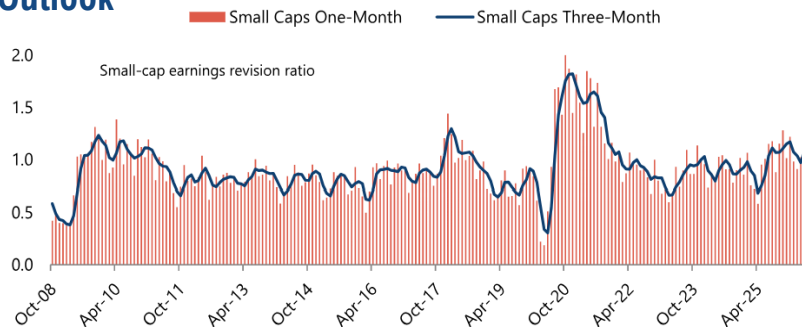
Within **Information Technology**, our positioning is more nuanced than a traditional sector allocation might suggest. Although we remain slightly underweight the sector overall relative to the **Russell 2000 Growth Index**, we maintain a significant overweight to **Semiconductors & Semiconductor Equipment**, where **positive estimate revisions and strengthening business execution** remain among the strongest in the market. Conversely, we remain meaningfully underweight software, where earnings growth has lagged despite improving valuations. During the quarter, we selectively added exposure to several software companies as valuations became more compelling and operating trends began to stabilize, while maintaining our conviction that the most attractive opportunities continue to reside across the broader **digital infrastructure ecosystem**—including networking and connectivity, testing, timing, advanced packaging, and semiconductor technologies.

Health Care remains another area of high conviction, although our positioning differs meaningfully from the benchmark. Rather than owning the sector broadly, we continue to emphasize innovative biotechnology and therapeutics, where differentiated clinical pipelines, disciplined execution, and an active merger-and-acquisition environment continue to create compelling stock-specific opportunities. As a result, we maintain a below-benchmark allocation to Health Care overall while remaining overweight **Biotechnology**, reflecting our belief that innovation—not broad sector exposure—will be the primary driver of long-term returns.

Outside these areas, we increased our allocation to **Consumer Discretionary** during the quarter as consumer spending proved more resilient than anticipated and attractive company-specific opportunities emerged following earlier market weakness. We continue to maintain an underweight to **Energy**, preferring to participate in growing electricity demand through industrial, semiconductor, and technology companies rather than traditional exploration and production businesses. Throughout the quarter, we also reduced or exited positions that had appreciated beyond our small-cap mandate or where the risk-reward profile had become less compelling, consistent with our disciplined sell process.

Looking ahead, we believe the outlook for small-cap growth remains constructive. Beyond the valuation reset following the annual Russell reconstitution, consensus expectations continue to call for above-average earnings and sales growth across much of the small-cap universe. Supporting this outlook, recent Jefferies research highlights **continued improvement in both earnings and sales revision trends**, with positive estimate revisions remaining above trend for more than a year and broad-based across multiple sectors. While earnings revisions have also remained constructive among larger-cap companies, we believe the sustained improvement across the small-cap universe **reinforces our conviction that strengthening operating performance and company-specific execution will continue to create attractive opportunities for disciplined, active investors.**

Improving Estimate Revisions Support the Small-Cap Outlook



	Revision Ratios					
	Earnings			Sales		
	Current	3-Months Ago	Average	Current	3-Months Ago	Average
Russell 2000	1.14	1.02	0.90	1.15	1.23	0.99
Comm Services	3.00	0.58	0.82	1.69	0.74	0.93
Discretionary	0.98	0.67	0.97	1.12	1.00	1.03
Staples	0.26	0.88	0.90	1.55	1.00	1.17
Energy	0.78	1.50	0.80	1.18	2.37	0.97
Financials	1.06	1.58	1.04	1.15	1.08	1.13
Health Care	1.29	0.84	0.98	1.01	0.87	0.97
Industrials	1.46	1.10	0.88	1.34	1.69	1.03
Info Tech	1.07	1.36	1.07	1.15	1.71	1.16
Materials	0.85	0.60	0.84	1.06	2.90	1.01
Real Estate	1.80	0.83	1.01	1.39	1.64	1.29
Utilities	1.57	0.42	1.04	0.38	1.00	1.21

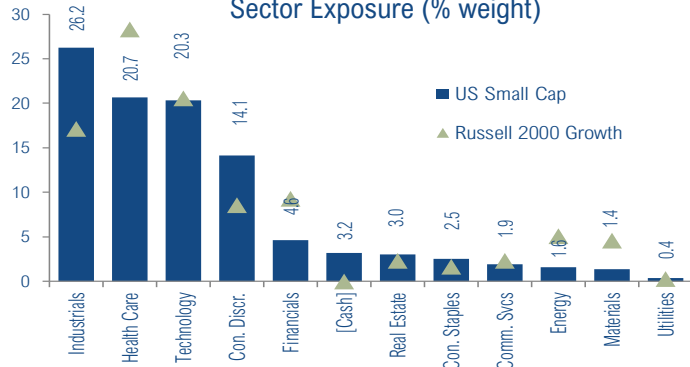
Source: FactSet; FTSE Russell; Jefferies

As of July 7, 2026 -- **Source:** Jefferies Small-Cap Strategy, FactSet and FTSE Russell. Small-cap universe represented by the Russell 2000 Index. Earnings and sales revision ratios reflect consensus next-twelve-month (NTM) estimate revisions by GICS sector classification. Revision ratios greater than 1.0 indicate more upward than downward estimate revisions during the measurement period. Charts are provided for illustrative purposes only.

While our intermediate-term outlook remains constructive, we expect periods of elevated market volatility. Inflation remains the primary macroeconomic risk we are monitoring, particularly if continued economic resilience leads the Federal Reserve to maintain a more restrictive policy stance than investors currently anticipate. Mid-term election uncertainty may also contribute to shifts in investor sentiment, particularly around **data-center investment** and the pace of enterprise AI adoption. Although these factors could create shorter-term volatility, they do little to alter our long-term investment outlook.

Accordingly, we will continue refining the portfolio by increasing concentration in our highest-conviction ideas while thoughtfully reducing the number of holdings over time. We believe a more focused portfolio will allow our best ideas to have a greater impact on long-term results as market leadership broadens and company-specific performance becomes increasingly differentiated. **Our investment philosophy remains unchanged: disciplined, bottom-up research focused on identifying companies experiencing positive change before that progress is fully reflected in market expectations.**

Sector Exposure (% weight)



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 typically 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:** \$1 Billion
- **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%

Characteristics	US Small Cap	R2000 Growth
Number of Securities	92	1,109
Active Share	87.14%	---
Off-Benchmark Weight	55.70%	---
Market Cap (wtd. avg.)	\$11.8 B	\$4.8 B
Market Cap (median)	\$9.1 B	\$1.5 B
P/E* (FY2)	23.6x	18.6x
P/B*	4.9x	4.4x
EPS Growth (FY1/FY2 wtd. avg.)	24.8%	25.0%

Top 10 Positions (% weight)	US Small Cap	R2000 Growth	Active Weight
Revolution Medicines, Inc.	3.7	0.0	3.7
BWX Technologies, Inc.	3.6	0.0	3.6
Callaway Golf Company	2.8	0.0	2.8
Modine Manufacturing Company	2.7	0.0	2.7
Carpenter Technology Corporation	2.4	0.0	2.4
Sterling Infrastructure, Inc.	2.3	0.0	2.3
TFI International Inc.	2.1	0.0	2.1
Lincoln Educational Services Corporation	2.0	0.1	1.9
Lattice Semiconductor Corporation	2.0	0.0	2.0
Wintrust Financial Corporation	1.9	0.0	1.9
	25.6	0.1	25.5

Market Cap Distribution (x-cash)	US Small Cap (%)	R2000 Growth
>\$15 Billion	25.4	0.0
\$7.5 – \$15 Billion	35.5	18.7
\$4.5 – \$7.5 Billion	16.8	29.7
\$1.5 – \$4.5 Billion	19.5	39.6
\$750 Million – \$1.5 Billion	2.8	7.8
\$400 – \$750 Million	0.0	2.5
<\$400 Million	0.0	1.6

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.



Catherine Nicholas
Managing Partner, Chief Investment Officer and Lead Portfolio Manager
 >40 years Industry Experience
 20 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® 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.

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