



4Q25 NCG PERFORMANCE AND COMMENTARY

Next Century Growth Investors		Latest 1	Latest 3	Latest 5	Latest 10	Inception [^]
Compound annual returns as of 12/31/2025	4Q25	Year	Year	Year	Year	To Date
Small Cap Growth Composite (%) (net of fees)	4.20	8.26	13.77	6.36	15.30	10.79
Russell 2000® Growth Index (%)	1.21	13.01	15.58	3.17	9.57	7.27
Micro Cap Growth Composite (%) (net of fees)	6.38	11.94	14.96	7.05	21.55	17.01
Russell Microcap® Growth Index (%)	2.14	21.84	17.46	2.80	7.81	8.78
Smicro Cap Growth (%) (net of fees)	3.20	5.99	14.25	6.02	16.61	15.62
Russell 2000® Growth Index (%)	1.21	13.01	15.58	3.17	9.57	10.64
SMID Cap Growth Composite (%) (net of fees)	3.61	8.12	13.88	6.10	15.35	7.59
Russell 2500™ Growth Index (%)	0.32	10.30	14.32	2.98	10.55	6.56
Large Cap Growth Composite (%) (net of fees)	0.96	15.30	26.88	13.16	17.38	11.16
Russell 1000® Growth Index (%)	1.12	18.56	31.15	15.32	18.12	9.03

Market Review

In the fourth quarter of 2025, equity markets produced modestly positive returns, supported by generally upbeat earnings reports from companies, continued solid economic data, and a more accommodating Fed. This capped a strong year for equity markets in 2025.

Despite economic fears and uncertainty causing a market pullback early in the year, 2025 was the third straight year of double-digit gains for US equities. Shortly after President Trump's inauguration, the new administration embarked on many new initiatives that quickly created uncertainty for the global economy, causing market volatility and weak equity performance in late February and throughout March. Following the announcement of sweeping tariffs in early April, the markets experienced a significant two-day selloff, with most indices approaching or entering bear market territory. However, sentiment reversed almost instantly after a 90-day tariff reprieve announcement and further supported by country-specific trade deal progress. This kick-started a strong rally that continued for the next six months and was buoyed by macroeconomic stability, cooling inflation, Fed rate cuts, and fiscal stimulus from the OBBA, among others. While Big Tech led for most of the year, there were signs of the market broadening out as the market recovered. In large caps, the S&P Equal-Weighted Index beat the overall benchmark by 238bps from October 29th, and the Russell 2000 Index outperformed the Russell 1000 Index by 400bps from the April 8th low (*Source: Jefferies*).

Active managers faced a challenging environment in 2025. According to data from Steven DeSanctis at Jefferies, 2025 was the 2nd biggest underperformance by all active managers in the history of their data, along with the 2nd lowest batting average.

- Since the April 8th low, the average small cap growth manager trailed the Russell 2000 Growth Index by 809bps. For the year, only 19% of small growth managers outperformed the Russell 2000 Growth Index, with the average manager underperforming by 520bps.
- In large cap growth, only 21% of managers outperformed the Russell 1000 Growth Index, and the average manager underperformed by 325bps.

Quality factors, which we discuss in more detail in the portfolio review section, were working against active managers and were a prime driver of underperformance. For example:

- The S&P 600 Growth Index, which requires companies to be profitable and has certain market cap and liquidity constraints, had a total return of 5.4% in 2025 vs the Russell 2000/Microcap Growth Indexes at +13% and +22%, respectively.
- Jefferies also pointed out that in small cap the quintile for lowest ROE stocks was +80% from the April 8th low vs the highest ROE at +38%.



While our near-term relative performance can face headwinds in these environments, we continue to believe, as demonstrated by our long-term track record of outperformance, that owning a portfolio of high-quality growth companies with proven business models and sustainable growth drivers will allow us to continue to outperform over the long-term in the future. In addition, we believe in the long-term growth of the US and global economy, and we are encouraged by the growth prospects across many industries and across the entire market cap spectrum. 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.

Portfolio Review

2025 was a challenging year for our relative performance. From the April low, we saw disproportionate outperformance from companies with low-quality factors, such as negative earnings and no sales, in the small cap indexes. Specific areas of outsized strength included biotech, quantum computing, nuclear energy, critical minerals, bitcoin miners/HPC power suppliers. In the Russell Microcap Growth Index, biotech and pharmaceutical stocks contributed approximately 8 points and 2 points, respectively, to the 21.84% index return for the year. These two sectors constituted almost all of the relative underperformance from our microcap strategy, as these are parts of the market to which we have always had low or no exposure. While the absolute contribution from these sectors in the Russell 2000 and 2500 Growth Indexes was lower, the impact on the level of relative underperformance in these strategies was similar. In the large cap strategy, we continued to see significant contribution to index returns from the megacap companies, a trend that has been ongoing for several years.

We were encouraged to experience improved relative performance in Q4. In our small cap strategies, we experienced positive absolute performance in our holdings, driven by strong business fundamentals, and pullbacks in some of the speculative areas that drove strong returns within the indexes in Q2 and Q3. We have continued to do work in these areas but still believe many of the business models are unproven and the high expectations may fail to materialize. In all environments, we stay focused on investing in high-quality companies with strong business fundamentals and long-term growth opportunities, which we believe will lead to outperformance over the long run.

Please see our product review write-ups for more information on performance drivers and portfolio activity in the quarter.

Market Outlook

While the US equity markets are at or near all-time highs, we do see some potentially significant positives in the current environment. The administration continues to push pro-growth policies in numerous sectors of the domestic economy, and we are finding companies which are direct beneficiaries. The Fed cut interest rates by 25bps in each of the last three meetings, which is generally supportive of growth and small cap stocks. We see an accelerated pace of innovation happening across various industries and are finding companies poised to benefit. Additionally, consumer spending remains resilient despite somewhat tepid employment growth.

We also believe the environment could be improving for small cap stock performance. Small cap earnings growth turned positive during 2025 and growth is expected to stay positive and potentially accelerate in 2026. While Fed interest rate cuts should be good for the markets broadly, small caps have historically been a prime beneficiary during rate-cutting cycles. Finally, small cap stocks continue to trade at a relative discount to large cap stocks. Combined with an improving fundamental backdrop, we believe there is an opportunity for this discount to narrow.

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.



NCG SMALL CAP 4Q25 REVIEW

	4Q25	1 year	3 year	Annualized		Since Inception^
				5 year	10 year	
Small Cap Growth (%) (Net of fees)	4.20	8.26	13.77	6.36	15.30	10.79
Russell 2000® Growth Index (%)	1.21	13.01	15.58	3.17	9.57	7.27

^Inception 1/1/1999

4Q Attribution*

Contributors	Detractors
<ul style="list-style-type: none"> Sector outperformance: technology, industrials Top 3 contributors to absolute performance: COHR, MTSI, ATEC 	<ul style="list-style-type: none"> Sector underperformance: consumer, health care, financials Top 3 detractors to absolute performance: UTI, ELF, CELH

4Q Portfolio Activity

- The portfolio is overweight in the industrial sector, with holdings in such areas as aerospace & defense, infrastructure construction, industrial manufacturing, and transportation logistics.
- The portfolio is about equal-weighted in the health care sector with our holdings spread across medical device, diagnostics, pharma, managed care, and services companies.
- We are overweight the technology sector with our holdings diversified across semiconductors, AI infrastructure, software, and services companies, each with strong growth prospects and trading at what we believe are attractive valuations.
- We are underweight in the consumer space, with holdings in areas such as restaurants, off-price retail, education, and consumer goods, among others.
- We are overweight basic materials with our holdings consisting of two companies selling into the aerospace and general industrial industries as well as a couple companies in the rare/critical materials market.
- The portfolio is underweight the financial sector with our holdings consisting of one insurance company and two fintech companies.
- We are underweight energy with one company in the nuclear energy market.
- We added 16 new positions in Q4:
 - five in health care: Adaptive Biotechnologies, Axogen, BillionToOne, Kestra Medical Technologies, Phathom Pharmaceuticals
 - four in technology: Innodata, Procore Technologies, Pegasystems, TeraWulf
 - two in basic materials: Almonty Industries, United States Antimony
 - two in industrials: BETA Technologies, Legence
 - two in financials: Coastal Financial, Figure Technology Solutions
 - one in consumer: Mama's Creations

- We sold 13 positions to zero in Q4:
 - six in technology: AvePoint, Blend Labs, Klaviyo, Impinj, Q2 Holdings, ServiceTitan
 - two in industrials: Knight-Swift Transportation Holdings, Legence
 - two in consumer: e.l.f. Beauty, Toll Brothers
 - two in financials: Porch Group, Western Alliance Bancorp
 - one in basic materials: United States Antimony

Sector Weights*

As of 12/31/2025

	Small Cap Growth	Russell 2000 Growth Index
Industrials	27%	24%
Health Care	26%	26%
Technology	25%	18%
Consumer Discretionary	7%	9%
Basic Materials	7%	3%
Financials	3%	9%
Consumer Staples	3%	2%
Energy	0%	3%
Real Estate	0%	2%
Telecommunications	0%	2%
Utilities	0%	1%
Cash	2%	0%

**Source: Factset*

DISCLOSURES (4Q25)

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 13.57% firm AUM

^SMID Cap Growth Composite Inception 4/1/2000, represent 1.81% firm AUM

^Small Cap Growth Composite Inception 1/1/1999, represent 41.11% firm AUM

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

^Micro Cap Growth Composite Inception 1/1/2003, represent 34.02% 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.

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