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Emerald Advisers, LLC

Small Cap Growth Update - Response to Our Exposure to Ukraine & Russia

Emerald currently has no direct investments in companies that are headquartered or with significant operations in Russia or the Ukraine. That being said, given the global nature of trade, there are many holdings within the portfolio that generate revenue, source components/materials, or have operations in these regions.

From a revenue perspective, exposure to these regions typically represents a small and manageable component of revenue, with no companies within the Emerald Small Capitalization Growth portfolio that generate more than 2% of their revenues from the Ukraine and Russia collectively. Emerald continues to evaluate all exposures and consequences of supply chain disruptions, since companies affected can be found in most sectors of our portfolios and the universe of the Russell 2000 companies.

While Emerald has not identified any portfolio companies that generate more than 2% of their revenues from these two countries, our Small Cap Growth portfolios have held a limited number of individual holdings that, while under the 2% threshold, may see impacts (positive, negative or inconsequential) from the war. These include a provider of energy infrastructure products for LNG, hydrogen and helium that has less than 2% of its revenue generated from Russia. The revenue generated in Russia was largely related to equipment for [one off] helium liquefaction project in 2021, the sale of several cryogenic trailers and oxygen. We believe this company is in a position to capitalize on the removal of Russian oil from markets around the world as it supplies equipment and technology to build Liquefied Natural Gas plants for shipments to markets overseas. While the shift toward LNG has been a long-term trend, recent geopolitical events have brought renewed focus to sources of energy and the strategic importance of energy infrastructure, enhancing current and future opportunities.

Likewise, the specific exposure for a global internet connectivity services company that Small Cap Growth portfolios have held has not been quantified, as it offers internet connectivity services in more than 216 global markets and 50 countries. Given the global nature of its internet connectivity services and its relationships with large application and content providers, it is likely that the company carries some traffic to or from these countries. While it is difficult to quantify the specific exposure, Emerald's believes the exposure is likely immaterial to the overall business. There are other similar portfolio examples, where the impact while not clearly reported upon is likely immaterial to the company in question.

Beyond the revenue exposure to the region, Emerald continues to monitor broader implications to the supply chain from commodities and other products sourced from Russia and the Ukraine. The automotive and semiconductor industries are particularly vulnerable given their respective reliance on palladium and

neon gas exports from these regions. Palladium price is surging more than other precious metals currently because of the large percentage of global production in Russia and Ukraine. Palladium and neon gas are both critical to the production of semiconductors, and this could intensify semiconductor shortage within the supply chain. This could in turn impact a wide range of different sectors from industrial equipment to medical devices to consumer electronics, amongst others. As of now, our conversations suggest that larger foundries currently have adequate supply from non-Ukraine and non-Russian sources of these materials, but this is a situation that we continue to monitor.

Over and above the aforementioned, recent surges in the price of oil and wheat in particular and their potential impact to input prices, food prices, inflation and ultimately consumer spending and business investment are other areas of focus and consideration.

Emerald has been taking all the information along these lines noted above to constantly evaluate and re-evaluate the holdings in our portfolios.

Sincerely,

Kenneth G. Mertz II, CFA
President & CIO
Emerald Advisers, LLC

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