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Q3 2025 | ECONOMIC & PORTFOLIO COMMENTARY

EMERALD MID CAP GROWTH



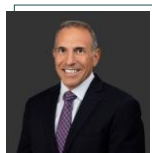
"It Pays to be Different"

ONE OF THE POINTS WE OFTEN RAISE AT EMERALD is that our fundamental, bottom-up research process directly contributes to our holdings and returns being different than many other growth managers in many market environments. Unlike factor-based strategies which rely on companies exhibiting certain factor criteria for portfolio inclusion, Emerald utilizes our proprietary 10-step research process to identify companies with strong future earnings growth, great management teams, differentiated growth drivers and competitive moats. Emerald's research process does not rely on factors to drive our investment decisions; factors are a byproduct of the way we invest. This quarter - more than most - illustrates just how different the result of our research process is vs. most managers, as Emerald's returns across virtually all our major strategies exceeded the returns of most other growth managers as measured by Jefferies over the most recent quarter and year-to-date periods. We are especially proud of this ranking as it comes during a period of active manager underperformance and shows the power of constructing portfolios that tend to be different than other growth equity managers.

Fueled by strong stock selection, Emerald Mid-Cap Growth portfolios experienced robust absolute returns for the 3rd quarter and markedly exceeded the return of

KEY POINTS:

- ***Emerald Mid-Cap Growth portfolios experienced robust absolute returns for the 3rd quarter and markedly exceeded the return of our Russell Mid-Cap Growth benchmark. Returns were reasonably broad-based with particular strength in technology, telecom, financials and healthcare.***
- ***Emerald portfolios benefited from holding names that in the aggregate were growthier and more cyclical than the benchmark.***
- ***Portfolios remain overweight energy, financials, healthcare, industrials, technology and telecom and underweight materials, consumer discretionary and staples, real estate and utilities.***



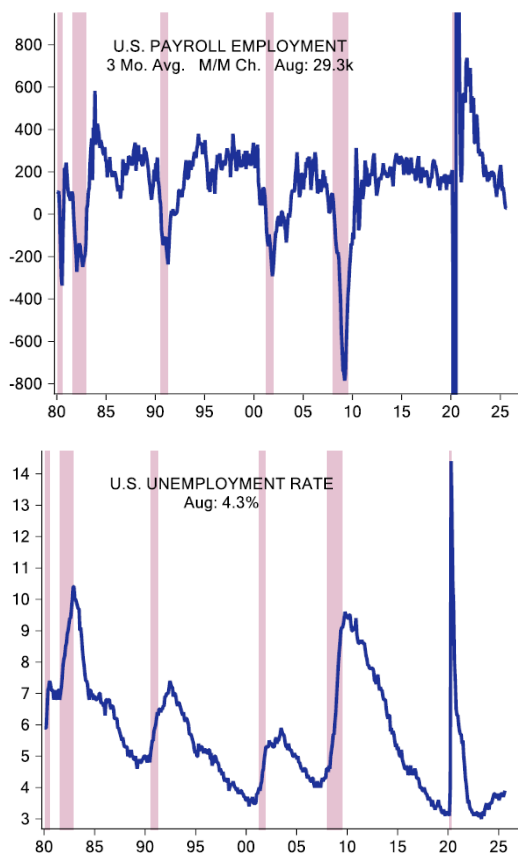
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our Russell Mid-Cap Growth benchmark. Returns were reasonably broad-based with particular strength in technology, telecom, financials and healthcare. Emerald portfolios benefited from holding names that in the aggregate were growthier and more cyclical than the benchmark.

Equity markets continued their post April 8th move higher driven by strong GDP and earnings growth, AI optimism and expectations of continued Fed rate cuts. From an economic, monetary and fiscal policy perspective, employment growth weakened significantly with the civilian unemployment rate increasing to 4.3%, and initial unemployment claims staying relatively subdued. Retail sales rebounded, as did the ISM Non-Manufacturing Index, while most manufacturing and durables shipments stayed stagnant. Inflation measures – while sticky – generally stayed within economist expectations. Capital markets opened strongly, high yield spreads declined below 3%, and the shape of the yield curve steepened – all positive for equity market performance and sentiment.



Source: Evercore ISI

Within the Russell Mid Cap Growth benchmark, materials led followed by telecommunication and real estate. Consumer staples, utilities, financial services, industrials and the energy sector returns lagged. Smaller, higher sales growth companies with lower ROEs and higher foreign sales led for the quarter. Non earners also performed well.

PORTFOLIO REVIEW

As noted above, Emerald Mid-Cap Growth portfolios experienced robust absolute and relative quarterly performance. Portfolios outperformed in financials, healthcare, industrials, technology and telecom and underperformed modestly in materials, consumer staples and discretionary and real estate. Stock selection was a very positive contributor, particularly in financials and technology, with AI related names continuing their torrid post-April performance run.

Not to sound like a broken record, but we have touted our expected earnings growth advantage vs. our benchmark for many years. This quarter, portfolios maintained their growth and valuation advantage vs. the Russell Mid Cap Growth Index with a projected 3-5-year EPS weighted average growth rate of 17.21% vs. 14.76% for the benchmark (FactSet). As has also been the case for several years, portfolios trade at or below the benchmark on most valuation metrics including current and expected Price/Earnings, Price/Cashflow, and Price/Book (FactSet figures). As we have written repeatedly, we like this positioning for the long run, as we are believers that earnings growth over time drives stock prices. Portfolios remain overweight energy, financials, healthcare, industrials, technology and telecom and underweight materials, consumer discretionary and staples, real estate and utilities. During the quarter we added selectively to several smaller cap industrial, power, cooling and AI-related names with idiosyncratic growth drivers.

MARKET OUTLOOK

Last Market outlooks are always hard to write – this one is particularly challenging given the strong YTD equity moves and



valuations that are starting to get a bit stretched. At the same time, we learned a long time ago that the trend is your friend and you don't fight the Fed. The trend has been rewarding the earnings and sales growth winners and those companies with differentiated and hard to compete with growth drivers. We see little likelihood that this trend abates in the short term with managers and investors having to play catch up through year end, meaning the winners should continue to be bought. At the same time the Fed is on a rate-cutting path, almost regardless of the inflation data and outlook. The Fed is increasingly focusing on the maximum employment side of its dual mandate and clearly that side of the mandate is weakening. We would expect at least one if not two more quarter-point rate cuts this year, which would be a continued positive for mid-cap equities. Other reasons to be positive towards continued equity price appreciation – particularly for small and mid-caps and cyclical include the following:

- US GDP should continue to accelerate driven by deregulation, tax benefits and asset appreciation-based consumer spending
- Compressed credit spreads
- Strong capital markets activity and M&A
- Massive capex investment
- Ample liquidity
- AI induced productivity growth

We have positioned portfolios to benefit from many of the above trends such as increased AI-related investment in areas such as power, connectivity, semiconductors, cooling, grid stabilization, data-center construction, and other AI related infrastructure. We also continue to be overweight companies involved in bringing cutting edge technology to the Department of War and many of our major allies. Defense spending on many newer technologies such as unmanned aerial vehicles and propulsion systems has seen large increases benefiting some of our mid-cap defense-related holdings. We continue to be overweight healthcare and in particular biotech given that industry's underperformance for the past several years, open capital markets, increasing M&A appetite and perhaps most importantly seasoning of the markets' RFK induced negativity towards the sector. We feel strongly that healthcare will be an

outperformer over the short to medium term as it has in the last quarter with 25% of the Q3 Russell 2000 performance gain being attributable to biotech.

We continue to underweight the consumer sector given the challenging employment environment, mounting debt loads and sticky inflation. As has been the case for many years, we are overweight the energy sector given our thoughts on AI spending and the dramatic supply/demand imbalance that exists for energy and power for everything AI and the need for grid reliability and access. We also like the sector overall given its cheap valuations and expectation for strong earnings growth off the bottom that has formed for the past two years. We are overweight financials, particularly banks and investment services, given our thoughts on the shape of the yield curve and expectations for even greater innovation for payments, markets and brokerage. We are slightly overweight industrials with, as noted above, a focus on high-growth small- and mid-cap AI, power, defense, aerospace and infrastructure names. We have overweighted technology and telecom, particularly AI related computer hardware and semiconductors through holding a number of high growth mid-cap providers of the picks and shovels to the AI revolution and companies with high growth idiosyncratic growth drivers.

We agree with strategist Jim Furey who notes earnings estimates for small caps and by extension mid-caps are finally turning positive and the asset class may be at the bottom of a relative underperformance cycle, and he sees current room to run on the recent rally. Jefferies strategist Steven DeSanctis estimated mid-cap growth stocks will grow earnings 21% in 2026 up from just 0.8% in 2025; while large cap growth stocks earnings rate of growth will barely change year-over-year (15.1% vs. 14.7%).

That is not to say there is any lack of short-term risks. The market's generally high valuation multiple means stocks can pull back quite significantly on any hint of bad news related to such issues as geopolitics, tariffs, reduced AI capex spend, continuation of the government shutdown and earnings disappointments. We will continue to monitor credit availability and spreads as credit has fueled much of the recent rally, as



well as retail trading trends, with a greater and greater portion of trading emanating from the notoriously fickle retail investor. The U.S. - China trade war needs to de-escalate as if neither side relents, extremely adverse economic consequences will result for the global economy. Should the U.S. government shutdown persist, markets will likely pull back as the economic impact of this huge exogenous shock are fully digested.

As always Emerald, will strive to balance these risks with our goal of building portfolios comprised of some of the most exciting, well run, high growth companies in the domestic equity universe. Sometimes the ride can be a bit bumpy but we believe the results can be quite satisfying for long-term investors.

Portfolio Characteristics Vs. Benchmark as of 09/30/2025

Characteristic	Emerald Mid Cap Growth	Russell Mid Cap Growth*
Est. 3-5 Year EPS Growth Rate**	17.2%	14.7%
P/E Ratio (using FY1)***	24.9x	27.4x
R ² vs. Russell Mid Cap Growth (1 Year)	0.91	1.00
Price/Book Value***	5.7x	9.7x
Median Market Cap (By No. of Stocks)	\$24,914 mm	\$14,497 mm
Weighted Average Market Cap	\$38,899 mm	\$39,218mm
Turnover (Trailing 12 mos.)	53%	--

*Source FTSE Russell - see full disclosure. **The estimated 3-5 year earnings growth rate is calculated utilizing a pre-calculated mean long-term EPS growth rate estimate for portfolio holdings, as available, provided by FactSet and sourced from brokerage estimate submissions to estimate services (FactSet, IBES, First Call, etc.). The estimated 3-5 year earnings growth rate for the portfolio is then calculated utilizing the weighted average of the individual portfolio holding estimated 3-5 year earnings growth rates, adjusted for outliers, which we have defined as greater than 100 and less than 0, or negative. The data reported is as of the report date. Estimated 3-5 year EPS growth rates may not correspond to future returns achieved by the portfolio or any particular security in it and are merely presented to show that the manager's bias is towards those positions that are projected to have a superior EPS growth rate to those of the index as a whole. ***In order to better reflect Emerald's characteristics relative to the Russell Indices, Emerald is now calculating its P/E and Price/Book ratios based on a weighted harmonic average in line with Russell's calculation methodology. Portfolio characteristics are subject to change periodically and may not be representative of current characteristics. Diversification does not assure a profit or protect against loss.



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