EMERALD MID CAP GROWTH

"Differentiation Leads to Portfolio Outperformance"

EMERALD MID CAP GROWTH PORTFOLIOS materially outperformed their respective Russell Mid Cap Growth benchmark for both the quarter and the year. Our take: this outperformance emanated from Emerald's fundamental, bottom-up research process being meaningfully differentiated from those of many underperforming growth peers during the fourth quarter and the full year 2025. As we often emphasize, Emerald does not manage portfolios to factors or benchmark composition; rather, we seek companies with strong forward earnings growth, differentiated business models, and durable competitive advantages. Periods of heightened dispersion and volatility—such as Q4—tend to amplify the differentiation of this approach, even when headline Index results are challenged. Portfolio performance for the 4th quarter as well as the year was driven overwhelmingly by stock selection rather than sector allocation.

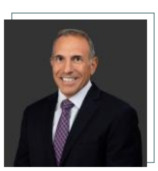
From an economic perspective, markets focused much of the quarter on Fed rate cuts that occurred in October and December and the prospects of a new Fed chair. Equity markets largely shrugged off the prolonged Federal government shutdown – the longest in history – although the falloff from delayed economic data – particularly employment – will be felt well into the first quarter. Payroll growth rebounded towards the end of the quarter, although persistent fears of weak

KEY POINTS:

- ***Emerald Mid-Cap Growth portfolios materially outperformed their respective Russell Mid Cap Growth benchmark for both the quarter and the year.***

- ***Performance was driven primarily by positive stock selection across healthcare and communication services, while modest relative pressure came from select high-growth financials, industrials and real estate holdings.***

- ***Portfolios remain overweight energy, financials, healthcare, industrials and utilities and underweight materials, consumer discretionary and staples, real estate and utilities.***



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employment and sticky inflation continued to capture investor attention. On the positive side, GDP growth for the 3rd quarter was extremely strong at 4.3% and productivity continued to surge ahead at above trend rates.

Equity markets reversed sharply during the fourth quarter following an exceptionally strong first three quarters of the year. Investors increasingly focused on valuation compression, decelerating earnings momentum for select growth cohorts, and a modest reassessment of AI-related capital spending trajectories. While macroeconomic data remained mixed rather than recessionary, risk appetite declined meaningfully, particularly for higher-multiple and momentum-oriented growth stocks. Within this environment, factor exposures were far less explanatory of returns than company-specific fundamentals **– normally a good environment for Emerald**, reinforcing the importance of Emerald's expertise in disciplined security selection and underwriting of long-term earnings power.

During the quarter, large caps led, followed by small caps, while mid-caps lagged. Within the Russell Midcap Growth benchmark, defensive growth, materials and select healthcare constituents proved relatively resilient, while technology, consumer staples, utilities and communication services stocks experienced notable weakness. Companies with elevated expectations, premium valuations, or near-term execution risk were disproportionately penalized, leading to wide dispersion at the stock level, again a good environment for stock picking. For the year, healthcare, materials, utilities and industrials led, with the prime determinant of returns being size and growth as the largest, highest growth companies substantially outperformed.

PORTFOLIO REVIEW

Despite the challenging backdrop, Emerald Mid Cap Growth portfolios demonstrated strong downside capture and meaningful relative resilience during the quarter. Performance was driven primarily by positive stock selection across healthcare and communication services, while modest relative pressure came from select high-growth financials, industrials and real estate holdings.

Importantly, the portfolio's relative results were not dependent on avoiding risk entirely; rather, outperformance was generated by owning a distinct mix of idiosyncratic growth companies, many of which delivered strong fundamental or company-specific performance in the quarter despite broader market weakness.

As has been the case for many years, portfolios maintained their quarterly growth and valuation advantage vs. the Russell 3000 Growth Index with a projected 3-5-year EPS weighted average growth rate of 17.12% vs. 15.45% 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, 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 and utilities and underweight materials, consumer discretionary and staples, real estate and utilities.

At the individual security level, returns were led by several holdings that delivered outsized positive contributions relative to both the portfolio and benchmark.

MARKET OUTLOOK

Looking ahead, we believe the fourth quarter illustrated an important reset in growth equity expectations rather than a fundamental deterioration in economic or earnings conditions. While volatility may persist, we view the current environment as increasingly attractive for active, research-driven investors. Earnings growth dispersion remains wide, valuations have become more reasonable in several areas of the market, and capital continues to flow toward companies with durable competitive advantages and visible long-term growth drivers.

Emerald portfolios remain positioned toward companies benefiting from AI-related infrastructure investment, healthcare innovation, energy and power demand, and industrial modernization, while maintaining discipline around valuation and risk management. As always, we will continue to balance near-term uncertainty with our long-term objective of owning high-quality, differentiated growth businesses capable of compounding value across market cycles.

While some investors may express concerns about valuations, the durability of spending from the "K-shaped" economy, volatility in front of the U.S. mid-term elections, geopolitical risks, or an inevitable slowdown in AI driven capex spend, we continue to think there is more fuel in the tank for the economy to remain in significant productivity, capex driven expansionary mode. We envision an expansion that will drive double digit earnings growth in 2026, and growth far greater than that for some of the more innovative companies included in our portfolios.

There are many factors that buttress our robust 2026 economic and earnings expectations. Following are some of the factors that frame our positioning:

- Continued Fed Cuts – At this stage we see an additional two Fed rate cuts in 2026 that will bring the Fed Funds rate down to slightly above 3% - certainly a neutral to slightly dovish rate that will benefit risk assets.

- GDP growth – NY Fed President Williams, who has in our minds been the most influential Fed seer recently endorsed a bullish outlook of GDP growth at 2.5 to 2.75 percent with no change to unemployment.

- Productivity - One of the unsung heroes of this recovery, productivity has been higher than expected, soaring at a 4.9% annualized rate in the 3rd quarter after an upwardly revised 4.1% advance in the second quarter, according to data from the Bureau of Labor Statistics. These productivity trends benefit the economy and earnings. In addition, Unit labor costs — what businesses pay employees to produce one unit of output — dropped 1.9%, following a decrease in the prior quarter.

- Steeper Yield Curve – The shape of the yield curve has steepened markedly which is normally bullish for risk assets.

- High Yield Spreads – Spreads have tightened to well below average, again normally a precursor of risk on and asset appreciation.

- Weaker Dollar – The U.S. Dollar has depreciated relative to other foreign currencies benefiting U.S. exporters.

- Inflation – While inflation has been on the sticky side, it seems to have plateaued at a level that is palatable for most consumers and businesses and that should not hinder economic growth or stymie the Fed from further rate cutting.

- Valuations – Absolute valuations are expensive, but not at extremes given the expected economic, productivity and earnings growth, especially for small caps where valuations are close to historic lows vs. large caps.

- AI Capex Spend – We see no letup in AI related capex expenditures which have been fueling much of the economic and earnings growth.

There is no question that the market itself, while on a rising trajectory, could experience some above trend volatility as the year progresses driven by geopolitical events, uncertain administrative announcements and actions, and certainly around the mid-term elections. We also would not be that surprised by another DeepSeek-like moment that could cause a meaningful pullback in AI related names. As noted above, we have positioned the portfolio to continue to benefit from some of the dramatic innovations we have seen in the AI related infrastructure names, as well as healthcare, defense technology and other areas with idiosyncratic innovation and growth drivers. We have employed a strategy of pruning winners on parabolic price moves and reinvesting in the same or similar stocks on inevitable valuation/liquidity driven pullbacks. We have employed this strategy on the belief that little has changed with the long-term trend in IRR driven training, inference and reasoning capex spend. Spending that we only expect to rocket higher in the next few years. Each day a different hyperscaler talks about investing billions into tens of gigawatts of new energy generation to power new data centers – a trend we doubt will abate and that will be beneficial to all elements of the AI infrastructure trade.

We can't stress enough our belief that the productivity boon we are in the midst of is a game changer for economic and earnings growth. One of our favorite strategists, Ed Yardeni puts it this way:

> "Let's assume that productivity growth transitioned from 2.0% to 3.0% in 2025 and will remain at that higher pace for the foreseeable future. That would boost real GDP growth by a full percentage point per year. It would lower unit labor costs inflation by as much. It would boost real wages of workers, more than offsetting the slower pace of employment. So, the real purchasing power of consumers would continue to grow, with less of that growth coming from new workers and more coming from higher real wages. Profit margins would rise, boosting total profits and driving capital spending higher."

Ed notes profit margins reached a record in Q4 2025 despite tariff and inflation headwinds. We suspect profit margins will stay elevated for the foreseeable future given this massive productivity growth.

Investors need to recognize that now more than ever they need asset managers possessing the resources and ability to look into the future to identify growth and innovation and not managers who are stuck in the past running backward looking models concentrated on past profitability, cashflow or other metrics. Many of these managers blame the underperformance of stocks possessing "quality" factors for their substandard performance. We believe lack of quality is not the issue – we believe our portfolios are composed of some of the best quality companies in the universe: companies that are growing earnings and revenues at far above market rates. The issue is lack of imagination, research capabilities and platforms to find companies that are truly innovating and are showing leadership in their respective industries.

Emerald has always been about identifying trends early and then finding companies with great management teams that can exploit these trends in the fastest, most profitable ways possible. We have built a team of seasoned portfolio managers and research analysts who are trained in house to identify innovation early and to find companies with management teams built to capitalize on these trends – we call this the "Emerald Advantage." We have been successful investing using this approach for the past 33 years and we believe we have built a team and infrastructure to sustain this "Emerald Advantage" for many years to come.

Portfolio Characteristics Vs. Benchmark as of 12/31/2025

Characteristic	Emerald Mid Cap Growth	Russell Mid Cap Growth*
Est. 3-5 Year EPS Growth Rate**	17.1%	15.5%
P/E Ratio (using FY1)***	25.2x	26.9x
R^2 vs. Russell Mid Cap Growth (1 Year)	0.86	1.00
Price/Book Value***	5.8x	9.3x
Median Market Cap (By No. of Stocks)	$25,773 mm	$14,001 mm
Weighted Average Market Cap	$35,584 mm	$36,850 mm
Turnover (Trailing 12 mos.)	44%	--

*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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