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EMERALD MID CAP GROWTH

"Navigating a Turbulent Market"

EMERALD MID CAP GROWTH PORTFOLIOS outperformed the Russell Mid Cap Growth Index during the quarter, building on our substantial performance lead YTD vs. the benchmark. While quarterly performance was negative from an absolute sense, portfolios did experience positive returns in consumer staples, energy, healthcare, technology and telecommunications. Healthcare was a positive absolute and relative contributor to quarterly performance as was consumer staples. Strong stock selection contributed to positive relative performance despite a "Risk-off" environment for equities driven by higher for longer interest rates, a Fed rate hike, inflation fears, geopolitical strife, and dramatically increasing oil and product pricing.

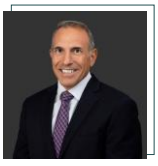
The US economy showed continued strength during the quarter, with Real GDP hanging around the 2.5% level and ISM Manufacturing and Non-Manufacturing readings staying close to YTD high levels. Corporate profit indicators likewise continued to trend upwards while the Civilian Unemployment rate stayed at "Full employment" levels. Inflation readings continued to register materially higher than the Fed's 2% target, with September's PCE coming in at 3.4% and core PCE reading at slightly over 3.0%. The 10-year Treasury moved 69 basis points higher during the quarter, ending at 5.29%. High-yield debt spreads stayed near multi-

KEY POINTS:

- ***Emerald Mid Cap Growth portfolios outperformed the Russell Mid Cap Growth benchmark during the quarter, with outperformance emanating mainly from healthcare, consumer discretionary and staples stock selection.***

- ***Portfolios saw underperformance in industrials and technology, as our overweight to selected AI related themes such as infrastructure, cooling and power, as well as defense-related companies detracted from performance, as both industries saw steep draw-downs reversing robust performance earlier in the year.***

- ***Portfolios were overweight healthcare, energy and industrials and underweight consumer discretionary, staples, materials and technology. Our underweight to the consumer positively contributed to returns during the quarter, as industries such as gaming, lodging, apparel, and restaurants all felt the negative impact of high oil prices, inflation and a generally stretched consumer.***



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year lows, but the spread on CCC debt did widen materially towards quarter-end.

Value stocks outperformed growth during the quarter on the back of the strong economy and are meaningfully ahead of growth equities YTD. During the quarter, large stocks outperformed mid, with small caps materially underperforming. In fact, Q3 2026 was the third worst quarter in history for the Russell 2000 vs. the Russell 1000 Index. Within the mid cap growth universe lower P/E and lower sales growth stocks outperformed as did higher ROE names. The market became more concentrated during the quarter with the market cap of the top-5 largest stocks ending at 6x greater than the entire small cap Index.

PORTFOLIO REVIEW

As noted above, Emerald Mid Cap Growth portfolios outperformed the Russell Mid Cap Growth benchmark during the quarter, with outperformance emanating mainly from healthcare, consumer discretionary and staples stock selection. Portfolios saw underperformance in industrials and technology, as our overweight to selected AI related themes such as infrastructure, cooling and power, as well as defense-related companies detracted from performance, as both industries saw steep draw-downs reversing robust performance earlier in the year.

Portfolios were overweight healthcare, energy and industrials and underweight consumer discretionary, staples, materials and technology. Our underweight to the consumer positively contributed to returns during the quarter, as industries such as gaming, lodging, apparel, and restaurants all felt the negative impact of high oil prices, inflation and a generally stretched consumer. Our overweight to healthcare materially added to quarterly performance as that sector showed its relative immunity to the issues impacting the consumer and as noted, our stock selection was very strong with 3 of our 5 top performing names being healthcare related. Lastly, our material underweight to technology detracted from quarterly performance as that sector experienced positive absolute returns, software names beaten up from the "Saaspocalypse" bounced back and AI-oriented names, as mentioned, above saw severe pullbacks in their share prices.

MARKET OUTLOOK

In many respects we are lucky to be portfolio managers at Emerald where, as a firm, we believe earnings growth drives stock prices over time. We are fortunate to be able to focus on company fundamentals and not get caught up in the market hysteria surrounding rates, inflation, geopolitics, etc. This is not to say that these factors and others do not impact our companies – of course they do – but our focus is much more on company competitive positioning, total addressable markets and strength of management – factors that over time can make a meaningful difference in winning or losing portfolios. We always state that we build portfolios from the bottom-up containing some of the fastest growing most dynamic organizations and management teams in the market; and it is through this bottom-up process that we believe we develop the "Emerald Advantage" of finding differentiated, high growth companies earlier than many of our peers.

So where are we presently finding some of these high growth, differentiated companies possessing exemplary management teams? Our largest portfolio overweight is in the healthcare sector after adding meaningfully during the quarter. We favor the sector in this environment as it is not as impacted by the consumer or inflation, and while rates matter, the sector is composed of companies with a plethora of idiosyncratic growth drivers that move independently of the broader economy. We particularly like companies involved in the blood based and molecular diagnostics and liquid biopsy fields, as well as specialized biotech companies and healthcare service providers. We also continue to like AI infrastructure-related names despite their poor performance in the 3rd quarter and in the beginning of Q4. The portfolio contains a number of companies involved in cooling, power, site preparation and connectivity and we continue to believe in the earnings power of these companies in the next several years based on the huge unmet demand for the projects they are supplying. We do not buy into the market's worry about a looming data center build

slowdown – at least as it relates to our portfolio companies. We remain overweight companies in the defense industry and added to our weighting during the quarter, again despite poor recent performance. Our companies tend to supply some of the most needed war fighting equipment such as missile components, unmanned systems, nuclear reactors and fuels and communications among many other critical offerings. We spend a great deal of time with these companies, and each one states their businesses are in the best fundamental position ever.

We reduced our consumer exposure early in the 3rd quarter and remain underweight the consumer on continued inflation, rates, and sentiment concerns, although as noted above we do own a number of higher growth names in the food and beverage industry as well as gaming, lodging, cruise and consumer services. We also continue to like the energy sector on continued high oil and product prices and expectations of durability of pricing of energy-related commodities.

Mid Cap Growth companies are expected to grow 2026 earnings at a 23.2% rate in 2026 (Jefferies) which is in-between the predicted growth rates of small cap and large cap growth companies. We believe our portfolio companies will grow earnings at least at the level of the mid cap growth index, with FY1/FY2 weighted average earnings estimated at 23% according to FactSet estimates.

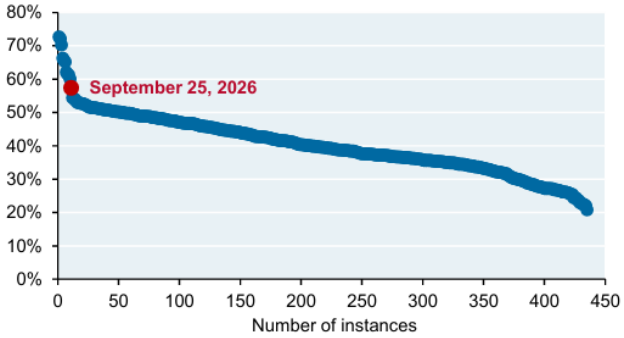
We also believe M&A should pick up in the next few quarters after a lull in Q3, as companies with large cash hoards and/or impending patent cliffs put capital to work acquiring small and mid-cap companies whose valuations have compressed recently, in most cases contradictory to their fundamentals. It is in part for this reason that we remain overweight the health care sector given our proprietary research expertise in that space and the fact that this industry is relatively immune to the current macroeconomic or geopolitical headwinds and possesses many idiosyncratic growth drivers.

Rarely in our careers have we seen a market so concentrated and bifurcated between momentum "Winners" and momentum "Losers," with investors paying very little regard to company fundamentals and intrinsic values. The following charts from JP Morgan's Michael Cembelest highlight the extreme concentration and narrowness of recent markets with only approximately 30% of S&P companies outperforming the Index on a trailing three-year basis, coupled with the reliance of the market on just a few Mega-cap names accounting for the majority of returns. During the quarter, over 55% of stocks were more than 20% below all-time highs while the S&P 500 was within 1% of its all-time high.

Share of S&P 500 companies outperforming the index on a 3 year trailing basis, Percent

Source: Bloomberg, JPMAM, September 30, 2026

% of stocks more than 20% below all-time highs when the S&P 500 was within 1% of its all-time high, 1990-2026



Source: FactSet, JPMAM, October 1, 2026

The quarter saw huge bifurcation and dispersion in returns in portfolio holdings - and the emergence of significant macro-driven correlations within industries such as AI infrastructure, energy and defense technology. The good news is we believe this "Winners" vs. "Losers" momentum-based buying and selling which has led to extreme concentration and valuation disparity will dissipate as we move thru Q4 - beyond tax loss selling and the mid-term elections. We think rates and inflation should start to stabilize as we move past peak political drama and oil prices, and particularly product prices should start to recede. Earnings

- the "Mother's milk" of markets – should begin to reassert their importance as a key driver of market performance vs. more macro driven rate/inflation/oil fears.

So, where do we find ourselves today? Unfortunately, here at the start of Q4, the macro factors driving much of the market uncertainty - such as geopolitics, US mid-term elections, and energy-driven inflation fears do not fit neatly into calendar quarters. We contend however that the strong underlying fundamentals of the companies within our portfolios are largely unchanged, and over time, revenue and earnings growth will ultimately drive stock prices and investors will realize this most recent correction was overly severe.

At Emerald we will continue to be guided by the principles underlying the Mid Cap Growth portfolios: dedicated fundamental research, benchmark awareness without dependence, and a focus on early identification of companies with strong current and/or forward earnings with return structures with limited correlation to the broader markets. This philosophy has guided us since our inception, and we remain confident in its durability across a range of market environments.

Portfolio Characteristics Vs. Benchmark as of 09/30/2026

Characteristic	Emerald Mid Cap Growth	Russell Mid Cap Growth*
Est. 3-5 Year EPS Growth Rate**	22.0%	23.7%
P/E Ratio (using FY1)***	26.8x	22.3x
R^2 vs. Russell Mid Cap Growth (1 Year)	0.88	1.00
Price/Book Value***	7.0x	10.9x
Median Market Cap (By No. of Stocks)	$25,353 mm	$14,586 mm
Weighted Average Market Cap	$41,071 mm	$45,260 mm
Turnover (Trailing 12 mos.)	45%	--

*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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