NEWCENTURY ADVISORS

US Small Cap

Q4 2025

Commentary

For US small cap stocks, the “Santa Claus rally” did not start the week of Christmas, but on October 29th when the Fed cut interest rates and sent the small-cap Russell 2000 Index soaring to new all-time-highs in Q4. While the small-cap Russell 2000 Index lagged the large-cap Russell 1000 Index in Q4, it has outperformed since the April 8th market bottom, returning 38.49% vs. 36.26% for large cap. As small cap investors we know too well how unloved this market segment has been, trading at a discount to large caps for over 10 years. But looking ahead, we believe that US small caps can continue to outperform in 2026 for the following key reasons:

Investors seek growth. According to Wall Street estimates, over the next 12 months earnings growth for the Russell 2000 is expected to be significantly higher at 43% versus 11% for the S&P 500 and 21% for the Magnificent 7. This reverses the trend over the last few years when higher interest rates and US economic deceleration hit small cap company earnings harder because most of their sales come from within the US. As US GDP growth, labor markets, and consumer spending reaccelerate, small cap earnings should recover. Also, if the Fed continues to cut interest rates in 2026, small cap earnings will benefit because most small cap debt is floating rate and their interest expense immediately drops when rates decline.

Investors like business-friendly policies. US small caps are positioned to benefit significantly from the major tax reform, deregulation, reshoring, and fiscal policy stimulus that are currently underway, or on the horizon.

Investors want to buy low (and sell high). Small caps are cheap and trading at a historical discount to large caps. The S&P 500 forward P/E is about 26x vs. 16x for the small-cap S&P 600, whose constituents are required to be profitable unlike the Russell 2000 where 40% of holdings are unprofitable, distorting valuation comparisons. For reasons discussed above, investors are beginning to realize the relative value of owning small caps versus large caps. As small cap fundamentals like earnings improve, we expect multiples to expand and stock prices to rise.

Investors seek diversification. For most of the last three years, U.S. equity markets have been dominated by the “AI trade”, which benefitted a concentrated number of large-cap tech companies that are arguably, priced for perfection. Small caps offer superior earning growth, better relative value and diversification. Against this positive backdrop, the NCA Small Cap strategy seeks to own the best 25 to 45 companies in this universe and we believe now is the time for small caps to shine.

Strategy Facts

Objective	Long-term capital growth while seeking downside protection
Number of Holdings	25 to 45
Benchmark	Russell 2000 Index
Wtd. Avg. Mkt Cap	$5.0B
Median Mkt Cap	$3.0B
Portfolio Turnover	Typically less than 30%
Portfolio Manager	Christine Song, CFA *24 years industry experience*

Portfolio Statistics (12/31/25)

	NCA US Small Cap	Russell 2000
Characteristics		
Number of Holdings	40	1,956
Wtd Avg Market Cap ($Mil)	$5,045	$4,554
Median Market Cap ($Mil)	$3,055	$987
Valuation		
Forward P/E	16.9	19.9
P/B	3.2	2.3
P/S	3.6	23.5
P/CF	14.7	21.7
Fundamentals		
ROE (positive only)	14.7%	14.2%
Total Debt/Total Capital	23.4%	37.1%
Dividend Yield	1.5%	1.2%
EPS Growth - 3 to 5 years	18.4%	11.4%

Note: Representative account
Source: Bloomberg, FTSE Russell

Risk/Return Statistics

(Inception Q1’11 to Q4’25)

	NCA US Small Cap	Russell 2000
Beta vs. Benchmark	0.72	1.00
Standard Deviation	16.0%	20.3%
Cumulative Return - gross	456.2%	288.7%
Cumulative Return - net	393.8%	288.7%
Upside Capture	93.7%	—
Downside Capture	72.3%	—
Sharpe Ratio	0.67%	0.39%
Tracking Error	8.3%	—
Active Share	97.3%	—
Information Ratio	0.32	—

Note: Composite data. Statistics shown on a gross quarterly basis.
Source: eVestment

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Performance Update

	NCA US Small Cap *(Gross)*	NCA US Small Cap *(Net)**	Russell 2000
Q4'25	2.69%	2.48%	2.19%
2025	20.22%	19.28%	12.81%
Annualized SI (1/1/11 to 12/31/25)	12.12%	11.23%	9.47%

Note: Composite performance.
* Management fee is 0.80%

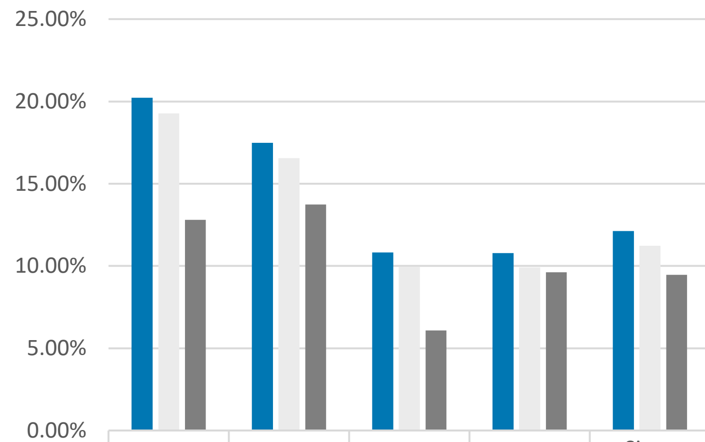
Portfolio Attribution Analysis

In Q4 the small-cap Russell 2000 Index returned 2.19%. Healthcare was the best performing sector, returning 18.62% (driven by Biotechnology and Pharmaceuticals). Materials was the next best performing sector, returning 5.05% (driven by metals and mining companies). The worst performing sector was Consumer Staples, hit hard by tariffs and investor rotation into the “AI trade”. The sector returned -4.57%, followed by IT and Consumer Discretionary, returning -4.51% and -4.17%, respectively.

The NCA US Small Cap outperformance was due to stock selection, which contributed a net +112 bps. Amkor Technology (AMKR) was the top contributor. The stock went up almost 40% in the quarter after the company reported better than expected Q3 results and guided to higher-than-expected Q4 numbers. AMKR is the only major outsourced semiconductor assembly and test (OSAT) provider headquartered in the U.S. and has been gaining market share as customers, like Apple, move their supply chain from Asia. In addition, it is building capacity in the US to provide OSAT services for chips used in AI. The largest detractor to performance was Generac (GNRC), a manufacturer of back-up generators, primarily serving the retail consumer. This year saw an unusually light hurricane season, which resulted in muted sales, and the company continues to face tariff headwinds and rising input costs. However, the company recently launched five new high-capacity back-up diesel generators for use in data centers. Backlog and revenues in this smaller commercial segment has been growing double digits. We continue to like GNRC as back-up power is key to building data centers and demand for diesel generators far outstrips supply.

Sector allocation detracted a net -40 bps in Q4. The strategy’s overweight in Industrials and underweight in Healthcare were the main detractors. The underweight in Consumer Discretionary and IT were the main sector contributors. Industrials was the largest overweight and Consumer Discretionary was the largest underweight. Cash averaged 1.43% weight in the quarter.

Annualized Composite Returns



	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA - Gross	20.22%	17.49%	10.83%	10.79%	12.12%
NCA - Net	19.28%	16.56%	9.95%	9.91%	11.23%
Russell 2000	12.81%	13.73%	6.09%	9.62%	9.47%

Note: inception date is 1/1/2011.

Market Cap Breakdown

	NCA US Small Cap	Russell 2000
Greater than $5B	34.6%	30.4%
$1B to $5B	53.5%	58.2%
Less than $1B	10.2%	11.4%
Cash/Other	1.7%	0.0%
TOTAL	**100.0%**	**100.0%**

Note: Representative account at quarter end

Sector Weightings

	NCA US Small Cap	Russell 2000	*Diff*
Industrials	38.3%	17.9%	*20.4%*
Materials	5.8%	4.2%	*1.6%*
Consumer Staples	2.1%	1.9%	*0.2%*
Utilities	2.7%	3.3%	*-0.6%*
Energy	3.8%	4.8%	*-1.0%*
Real Estate	4.2%	5.6%	*-1.4%*
Health Care	15.0%	17.5%	*-2.5%*
Communication Services	0.0%	2.7%	*-2.7%*
Information Technology	11.2%	15.4%	*-4.3%*
Financials	13.0%	17.6%	*-4.6%*
Consumer Discretionary	2.5%	9.1%	*-6.6%*
Cash	1.5%	0.0%	*1.5%*
TOTAL	**100.0%**	**100.0%**	

Note: Representative account average weight in the quarter

Important Disclosures:

PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE RESULTS. An investor should carefully consider the Strategy's investment objective, risks, charges and expenses before investing. One cannot invest directly in an index. There is no guarantee that the investment objective of the strategy will be achieved. Index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Period data over one year is annualized. You should not rely on this document as the basis upon which to make an investment decision. The Strategy's return may not match the return of the underlying index. Investing involves risk, including possible total loss of principal.

The principal risks of investing in this strategy include: Equity securities risk, Sector Risk, Non-diversification Risk, Effects of Compounding and Market Volatility Risk, Market Risk, Counterparty Risk, and Rebalancing Risk, which can increase volatility. The Strategy may invest in derivatives, which are often more volatile than other investments and may magnify the Strategy's gains or losses.

The performance returns contained the deduction of advisory fees, which will reduce the return. The deduction of advisory fees and the compounding effect thereof over time will reduce the total return on any account. For example, an account of $10 million with a 1% fee that experienced a 10% compounding annualized total return over a period of five years would result in an ending dollar value of $16,105,100 without the deduction of advisory fees. If an annual advisory fee of 1% were deducted from the account for the same five-year period, the annualized return would be 9%, with an ending dollar value of $15,315,789. Additional information regarding policies for calculation and reporting returns is available upon request. Additional fees may apply, including brokerage and custodian fees, settlement fees, interest charges, wire fees, transfer fees and fund expenses, incurred in connection with the management of a client's account.
A FEE SCHEDULE IS AN INTEGRAL PART OF A COMPLETE PRESENTATION AND IS DESCRIBED IN PART II OF THE FIRM'S ADV, WHICH IS AVAILABLE UPON REQUEST. RETURNS INCLUDE THE REINVESTMENT OF DIVIDENDS AND OTHER EARNINGS, WHERE APPLICABLE.

Certain performance calculations are prepared internally and have not been audited or verified by a third party. The use of a different methodology for preparing, calculating or presenting performance returns and portfolio characteristic data may lead to different results and such differences may be material. "Representative Account(s)" discussed were selected based on a number of factors including, length of time in the composite and investment guideline applicability.

HOLDINGS AND SECTOR WEIGHTINGS – Sector and Holdings are subject to change and are not buy/sell recommendations. An investor should consider their objectives, financial situation or needs and risk profile before making any investment decision.

Prior to June 2023 the US Small Cap Strategy was known as the US SMID Cap Strategy and the prior benchmark was the Russell 2500. The benchmark was changed to reflect the portfolio characteristics.

CONTACT

Laura DeMarco
Managing Director of Marketing
858.692.5194 / ldemarco@ncallc.com
www.newcenturyadvisors.com