NEWCENTURY ADVISORS

US Small Cap

Q3 2026

Commentary

Following a huge rally last quarter, US small-cap equities caught their breath in Q3 as large caps outperformed small caps, with a distinct style rotation favoring value over growth. Yet beneath the market's gyrations this quarter, several powerful structural shifts deepened our conviction in small-cap stock picking as we head toward year-end.

The AI Concentration Trade

We believe small caps offer substantially different factor and earnings exposure than that of the large-cap S&P 500. The S&P 500's top 10 constituents account for ~38% of the index, a substantial portion of which is tied to the AI investment cycle. In stark contrast, the small-cap Russell 2000 is anchored by Healthcare and Financials, which together comprise about 40% of the index. IT accounts for just 13% compared to almost 40% for the S&P 500. In the NCA strategy, the three largest industry exposures are biotechnology, banks, and industrial machinery, unlike the AI-heavy footprint dominating large-cap indices. We believe this divergence provides meaningfully different exposure to the factors driving mega-cap technology stocks and creates opportunities for active small-cap managers to identify potentially mispriced companies in other sectors.

The Quality Imperative

In Q3 the Fed raised interest rates. Since the market is pricing in an additional rate hike this year and at least two hikes next year, balance sheet strength and high-quality earnings become paramount. The small-cap universe is deeply bifurcated: ~40% of the Russell 2000 companies have no earnings and ~30% to 40% have floating-rate debt. In stark contrast, NCA's portfolio is built on high-quality, profitable businesses backed by strong balance sheets, organic revenue growth, and robust free cash flow, steering clear of cash-burning enterprises. Furthermore, collaborating with our fixed income team and leveraging their expertise enable us to better evaluate corporate capital structures, bridging the equity and credit profile of every investment.

The Domestic Earnings Story

Lastly, given the Russell 2000's high concentration of non-earners and the prospect of higher interest rates, passive index ownership becomes riskier. In stark contrast, the NCA portfolio focuses on finding mispriced, high-quality small caps with sustainable pricing power. The portfolio has an estimated 21% long-term earnings growth with an attractive forward P/E of ~16x. We think this valuation gap offers a margin of safety and a compelling entry point. As we head toward year-end, we expect stock selection to continue to drive performance. As investors climb the "AI wall of worry", we remain committed to building a high conviction, high-quality portfolio, one stock at a time.

Strategy Facts

Objective	Long-term capital growth while seeking downside protection
Number of Holdings	25 to 45
Benchmark	Russell 2000 Index
Market Cap	Within benchmark range at time of purchase
Portfolio Turnover	Typically less than 30%
Portfolio Manager	Christine Song, CFA *25 years industry experience*

Portfolio Statistics (9/30/26)

	NCA US Small Cap	Russell 2000
Characteristics		
Number of Holdings	45	1,974
Wtd Avg Market Cap ($Mil)	$6,657	$3,875
Median Market Cap ($Mil)	$4,266	$1,061
Valuation		
Forward P/E	15.8	17.0
P/B	2.6	2.2
P/S	3.5	1.3
P/CF	12.4	16.3
Fundamentals		
Return on Equity	17.1%	1.1%
Total Debt/Total Capital	29.5%	52.9%
Dividend Yield	1.7%	1.3%
EPS - LT Growth	21.4%	7.7%

Note: Representative account
Source: Bloomberg, FTSE Russell

Risk/Return Statistics

(Inception Q1'11 to Q3'26)

	NCA US Small Cap	Russell 2000
Beta vs. Benchmark	0.74	1.00
Standard Deviation	16.5%	20.6%
Cumulative Return - gross	589.1%	342.0%
Cumulative Return - net	508.2%	342.0%
Upside Capture	97.1%	—
Downside Capture	73.5%	—
Tracking Error	8.5%	—
Active Share	97.0%	—
Sharpe Ratio	0.70	0.41
Information Ratio	0.37	—

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

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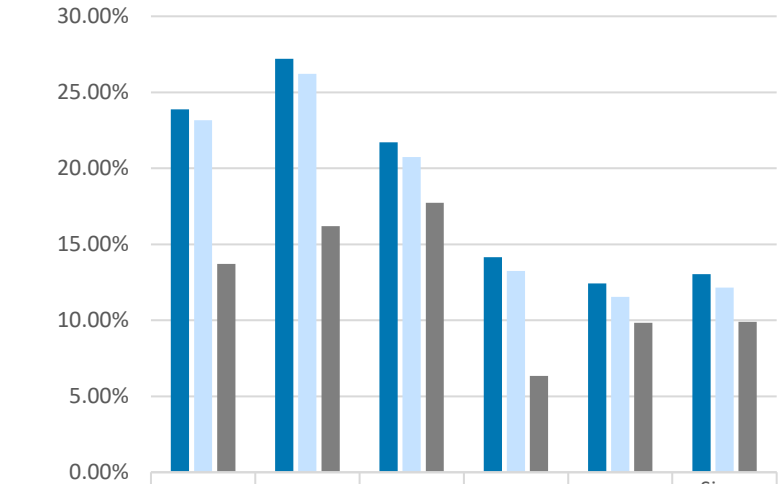
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Performance Update

	NCA US Small Cap *(Gross)*	NCA US Small Cap *(Net)**	Russell 2000
Q3'26	-7.18%	-7.37%	-7.23%
Annualized SI (1/1/11 to 9/30/26)	13.04%	12.14%	9.89%

Note: Composite performance.
* Management fee is 0.80%

Annualized Composite Returns



	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NCA - Gross	23.88%	27.21%	21.71%	14.14%	12.43%	13.04%
NCA - Net	23.15%	26.21%	20.75%	13.24%	11.54%	12.14%
Russell 2000	13.71%	16.20%	17.72%	6.34%	9.84%	9.89%

Note: inception date is 1/1/2011.

Portfolio Attribution Analysis

US small caps sold off in Q3. The Russell 2000 Index total return was -7.23%. Energy was the only sector with positive total returns, increasing 5.60% as the Iran conflict kept oil prices high. Healthcare was the next best performing sector, returning -1.45%, followed by Financials, returning -5.24%. Industrials was the worst performing sector, down 14.12%, followed by IT and Consumer Discretionary, down -12.05% and -10.48%, respectively.

The NCA strategy had gross returns of -7.18%. The outperformance was due to stock selection, contributing a net +113 bps. Sector allocation detracted a net -110 bps.

The largest stock contributor was International Seaways (INSW), a crude oil tanker, that is benefiting from elevated shipping rates due to the Iran conflict. Centerra Gold (CGAU), a junior gold miner based in Canada, was the next largest contributor, as gold prices recovered in Q3. Waystar Holding (WAY), a healthcare software company, popped on news that it is exploring a sale. The main stock detractors in Q3 were Axcelis Technologies (ACLS) and Amkor Technology (AMKR), two semiconductor companies tied heavily to AI spending. Both stocks were top performers last quarter, with ACLS rallying about 104% and AMKR gaining roughly 92%. But in Q3 they sold off when investor sentiment shifted due to fears of an AI spending slowdown, compounded by intensifying regulatory scrutiny. To manage this risk, we exited ACLS in the quarter to lock in gains and reduce the portfolio's exposure to the AI trade amid growing concerns surrounding the sustainability of AI deployment.

The main sector allocation detractors were the overweight in Industrials and IT, the two worst performing sectors in the quarter. Also, the portfolio was underweight Energy, the best performing sector in Q3. The main sector contributors were the underweight in Consumer Discretionary and overweight in Healthcare and Utlities.

The portfolio was fully invested with cash averaging 2.0% during the quarter.

Market Cap Breakdown

	NCA US Small Cap	Russell 2000
Greater than $5B	43.2%	30.0%
$1B to $5B	47.0%	58.6%
Less than $1B	6.1%	11.4%
Cash	3.7%	0.0%
TOTAL	**100.0%**	**100.0%**

Note: Representative account weight at quarter end

Sector Weightings

	NCA US Small Cap	Russell 2000	*Diff*
Industrials	26.8%	14.4%	*12.5%*
Real Estate	7.3%	5.7%	*1.6%*
Health Care	21.7%	20.4%	*1.3%*
Utilities	3.9%	2.8%	*1.1%*
Information Technology	14.1%	13.2%	*0.9%*
Materials	4.8%	4.3%	*0.6%*
Consumer Staples	1.6%	2.0%	*-0.4%*
Energy	4.2%	6.3%	*-2.1%*
Communication Services	0.0%	2.4%	*-2.4%*
Financials	13.5%	19.4%	*-6.0%*
Consumer Discretionary	0.0%	9.2%	*-9.2%*
Cash	2.0%	0.0%	*2.0%*
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.

Russell 2000 Index: Russell 2000 Index: The Russell 2000® Index measures the performance of the small cap segment of the US equity market. The index includes approximately 2,000 of the smallest companies based on a combination of their market cap and current index membership.

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.

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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.

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