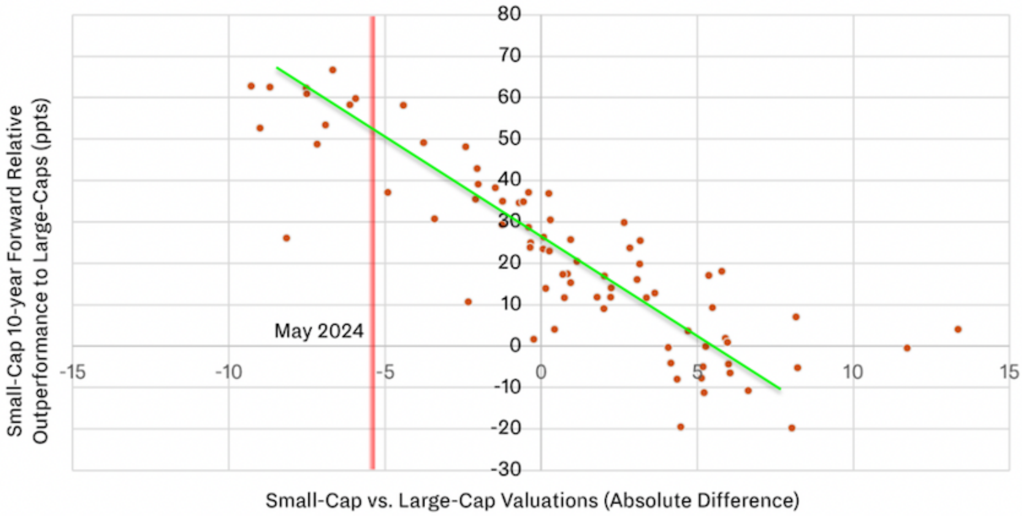
All signs are on green for a lengthy period of US Small Cap outperformance (see chart and table 1 below). US Small Caps have underperformed Large Caps for 14 years now (see chart 2), relative valuations are at multi-decade lows (see chart 3), US Small Caps are rate sensitive (see chart 4) and historically benefit the most when the FED starts cutting (see chart 5). Historically US Small Caps start outperforming when a US recession starts (see chart 6).

Portfolio Manager Next Century Growth (NCG) in Europe
US Small Cap veteran Tom Press is in Europe in September and we organise an online Q&A session for investors early October. Click on the link to subscribe for the online Q&A and reply to this email to potentially meet with Tom: **Next Century Growth US Small Cap Growth Equities**

One of the main arguments not to invest in US Small Caps is the fact that success full small caps stay private and the percentage of non-profitable companies in the index is at elevated levels. Both arguments are correct, simple as that. However the pond to fish in is big, active management can avoid the weaker companies and create outperformance. Our manager Next Century Growth has a 25 year track record outperforming the benchmark with 5% annualised gross of fees!

The valuation gap between Private Equity and listed companies has closed, hence investors do not get compensated giving up liquidity in Private Equity. Dry powder in Private Equity (to be invested capital, see chart 7) is now almost as large as the total US Small Cap universe! This is expected to be a support for listed US Small Cap valuations together with the increased activity in M&A that we are seeing in 2024.

Chart 1: History teaches us that given the current P/E discount, next 10y outperformance of small caps over large caps could be around 50%



Relative performance calculated using Kenneth French's Small Minus Big (SMB) performance data of US equities. Data available at https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html. Relative Valuations calculated by S&P 600 12-Month Forward P/E premium/discount relative to S&P 500. Data from March 1995 to March 2014.

Table 1: A long period of underperformance was historically followed by strong outperformance, see red arrow

	Length	Small Caps		Large Caps		Relative Performance		1Yr Subs Relative Perf		3Yr Subs Relative Perf		5Yr Subs Relative Perf	
Period	**(In Years)**	**Cumulative**	**Annualized**	**Cumulative**	**Annualized**	**Cumulative**	**Annualized**	**Cumulative**	**Annualized**	**Cumulative**	**Annualized**	**Cumulative**	**Annualized**
Jan. 1926 to May 1932	6.3	-81.8	-23.6	-52.6	-11.1	-61.6	-14.0	82.2	82.2	65.5	18.3	144.7	19.6
Feb. 1937 to June 1939	2.3	-48.1	-24.5	-27.7	-13.0	-28.2	-13.2	8.8	8.8	26.2	8.1	81.2	12.6
May 1946 to June 1949	3.1	-35.4	-13.2	-12.6	-4.3	-26.1	-9.3	2.7	2.7	1.6	0.5	-4.6	-0.9
Dec. 1968 to Dec. 1973	5.0	-41.5	-10.2	11.8	2.3	-47.7	-12.2	2.2	2.2	51.1	14.8	112.2	16.2
July 1983 to Oct. 1990	**7.3**	**35.9**	**4.3**	**149.3**	**13.4**	**-45.5**	**-8.0**	**22.2**	**22.2**	**40.6**	**12.0**	**27.0**	**4.9**
Feb. 1994 to Mar. 1999	5.1	79.1	12.1	219.0	25.6	-43.9	-10.7	23.9	23.9	63.9	17.9	98.3	14.7
Feb. 2014 to Jan. 2016	1.9	-14.4	-7.8	7.3	3.7	-20.2	-11.1	13.3	13.3	5.2	1.7	7.8	1.5
Dec. 2016 to Sept. 23?	**6.7**	**49.8**	**6.2**	**119.8**	**12.4**	**-31.9**	**-5.5**	**?**	**?**	**?**	**?**	**?**	**?**
Average (Excludes Current)	**4.4**	**-15.2**	**-9.0**	**42.1**	**2.4**	**-39.0**	**-11.2**	**22.2**	**22.2**	**36.3**	**10.5**	**66.7**	**9.8**

Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

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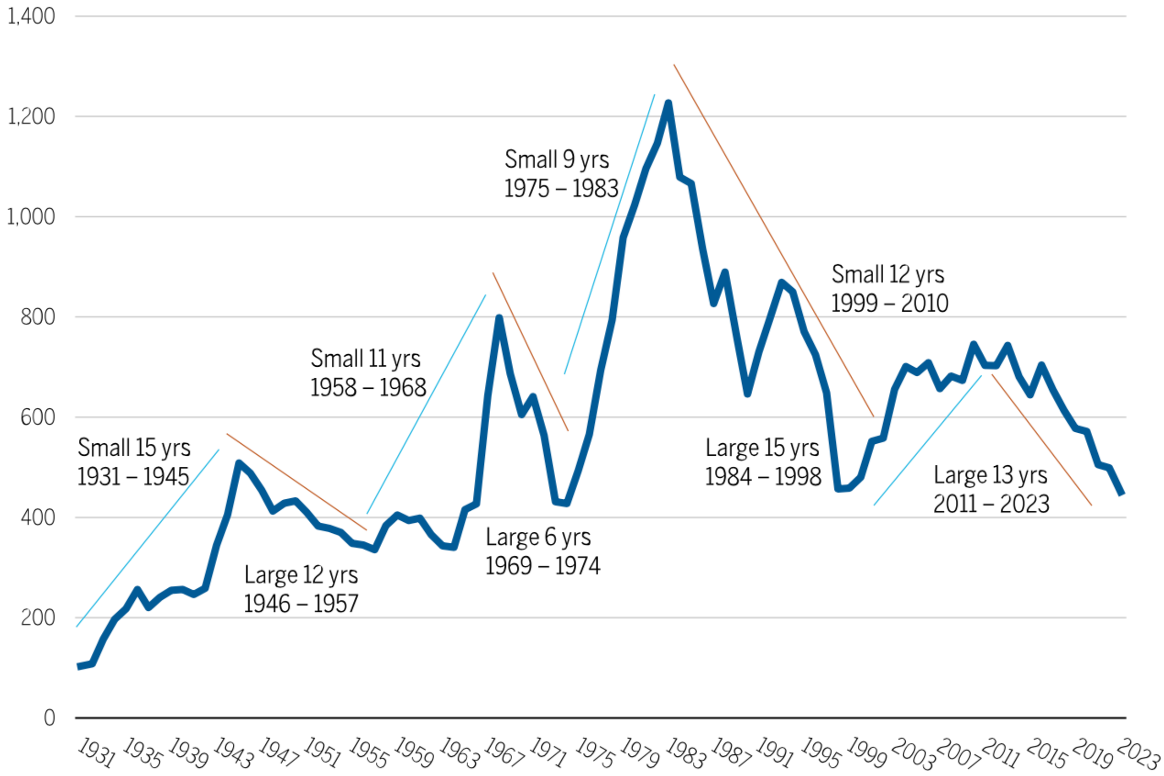
Chart 2: The large cap outperformance cycle already lasted longer than average



Source: Wellington Management | Relative strength line indexed at 100 at the start of 1931. For illustrative purposes only. Small-cap stocks (Russell 2000 Index) vs large-cap stocks (Russell 1000 Index) for years 1979 to 2023. The dark blue line shows the cumulative average annual outperformance (or underperformance) of small-cap stocks over large-cap stocks in basis points. The light blue and light orange lines indicate periods where one was dominant over the other.

Chart 3: It has been 20 years since an entry moment was this attractive..

Timing is hard, but longer term odds seem in your favour.

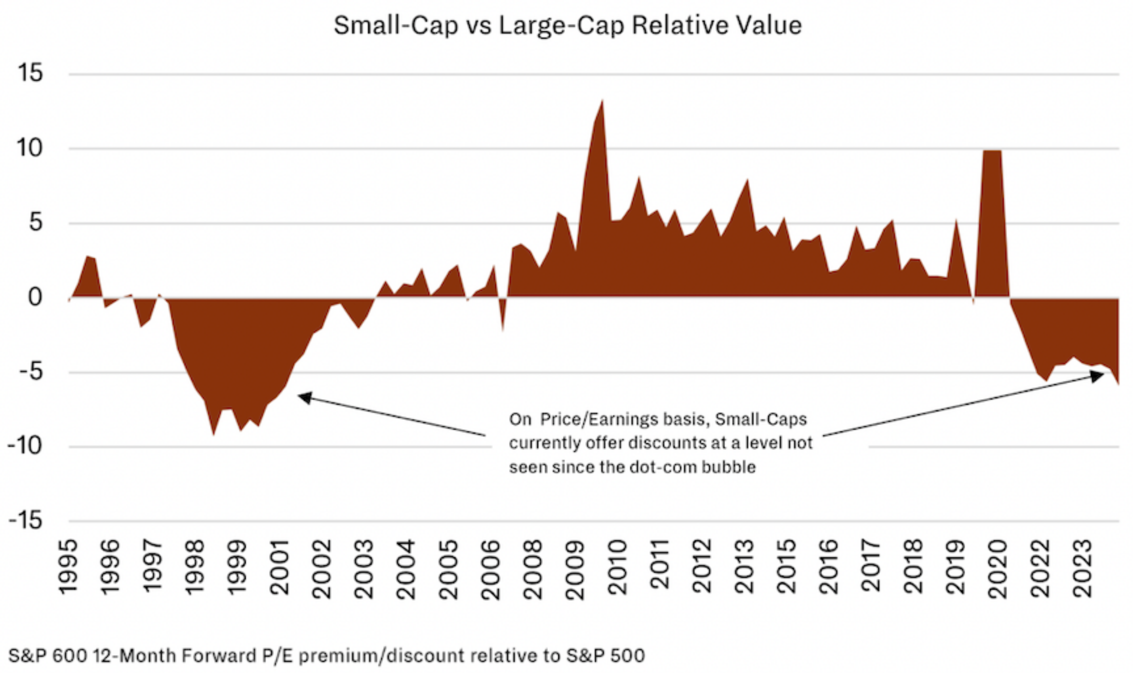


Chart 4: Rate cuts will have a much larger impact on US Small Caps

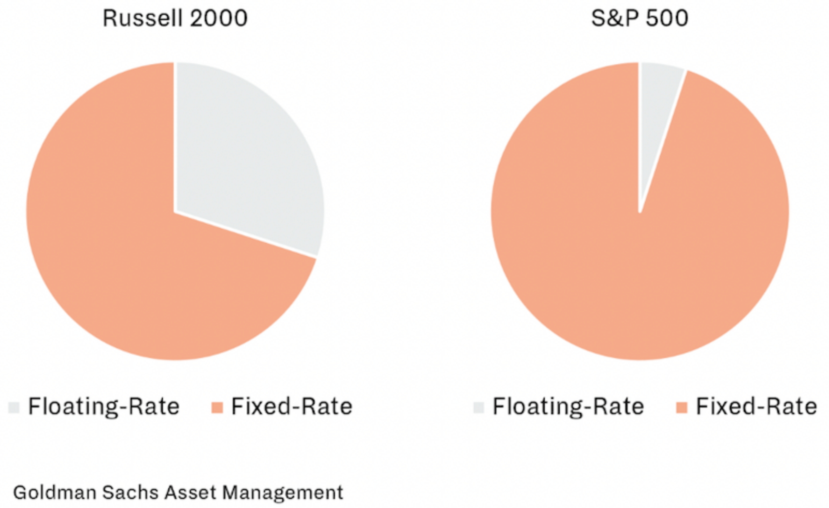
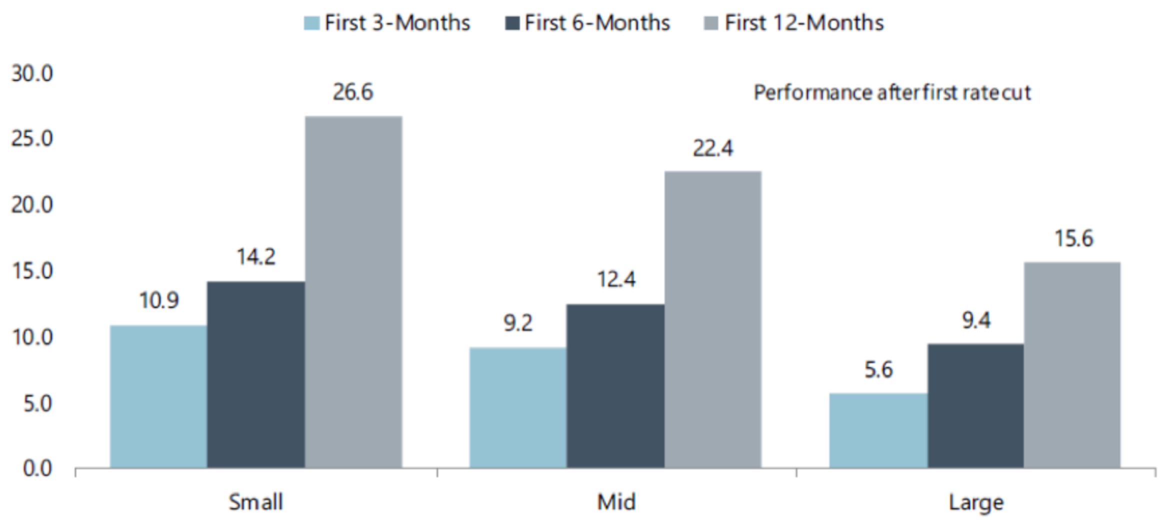


Chart 5: In the 12 months after the 1st FED cut US Small Caps outperformed Large Caps with 11%



Note: Used Fed Funds from 1954 until 1963, then used the Discount rate from 1963 until 1994 and Fed Funds rate after that.
Source: Federal Reserve Board; Haver Analytics; Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferi

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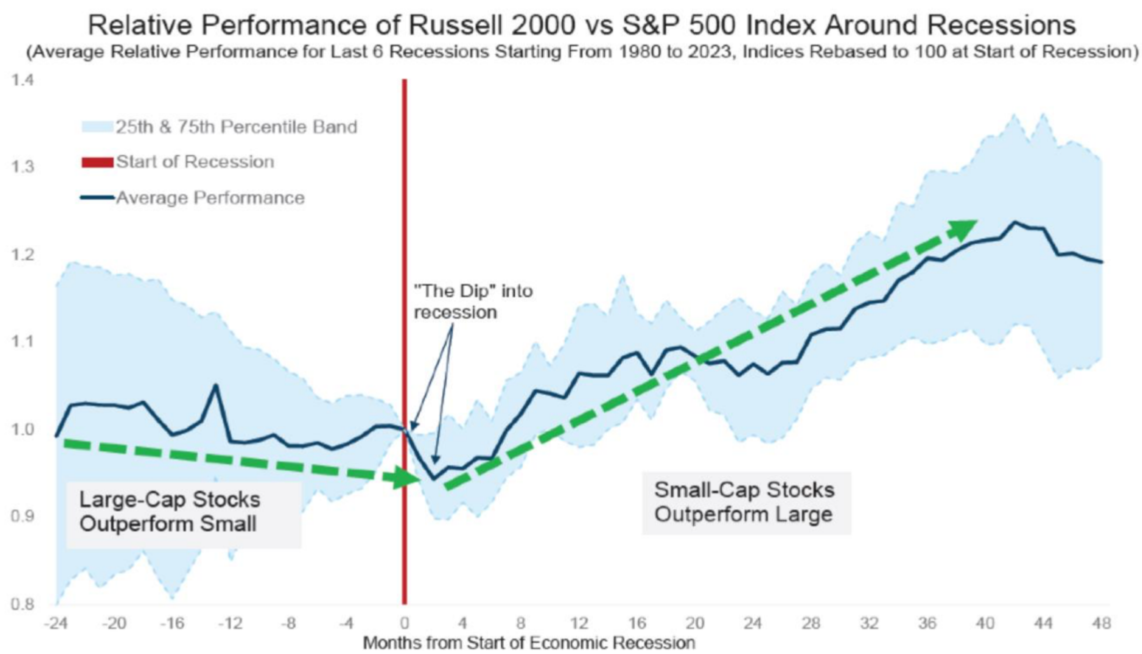
Chart 6: Small Caps historically start outperforming as soon as a recession starts

Performance Around Recessions (last 6 recessions since 1980)

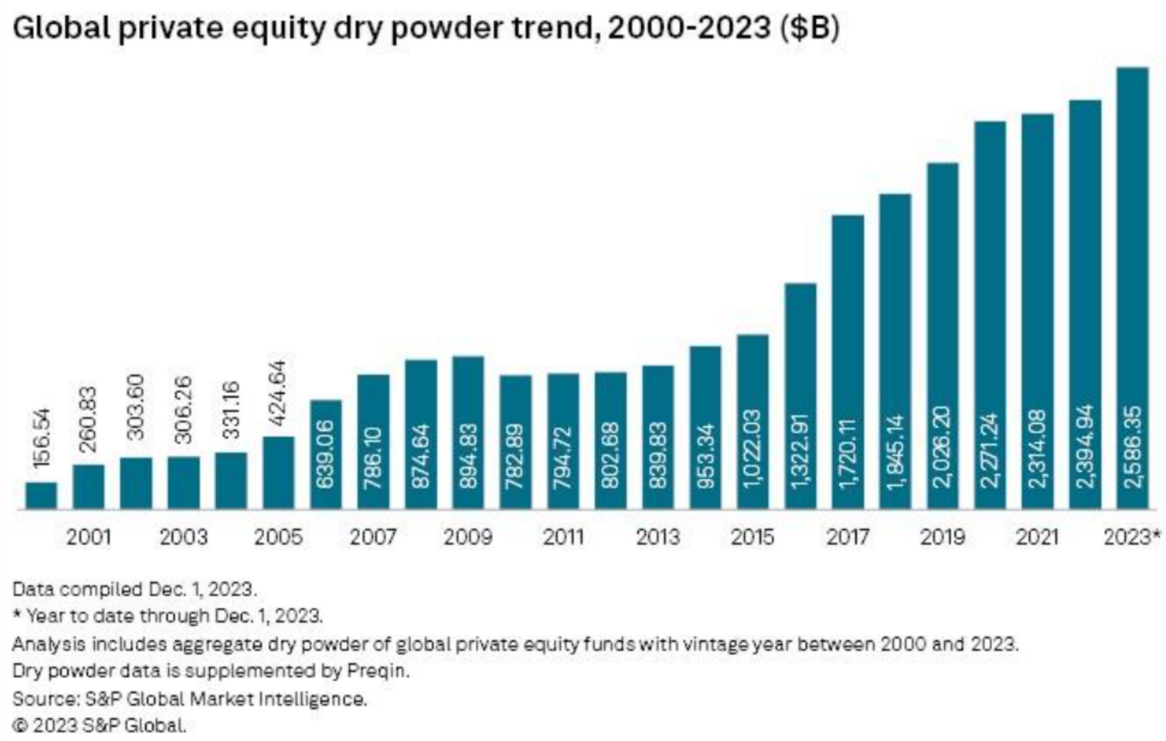


Sources: Bloomberg, NBER, William Blair Equity Research

Past performance is not an indicator of future performance.
***Small represented by Russell 2000, Large by S&P 500**

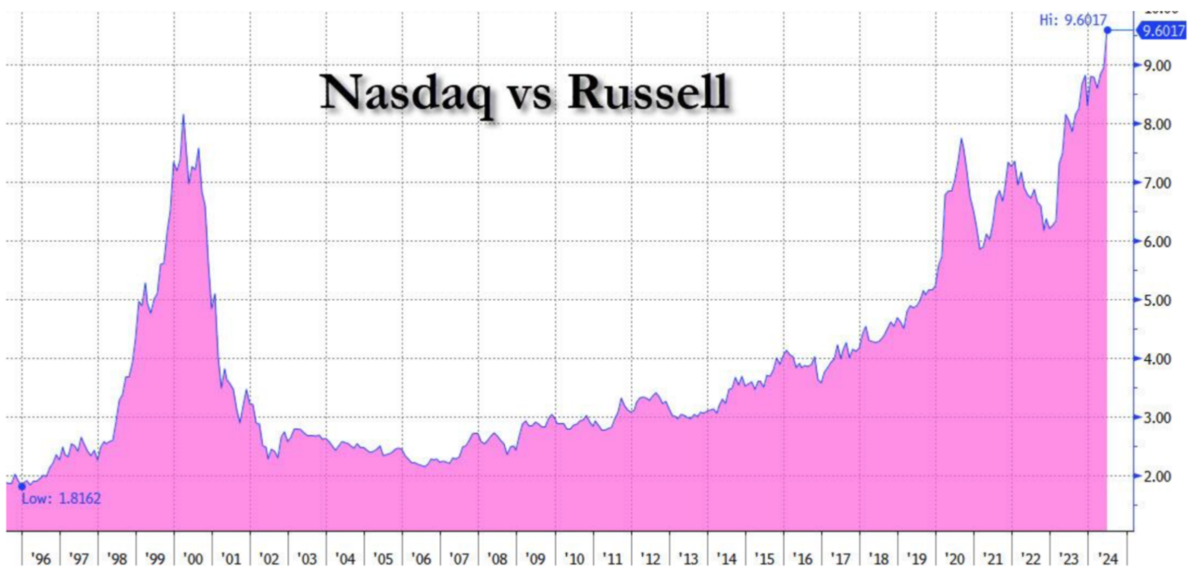
Chart 7: If the public markets don't re-rate Small Cap Stocks, the Private markets surely will!

Dry powder in Private Equity is about almost the size of the entire US Small cap market



Bonus chart: A few Mega Cap tech stocks have been pushing the markets higher. The same thing happened in 1998-2000. Is it time to diversify?

Nasdaq vs Russell 2000 (US Small Caps)



Source: Bloomberg

June US small cap growth market summary

Small Cap Growth Performance

- Small cap growth stocks, measured by the Russell 2000 Growth Index, were down 0.2% in June.
- The index closed June down 20% from the small cap peak in November of 2021.

Earnings are now expected to decline y/y in 2024 for small caps

- Earnings expectations have been gradually declining for small cap stocks in 2024 and are now expected to be down y/y in 2024, but growth is expected to improve and turn positive as the year progresses.

Small cap valuations attractive

- The Russell 2000 Index underperformed the Russell 1000 Index in June and is trailing by almost 1300bps YTD.
- The Russell 2000 Index now trades at a Forward P/E discount to the Russell 1000 Index compared to historically trading at a premium.
- Valuation of the small cap sector relative to large caps is in the 10^{th} percentile historically.
- In prior instances of extreme small cap underperformance in the first half of a calendar year, small cap stock performance has averaged both positive absolute and relative performance in the second half of the year.

M&A is off to a strong start in 2024

- M&A activity has been elevated on an historical basis to start 2024.
- This kind of environment can help put a floor into valuations and boost small cap performance.

Consumer Staples was again a top performing sector in June and is the top sector YTD

- In the Russell 2000 Growth Index, Consumer Staples was a top performing sector in June, up 2.9%, and is the top performing sector YTD in the index, up 14.2%.
- The second best performing sector YTD in the Russell 2000 Growth Index is Technology, up 12.5%, but excluding one stock, the sector is only up 0.7%.

Inflation high but declining has historically been good for small cap stocks

- Inflation was elevated during 2022, eased throughout 2023, and this has generally continued into 2024.
- When inflation is above 3% but declining, this tends to be a good backdrop for small cap stocks.

Fed outlook top of mind for investors

- The Fed is forecasting rate cuts to begin in 2024.

- Small cap stocks have historically experienced strong performance after the first cut.

June Next Century Growth Portfolio update

NCG Small Cap Performance update

- The NCG US Small Cap Growth Fund was down 0.5% in June (gross of fees) compared to the Russell 2000 Growth Index down 0.2%.
- YTD, the NCG US Small Cap Growth Fund is up 5.8% (gross of fees) compared to the Russell 2000 Growth Index up 4.4%.
- For the 12-month period ending June, the NCG US Small Cap Growth Fund was down 0.7% (gross of fees) compared to the Russell 2000 Growth Index up 9.1%.
- Over the past 5 years, the NCG Small Cap Growth composite is up 15.9% compound annual returns (gross of fees) compared to the Russell 2000 Growth Index up 6.2%.

Portfolio positioning

- We are overweight the technology sector due to our belief of attractive secular growth in the sector combined with our ability to find companies with strong growth prospects trading at attractive valuations.
- The portfolio is overweight the industrial sector as we seek to benefit from the unique individual growth drivers of our portfolio companies.
- We are slightly overweight basic materials with our holdings consisting of two companies selling into the aerospace industry.
- The portfolio is slightly underweight the health care sector. We are relying on our direct research to invest in companies with strong growth prospects trading at attractive valuations.
- The portfolio is underweight the financial sector and now just owns one holding in the insurance industry.
- Consumer is one of the portfolio's largest underweights due to a lack of sustainable high growth franchises.

Continue to navigate through a challenging environment

- We are monitoring potential growth headwinds in this choppy and uncertain macro environment.
- While we believe the future direction of the market will depend on the path of the economy and the direction of earnings estimates, we also see an opportunity building for small cap stocks due to attractive valuations and the underperformance to large cap stocks over the years.
- We do not believe in trying to time this dynamic and are positioning for this time now.
- We will stay focused on investing in high-quality companies with strong business fundamentals and long-term growth opportunities, which we believe will lead to outperformance over the long-run.

Investment Philosophy

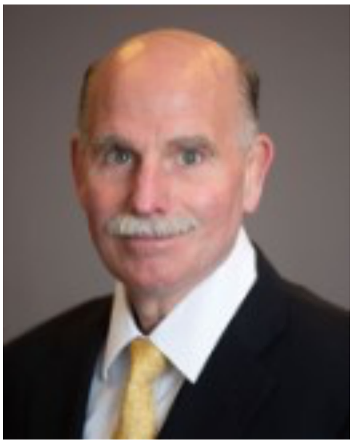
- As a reminder, we seek to invest in the fastest growing and highest quality companies in America.
- We believe a portfolio consisting of high-quality growth companies, combined with a strong sell discipline, will lead to both compounding of portfolio value and better performance over the unmanaged index over the long-run.

Next Century Growth US Small Cap Growth Equities
The Next Century Growth (NCG) US Small Cap Growth Strategy is a high conviction, high alpha generating strategy that seeks to invest in the fastest growing and highest quality small cap companies in America. A daily liquid Art. 8 UCITS fund with an AUM of USD 75.3 million is available. ISIN code: **IE000TY23GV5**

As per Q1, 2024 the Next Century Growth US Small Cap Growth Equity Strategy has an **annualised outperformance of 5.05%** over the Russell 2000 Growth index, outperforming 85% of peers according to eVestment since inception in 1999. Next Century Growth is an independent investment firm with a highly experienced investment team located in Minneapolis.

- Asset Class & Strategy Summary
- Presentation
- Peer comparison
- Factsheet
- Standard RfP
- Morningstar
- ESG Policy
- Sustainability Related Disclosures
- Replay Latest Online Update

Chairman, CEO, Portfolio Manager and Partner Thomas Press


Bio: Thomas Press of Next Century Growth Investors

Next online update:

- **7 October** at 15.00 CET, **Next Century Growth US Small Cap Growth Equities**

Allocating to US Small Caps more smart than your peers:

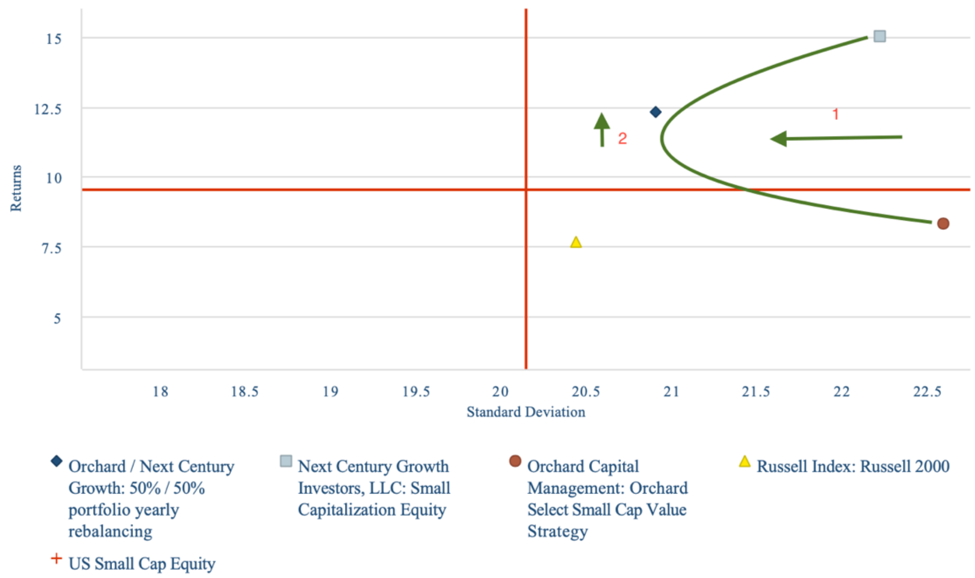
We have multiple institutional investors that chose to allocate to our US Small Cap Value and Growth manager and yearly rebalance between the two. Here is why:

1) Combining a US Small Cap Value manager with a US Small Cap growth manager can reduce volatility, see the red number 1 in chart below.
2) By yearly rebalancing between a well selected Value and Growth manager you can increase the annualised return, see the red number 2 in the chart below.

The combination of Orchard and Next Century Growth has led to 5% outperformance a year during the last 10 years.

The chart below shows the 10 year risk/return scatter of our US Small Cap Value Manager (Orchard) and our US Small Cap Growth manager (NCG) till the end of May 2024. The combined portfolio of Orchard and NCG is shown as the blue diamond.

Scatter Risk/Return 10 Years



Universe: eVestment US Small Cap Equity

Results displayed in USD using Spot Rate (SR).

Here are the numbers:

Statistic	Next Century Growth	Orchard Small Cap Value	50% NCG/50% Orchard	50% NCG/50% Orchard yearly rebalancing	Russell 2000	Annualised outperf over R2000
YTD	6.65%	12.17%	9.41%	9.41%	2.68%	+6.73%
1 Year Return	10.92%	26.35%	18.64%	18.39%	20.12%	-1.73%
3 Year Return	0.49%	0.47%	0.48%	0.42%	-1.65%	+1.97%
5 Year Return	17.74%	10.88%	14.31%	14.87%	8.61%	+6.26%
7 Year Return	18.95%	7.72%	13.34%	13.79%	7.51%	+6.28%
10 Year Return	15.01%	8.31%	11.66%	12.31%	7.66%	+4.75%
Returns	9.84%	10.51%	10.18%	10.77%	7.71%	+3.06%
Cumulative Return	758.76%	888.06%	823.41%	941.41%	448.51%	+497.1%

1) In light green you see that yearly rebalancing added 65 bps to performance a year over the last 10 years.
2) In Pink you see how much the 50/50 Orchard/NCG portfolio outperformed the core benchmark (Russell 2000).

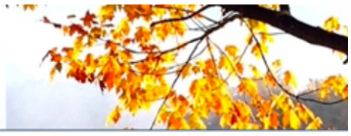
Majority of outperformance comes from the two actively managed portfolio's and the cream on the cake comes from the yearly rebalancing.

*all numbers are gross of fee

You would expect the maximum drawdown to be in between the value and growth manager, but in fact it is significantly lower

Both Information ratio and Sharpe ratio improve significantly by allocating to both managers and rebalance yearly

Information- & Sharpe Ratio 5 Years



Universe: eVestment US Small Cap Equity

Results displayed in USD using Spot Rate (SR).

[1]Russell 2000; [2]FTSE 3-Month T-Bill