



***SAMPLE DUE DILIGENCE QUESTIONNAIRE***

## FIRM INFORMATION

### 1. Contact information

- a) Next Century Growth Investors
- b) Principal office address: 2 Carlson Parkway N, Ste 125, Plymouth, MN 55447
- c) Telephone: 763-591-4490
- d) Facsimile: 763-591-4499
- e) Website: ncgrowth.com

### 2. Does the Firm claim GIPS compliance?

Yes, we claim GIPS compliant.

- a) **If so, has compliance been verified? Provide the name of the firm that completed the verification and as of what date.**

Our last audit was 12/31/23 completed by ACA Performance Services

### 3. Provide your organization's Mission, Vision & Values.

Since the inception of the firm, our philosophy, strategy, and process have remained consistently focused on investing in high growth companies to create value for our clients. We believe our focus and expertise in growth investing can help clients navigate the markets and accomplish their investment goals.

We seek to build a firm that will endure for many generations. Our organizational structure, investments in our people, and portfolio investment strategy all support this goal. Key highlights include:

- NCG is primarily owned by the Portfolio Managers
- Investment team is staggered in ages to sustainably maintain our investment philosophy
- Repeatable investment philosophy that has held up through multiple generations and through multiple investment environments

Integral to the firm is a commitment to value and respect our people, our communities, and our environment. We strive to uphold high standards of integrity to do what is best for our clients and create a rewarding environment for our employees.

### 4. Provide a brief history of your firm.

Next Century Growth Investors, LLC ("NCG") was founded in November 1998 as an independent money management firm and has managed private and institutional accounts since January 1999. The firm is majority owned by the five portfolio managers: Tom Press, Bob Scott, Peter Capouch, Kaj Doerring and Tom Dignard. Since the inception of the firm, our philosophy and process have remained consistently focused on investing in high growth companies to create value for our clients. We believe our focus and expertise in growth investing can help clients navigate the markets and accomplish their investment goals.

**5. What is the ownership structure?**

<b>Name</b>	<b>Title/Responsibility</b>	<b>% Ownership</b>
Tom Press, CFA	Chairman, CEO, Portfolio Manager	50%
Bob Scott, CFA	President, Portfolio Manager	17%
Peter Capouch, CFA	COO, Portfolio Manager	6%
Kaj Doerring	Portfolio Manager	6%
Tom Dignard, CFA	Portfolio Manager	1%
Strong Holdings	Shareholder	20%

**6. List all companies related to the firm and discuss the nature of the relationship.**

Strong Holding owns 20% of NCG. Strong, as a minority owner, is not involved in the portfolio management process or any decision-making at NCG.

**7. Does your firm qualify as a minority-owned, women-owned, or disabled-person owned business?**

No we do not.

**8. How do owners participate in revenue and/or profit sharing?**

The portfolio managers are all owners of the firm and compensation is paid out from the profits of the firm. Thus, overall portfolio manager compensation is linked directly to the long-term success of the firm, and the firm's success is dictated by our ability to outperform the respective indices over time.

In terms of individual performance evaluations, because we make portfolio decisions on a team basis, we do not attribute individual stock performance to a specific portfolio manager. Rather, performance evaluations are influenced by such things as:

- Work ethic
- The ability to consistently apply our investment criteria to research ideas
- The willingness to understand key aspects of all individual stock positions
- Overall contribution to diligently managing our clients' portfolios

Generally, performance evaluations are conducted annually, or as needed, by Tom Press and Bob Scott. Currently, all of our portfolio managers own the firm and they are compensated with annual partnership distributions.

We believe this compensation structure is unique in the industry and creates an environment focused on one thing: producing strong investment returns for our clients. We are all working toward one common goal, and we keep score based on how the client does rather than how the portfolio managers do individually. Based on our team approach, we would not be able to track individual stock picks because the team has ownership and responsibility for each holding in the portfolios. This system that has worked well since our inception and it is one of the primary reasons we have had no portfolio manager turnover in our history.

**9. If key personnel with ownership leave the firm, how are the compensated?**

In April 2014 a succession plan was implemented within our LLC agreement. A three-year buy-out plan is in place for all partners.

**10. What has been the average annual employee turnover of the firm's portfolio managers and analysts over the past 10 years?**

No portfolio managers have left the firm since inception. Don Longlet passed away in December 2014. NCG does not have any research analysts.

**11. Provide an organizational chart.**

**Next Century Growth Investors, LLC**

**Portfolio Management**

Tom Press, CFA, Chairman, Chief Executive Officer, Portfolio Manager

Bob Scott, CFA, President, Portfolio Manager

Peter Capouch, CFA, Chief Operating Officer, Portfolio Manager

Kaj Doerring, Portfolio Manager

Tom Dignard, CFA, Portfolio Manager

**Administration, Client Service**

Kelly McNulty, Vice President, Chief Compliance Officer, Chief Financial Officer

Gina Nelson, Operations

**Trading**

Joe Grundfeldt

**Institutional Sales and Marketing**

John Solecki

**12. Describe your disaster recovery plans.**

- a) When was the plan last tested and what were the results of the test?
- b) How was the plan modified as a result of the test?

NCG has disaster recovery procedures in place to minimize interruptions to normal business operations and protect client interests. Disaster recovery plan is tested on at least an annual basis. Due to the pandemic the firm had its business continuity in place for over two years.

The firm's third party cloud provider for trading and operations recently enhanced its storage and reporting capabilities in response to the SEC's proposed cybersecurity rules. Their plan was last tested on March 04, 2023 and results were published by third party cloud provider with their SOC II final report. No significant issues.

## DIVERSITY AND INCLUSION

**13. Does the firm have a stated diversity and inclusion goal? If yes, please provide the stated target(s).**

The firm fosters a culture of teamwork, diversity and inclusion, with zero tolerance for discrimination of any kind, including gender, race, nationality, socio-economic status, immigration status, religion, sexual orientation or disability enforced by the firm's Equal Opportunity Statement and Non-harassment Policy.

**14. Please provide details on the firm's efforts to attract, promote and retain women and minority employees.**

Next Century Growth Investors LLC is committed to the principles of equal employment. We are committed to complying with all federal, state, and local laws providing equal employment opportunities, and all other employment laws and regulations. It is our intent to maintain a work environment that is free of harassment, discrimination, or retaliation because of race, color, creed, religion, national origin, sex, sexual orientation (including transgender status, gender identity or expression), pregnancy (including childbirth, lactation, or related conditions), marital status, disability, public assistance, age, and familial status, genetic information, local commissions activity, veteran status, uniformed servicemember status, or any other status protected by federal, state, or local laws. The Firm is dedicated to the fulfillment of this policy in regard to all aspects of employment, including but not limited to recruiting, hiring, placement, transfer, training, promotion, rates of pay, and other compensation, termination, and all other terms, conditions, and privileges of employment.

The Firm will conduct a prompt and thorough investigation of all allegations of discrimination, harassment, or retaliation, or any violation of the Equal Employment Opportunity Policy in a confidential manner. The Firm will take appropriate corrective action, if and where warranted. The Firm prohibits retaliation against employees who provide information about, complain about, or assist in the investigation of any complaint of discrimination or violation of the Equal Employment Opportunity Policy.

## ESG / SRI

**15. Does your firm have an existing ESG/SRI policy?**

The firm does have an ESG policy.

**16. Please explain how your firm verifies that the ESG/SRI policy is being followed at the strategy level.**

The firm has established an ESG Committee comprised of senior members and owners of the firm who will help guide, implement, and enhance the policies and priorities of the firm over time, including routine accountability and measurement (part of compliance program), at the investment

and firm level. The ESG Committee meets quarterly for periodic review of the ESG investment process and implementation of the policy. The Committee oversees the communication between committee members and members of the firm to ensure performance and ESG information is presented accurately.

**17. Has the firm undergone an ESG/SRI audit? If so, please indicate when the audit was conducted, the name of the auditor, the scope of the audit, and the frequency in which the audit will be repeated.**

The firm has not undergone an ESG audit. However, the firm utilizes a third-party ESG consultant to assist NCG in monitoring its ESG program. NCG is also a signatory to UNPRI.

**18. Please describe and provide examples of how ESG/SRI risks and opportunities were incorporated into the firm's/team's investment decision making process over the previous 12 months.**

We are focused on finding companies with strong management teams and superior business models that can sustain high levels of revenue growth and produce profitability over time. NCG primarily considers financial outcomes as part of the rigorous investment diligence process to curate a portfolio of high-growth, high-quality companies.

During the pre-investment process, NCG conducts an ESG Screening and Analysis, which is an in-house review of third-party data through our research provider, Ethos, as well as publicly available ESG information, such as disclosures, where available. Where material ESG issues are identified and reliable data is available, these ESG factors are incorporated into our broader company evaluation.

NCG considers the following environmental, social and governance factors in the investment decision-making process to determine if material ESG issues need to be incorporated into the broader investment decision:

- Environmental: NCG analyzes how a company manages environmental risks.
- Social: NCG examines the strengths and weaknesses of how a company manages relationships with employees, suppliers, customers, and the communities where it operates.
- Governance: NCG evaluates a company's leadership, executive pay, audits, internal controls, and shareholder rights, as well as any instances of corruption, lack of transparency, ethical violations, or other potential human rights violations.

**19. Do you perform ESG research internally, or do you utilize third party providers?**

We use data from Ethos to assist in our company due diligence related to ESG matters.

## INVESTMENT PHILOSOPHY & PROCESS

### 20. Describe the investment strategy and its philosophy.

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-term.

We look to invest in companies with potential growth rates faster than the overall market and we believe this faster growth rate provides the potential to deliver above market returns over time. Our belief is that the market often overly and consistently discounts fast-growth, high-quality companies with long-term growth opportunities. If the companies execute as we expect, we believe they can compound company valuation faster than the overall market. We therefore believe that the opportunity exists to leverage the strong growth of our companies to generate above market portfolio returns over time.

Our philosophy has been in place since inception, and we believe we can own a portfolio of high growth companies in all economic and market environments. We do not have style drift.

We have experienced numerous market cycles and macro environments since inception in late 1998. And while our investment philosophy has remained consistent during that time, we are constantly striving to incorporate our learnings from past performance to enhance our investment process to improve our future absolute and relative performance.

### 21. How did your firm arrive at the investment philosophy?

Our growth philosophy and process have been in place since Tom Press and Don Longlet founded the firm in late 1998. We have never had a material change in our growth focused philosophy or process, however, we are constantly applying lessons learned through experience to the strategy over time. We believe we generate alpha by consistently applying this growth philosophy in all market and macroeconomic environments. The composite revenue and earnings growth rate of our products should always be higher than the index. If we continue to do that, while utilizing our strong sell discipline to ensure the portfolios hold growth companies with healthy fundamentals, we believe it will lead outperformance over time.

### 22. What do you believe distinguishes this strategy from other similar strategies?

Our differentiation is driven by both our accumulated years of experience with this particular investment style as well as our team-based approach to portfolio management. All the portfolio managers have been indoctrinated into this style of investing and have only invested using this investment philosophy, giving our team over 100 years, including about 97 years at NCG, of combined investment experience with this exact investment philosophy. Our youngest portfolio manager and partner has been with the firm for almost 10.5 years. This enables us to consistently apply our growth philosophy in all time periods and market environments. We have 5 senior portfolio managers dedicated to this strategy and we work together closely in making all investment decisions. By making portfolio decisions as a team, we have the benefit of leveraging

each portfolio manager's experience to generate healthy discussions on both individual companies and overall portfolio positioning. Our experience and team-based approach is a valuable asset that would be hard to find or replicate at any of our growth-focused peers.

**23. Describe how portfolios are managed.**

The portfolio management team manages the portfolio. The team works collaboratively on all aspects of the investment process for the portfolio. As a group, we perform due diligence calls, analyze investments, conduct company meetings, and make portfolio decisions. We believe this team-based, generalist approach enables in-depth growth stock analysis, healthy stock specific and portfolio discussions, and a streamlined decision-making process.

The team of portfolio managers is the final decision maker. When a trade or new investment idea is proposed by one of the PMs, we have a discussion and then take a vote. Whatever side of the vote gets the majority, that is how we move forward in the portfolio. There is no veto power in these votes and every PM has an equal vote. Our investment team has one goal: delivering strong investment results for our clients, and we believe this decision-making process is the most efficient way to accomplish that goal.

We follow a disciplined approach to construct our portfolio. Our portfolio will hold 40 to 60 stocks and emphasize the fastest-growing sectors of the economy. The maximum position in one stock is 5% of the total portfolio (large cap 12% of the value of the portfolio at time of investment or max weighting of Russell 1000 Growth index plus 1%, whichever is higher). Individual sectors are generally limited to 2 times that of the benchmark or 10%, whichever is higher.

The portfolio is monitored daily as the portfolio managers receive the prior day's relative performance versus the appropriate benchmark, current weighting of each position, and cash levels. On a monthly, quarterly and annual basis we utilize Factset to analyze individual holdings' contribution to portfolio return and sector weights and sector level attribution relative to the benchmark. This information allows us to focus on drivers of performance at a stock by stock and sector level.

**24. What is the investment selection process for the strategy?**

We use fundamental analysis to identify companies that meet our investment criteria. The first step of our security research process is to screen for stocks within our universe that display the following criteria:

- >15% organic revenue growth (>10% in Large Cap) currently or has the potential to deliver that growth in the future
- Potential for strong earnings growth over the long term

The screening process produces a list of companies that are researched and analyzed in-house. Our research process is largely bottom-up and each stock is selected due to its unique mix of



investment characteristics that fits within our investment strategy. The key fundamental aspects of the investment philosophy are:

- Superior Top-Line Revenue Growth: We look for companies that can grow their revenue at high rates for long periods of time.
- Large and Expanding Market Opportunity: We target companies with large and expanding end markets which can support high rates of revenue and earnings growth for many years.
- Leadership Position: We identify companies with limited competition or with the ability to gain market share as this should lead to strong revenue growth and improving margins.
- Strong Management: We consider a strong, entrepreneurial leadership team as essential to delivering the full potential of a company, therefore we meet with and speak to management teams multiple times annually.

The portfolio managers perform all security analysis for the investment process. Portfolio managers are multi-disciplined and are very familiar with all portfolio holdings. The portfolio managers do not specialize in any given industry and we are willing to invest in all sectors of the economy if we discover a company that meets our investment criteria.

We utilize direct research to inform our investment decisions. Our direct research enables us to gain firsthand knowledge of the business fundamentals of a company. Direct research includes meetings with company management teams, due diligence calls, and financial modeling.

We utilize financial models to gain a better understanding of a company's fundamentals and business momentum. Models give us greater insights into a business such as the specific revenue growth drivers and profit margin trends, as well as the potential risks to the business model. The model also helps us determine the amount of business momentum a company is delivering relative to expectations. We believe a company's ability to outperform expectations is a key aspect to stock performance and is important to monitor and understand. In addition, we use the financial models to test for potential upside over the long-term compared to the current company valuation.

## **25. Explain the sell process in detail.**

The NCG sell discipline is one of the most important and distinguishing aspects of our investment process. Stocks are sold when any of the following events occur:

- A holding has a fundamental disappointment (i.e., a company does not meet the analysts' or our revenue projections)
- Direct research uncovers a change to our original investment thesis
- Excessive valuation
- An individual holding exceeds the 5% ceiling, which causes us to trim the position
- Market cap increases beyond boundaries

We believe that our sell discipline sets us apart from peers and enhances the compounding of portfolio value. The following are important considerations to our sell discipline:

- Enables us to admit our mistakes quickly and allocate more time to finding great growth companies
  - Companies do not always know or are willing to admit why fundamentals of the business have deteriorated. This can set up for spending a disproportionate amount of time figuring out why a business is deteriorating instead of finding businesses doing very well.
- The first piece of bad news is rarely the last
  - We have found that it generally takes more time than expected to fix fundamental issues and the first sign of deterioration is rarely the last. We can absorb the first hit to the stock, but not the second or third when more of the market will give up on a company and sell the stock, generally leading to vast underperformance of the stock. It is important to remember that companies get about 90 days to remediate issues, which is not a long time. We go with the odds that the business will not substantially improve after the first sign of deterioration, which causes us to miss a lot more bad news more often than seeing a business rebound quickly. If a business does rebound and seems to be back on track, we are always willing to consider the investment again.
- Enhances our risk management
  - Companies with higher valuations tend to be more exploited, have higher expectations, and are prone to more downside if fundamentals deteriorate or the overall market turns negative. Trimming stocks with excessive valuation helps lower this downside risk potential and redeploy assets into less exposed stocks.
  - Holdings that exceed the 5% ceiling or are above our market cap ranges provide a mechanism to lock in strong investment gains and redeploy assets in other areas.

**26. What is the expected holding period for an investment?**

While there is no specific timeframe built into our investment philosophy, we seek to invest in companies that can sustain high rates of growth for the foreseeable future in any environment.

We do not have any defined holding period for our investments. If an investment continues to meet our investment criteria, we will look to hold the investment indefinitely. We have numerous examples of companies we have owned for 5 years or more, and there are companies that have graduated from our micro cap, small cap, and smid cap products that eventually we own in our large cap product.

We eliminate securities from the portfolio for the following reasons: fundamental disappointments, research uncovers a change to our original investment thesis, extreme valuation, and market cap increases beyond boundaries. We will trim securities when valuation becomes stretched and due to position rebalancing.

**27. Will the strategy invest in mutual funds or ETFs?**

No we do not invest in mutual funds or ETFs.

**28. Does the team utilize a model for portfolio construction? Discuss dispersion among portfolios within the strategy.**

Yes, the team utilizes a model for portfolio construction. Dispersion is low among portfolios within the strategy.

**29. What type of derivatives do you use in your investment strategy and how do you monitor the risks associated with these instruments?**

We do not directly utilize derivatives.

**30. Describe, in detail, the firm's risk management policies and procedures for the strategy under review.**

The biggest risk to performance is a company level, fundamental disappointment. Therefore, the portfolio managers spend most of their time conducting company research to evaluate the health of business fundamentals. As a majority of portfolio managers become concerned about the business fundamentals at one of our holdings, we will reduce or entirely eliminate the position.

When evaluating investments, we leverage our team's many years of growth stock investing experience to avoid foreseeable risk. Certain business models are inherently more volatile or leveraged to unsustainable factors than others. While there are many small companies that may be able to grow fast for a short period of time, our strategy is to only invest in the ones that can sustain strong growth over the long term. We research many companies and actively decide not to buy because the growth characteristics appear less sustainable. Being able to identify the sustainable growers, while avoiding potential growth disappointments, is a key part of our risk management and overall investment process.

In addition to company fundamentals, we also monitor valuation of every stock in the portfolio and review valuations at each weekly portfolio review meeting. As a stock's valuation becomes excessive, we typically reduce its relative weight in the portfolio. While we cannot predict or entirely control for macro stock market moves that reduce stock prices regardless of the fundamentals, we can reduce the impact of these events on our portfolio by reducing our exposure to the highest valuation companies. Conversely, if valuation excessively declines and the fundamentals remain intact for an investment, we will look to add to our position. We believe an awareness of valuation levels enhances our returns and improves our volatility.

At the portfolio level, we use weighting constraints and fundamental research to manage risk. We limit positions to a maximum position of 5% of the portfolio (large cap 12% of the value of the portfolio at time of investment or max weighting of Russell 1000 Growth index plus 1%, whichever is higher) and sector weightings to 2x the benchmark or 10%, whichever is higher, so as to limit the impact of any one stock or sector on the portfolio's performance. We measure industry and sector risk by comparing our portfolio weightings to the benchmark in reports that are reviewed at each portfolio meeting. Our bottom-up company analysis and consistent dialogue with companies, analysts and industry participants yields a good view of the risks building in

specific industries and even entire sectors. We incorporate this industry and sector analysis to inform our active weightings compared to the benchmark.

## INVESTMENT MANAGEMENT TEAM AND RESEARCH

### 31. List the names of the portfolio manager (s) for the strategy and include their firm and strategy tenure.

Name	Title	Responsibilities	Firm Tenure	Industry Tenure	Current Position Tenure
Tom Press, CFA	Chairman, CEO, Portfolio Manager	Portfolio Management, Research, Marketing	25	40	25
Bob Scott, CFA	President, Portfolio Manager	Portfolio Management, Research, Marketing	24	30	24
Peter Capouch, CFA	COO, Portfolio Manager	Portfolio Management, Research, Marketing	21	22	21
Kaj Doerring	Portfolio Manager	Portfolio Management, Research	19	26	19
Tom Dignard, CFA	Portfolio Manager	Portfolio Management, Research	11	11	11

#### **Tom Press, CFA, Chief Executive Officer, Portfolio Manager, Partner**

Tom founded NCG in November 1998 with the goal of managing client accounts within the firm’s growth stock investing philosophy. He is one of the portfolio managers on all strategies. Prior to NCG he worked as a portfolio manager at Jundt Associates from 1994-1998 and Investment Advisors from 1992-1993. From 1985-1992 he worked at Salomon Brothers and Morgan Stanley on the institutional sales desk. Tom holds a B.A. in business administration from the University of Minnesota and an M.B.A. from the University of St. Thomas. He was a former member of the U.S. World, World Cup, and Olympic Wrestling Teams (alternate and team leader) and is a member of the Minnesota Wrestling Coaches Association Hall of Fame.

#### **Bob Scott, CFA, President, Portfolio Manager, Partner**

Bob joined NCG in 2000, serving as one of the portfolio managers on all strategies, and he became a partner in 2002. In 2003, he helped create NCG’s microcap strategy. Bob became President in 2013 and served as COO from 2013-2021. Prior to joining NCG, Bob worked at Investment Advisers, Inc (IAI) from 1993-2000. While at IAI, he held various positions including Vice President and portfolio manager for the IAI small cap growth and mid cap growth products. He also spent two years as a research analyst with the American Embassy in Tokyo, Japan. Bob graduated from Harvard University in 1990.

#### **Peter Capouch, CFA, Chief Operating Officer, Portfolio Manager, Partner**

Peter joined NCG in 2003, serving as one of the portfolio managers on all strategies, and he became a partner in 2008. Peter became COO in 2021. Prior to joining NCG, he worked for one

year at State Street Global Advisors. Peter graduated from Harvard University in 2002, where he was captain of the men's ice hockey team.

**Kaj Doerring, Portfolio Manager, Partner**

Kaj joined NCG in 2005, serving as one of the portfolio managers on all strategies, and he became a partner in 2009. Prior to NCG, Kaj spent three years at Think Equity Partners and three years at Piper Jaffray. Before entering the investment industry, he spent 14 years at various positions within drug, diagnostic, medical device and capital equipment sales/marketing areas, including nine years at Bristol-Myers Squibb, two years at Boehringer Mannheim Diagnostics and three years at Coherent Surgical. Kaj graduated from Concordia College, Moorhead, MN in 1985 with a BA in Computer Science.

**Tom Dignard, CFA, Portfolio Manager, Partner**

Tom joined NCG in 2013, serving as one of the portfolio managers on all strategies, and he became a partner in 2019. Tom earned his BA in economics from Yale University in 2010, where he was also a 4-year letterman of the Men's Ice Hockey Team. He earned his MBA and graduated with Distinction from the University of Ulster in 2012.

**32. Outline the firm's succession plan for the strategy's key decision makers.**

In April 2014 a succession plan was implemented within our LLC agreement. A three-year, self-funding, buy-out plan is in place for all partners.

Client accounts are managed on a team basis. Our portfolio managers are generalists, not sector specialists, and are familiar with all portfolio holdings. This allows our team to have healthy discussions regarding the key investment topics specific to each holding. Given our individual and group knowledge of each holding, we can make buy/sell decisions decisively, which streamlines our decision-making process. This should enable a smooth transition in the event a portfolio manager leaves the firm.

**33. Describe the research process.**

The portfolio managers perform all security analysis, including research, for the investment process. Portfolio managers are multi-disciplined and are very familiar with all portfolio holdings. The portfolio managers do not specialize in any given industry and we are willing to invest in all sectors of the economy if we discover a company that meets our investment criteria.

We do not have research analysts as we believe it is more efficient to have the people making the final portfolio decisions also the ones doing the direct research.

The portfolio managers conduct direct research to analyze investment ideas. Direct research includes

- Meetings and conversations with company management teams
- Reviews of SEC filings, company conference calls, company presentations, etc
- Financial modeling

- Due diligence calls with Wall Street sell-side and industry analysts, as well as firms with direct experience with a company, including competitors, customers, and suppliers
- Field research

In addition to assisting with company analysis, our direct research enables us to gain firsthand knowledge of new and exciting growth trends each year. By gathering hundreds of data points from companies, industry sources and Wall Street analysts, we are exposed to and should not miss major growth trends in the US and global economies.

## **TRADING**

**1. Describe the firm’s trading strategy. Include to what extent you have a dedicated trading group.**

We have one full-time trader and one back-up trader. Joe Grundfeldt is our dedicated full-time trader. Joe has 27 years of investment industry experience.

When the portfolio management team decides to make a trade, one of the PMs emails trade instructions to the trader. Included on this email are: Joe Grundfeldt (trader), Kelly McNulty (CCO), Gina Nelson (Operations), and an additional PM is cc’d. Including an additional PM on the email helps ensure the trade ticket is correct. The trader sets up the order in the trade order management system (OMS) and trades are reviewed for any guideline issues that arise on the system. All trades are reviewed by the operations team to verify that the trade ticket and the OMS match up. If everything looks good, the trader can begin executing the order.

Our trader has access to and experience with all trading channels, so we believe our trading operations is capable of delivering best execution effort to our clients.

**2. Describe the firm’s best execution process.**

The firm has a best execution committee and we have a process for approving brokers. We believe that the selection of brokers is an important determinant of our ability to add value to client portfolios through our trading function. Managers vary in the way they select brokers and in the types of services they seek from brokers. The most important factor that NCG applies in selecting a broker is the broker’s ability to provide best execution. Commissions are an important factor in this analysis, but we do not necessarily seek simply the lowest possible commission cost. Rather, we believe that in return for paying fair and reasonable commissions to brokers, our client accounts will benefit by receiving quality execution services and appropriate priority in the execution process.

**3. Do principals or employees trade for their own accounts? Is this monitored or are records maintained? If so, by whom?**

The firm has a Code of Ethics Policy. Please note employees are not allowed to directly own publicly traded companies. Some portfolio managers do have non-discretionary accounts. Employees are also allowed to invest in the firm's strategies.

The Chief Compliance Officer reviews relevant transactions on a quarterly basis and employees complete a quarterly attestation.

**4. Provide details of all soft dollar arrangements the firm has with any other company and include the name of the firm(s) and the description of the products, services, and/or research received.**

We rely on a variety of information sources in assessing companies including sell side and industry analysts, trade contacts, competitors, and the company management teams themselves.

NCG engages in soft dollar arrangements. Subject to the criteria of Section 28e of the Securities Exchange Act of 1934, and the applicable regulatory guidance, NCG may pay a broker-dealer a brokerage commission in excess of that which the broker-dealer, or another broker-dealer, would have charged for effecting the same transactions, in recognition of the value of the research services provided by the broker-dealer. NCG believes it is important to its investment decision making processes to have access to independent research. The types of research and research services NCG received during its last fiscal year are as follows:

- Economic and financial market analysis
- Real-time market data and analytics
- Access to databases and screening tools
- Research reports concerning securities, sectors, and industries.

The firm utilizes Liquidnet commission sharing arrangements and third-party vendors include Factset and Bloomberg and services are described above.

## **CUSTODY AND REPORTING**

**5. Are all assets held with an independent 3<sup>rd</sup> party custodial firm? If no, please provide an explanation regarding those relationships and in what capacity are you servicing as custodian.**

Yes all assets are held with various independent 3rd party custodial firms.

**6. Describe your policy for reconciling with the custodian. Are clients notified of any discrepancies?**

NCG currently utilizes CTM and TradeSuite to assist in the settlement process. Trades are submitted through CTM and once they are accepted and approved by the brokers, they are sent through the automatic matching and affirming process. The trades that are not matched are sent

through a near match process where we can review the discrepancies and match them or reject them manually. The trades are reviewed to ensure that everything has been affirmed. If there is a discrepancy with one of the trades, the trader contacts the broker to resolve the issue.

We reconcile cash positions on a daily basis, through Advent's REX (an automated reconciliation product). We currently have access to 97% of our clients through this process. All transactions are sent from the custodian on a daily basis and matched with what we have in our system.

We reconcile security positions on a bi-weekly basis using the same Advent software REX, they send position files to us on a daily basis, which we utilize every Monday to keep the accounts current.

The custodian is contacted to resolve any discrepancies found.

## LEGAL AND COMPLIANCE

### **7. Is the firm registered with the SEC?**

- a) When was the firm's last SEC or other regulatory review?
- b) What type of examination/review was initiated (e.g., regular exam, sweep, enforcement/cause)?
- c) Provide us with a copy of the most recent SEC comment letter.

Yes, we are registered with the SEC.

The firm had an audit by the SEC in May 2016. NCG received its examination letter and it had one recommendation relating to insider trading monitoring. NCG has policies and procedures in place and have added a log for company visits. The firm does not provide copies of SEC comment letters but will make available to view at our office.

### **8. Does the firm have a Privacy Policy?**

The firm has a privacy policy that is included in Form ADV Part 2A.

### **9. Have there been any breaches or exceptions with regard to data security (internal or external), cybersecurity, privacy or any other material compliance events? If so, please explain.**

The firm is not aware of any breaches to data security, cybersecurity, privacy or other material compliance events.

### **10. How does your firm avoid or mitigate conflicts of interest?**

A potential conflict of interest may arise as a result of the portfolio manager's day-to-day management of the Funds. Because of the portfolio manager's positions with the Funds, the



portfolio manager knows the size, timing and possible market impact of the Funds' trades. It is theoretically possible that the portfolio manager could use this information to the advantage of the other accounts he manages and to the possible detriment of the Funds. Next Century Growth Investors has adopted a Code of Ethics containing policies and procedures to ensure against this potential conflict.

Next Century Growth Investors believes it has adopted policies and procedures reasonably designed to allocate investment opportunities between the accounts it manages on a fair and equitable basis over time. Potential conflicts of interest may arise when allocating and/or aggregating trades. Next Century Growth Investors often aggregates into a single trade order many individual contemporaneous client trade orders in a single security. Next Century Growth Investors has in place policies and procedures to ensure such transactions will be allocated to all participating client accounts in a fair and equitable manner.

**11. Provide the name, e-mail, and phone number of the person who is responsible for compliance.**

Kelly McNulty, kmcnulty@ncgrowth.com, 763-591-4493, is the Chief Compliance Officer.

**12. What policies and procedures are in place to ensure compliance with current regulations on proxy voting?**

The firm has proxy policies in place to ensure compliance with current regulations. The firm utilizes a third party vendor to assist with proxy voting. Additionally, if research reports are needed operations works with proxy committee to ensure votes are submitted on a timely basis. The firm reviews the policies and procedures on an annual basis.

**13. Indicate the name of the firm's insurance carrier, dollar amount of coverage under the policy and extent of coverage.**

NCG has a \$2 million combined Errors & Omissions and Liability (Fiduciary & Professional) policy with Nutmeg/The Hartford and ERISA bond coverage with The Hartford. The ERISA coverage is 10% per plan, not to exceed \$500,000.00 or \$1,000,000.

The Errors and Omissions policy period is from March 24, 2024 to March 24, 2025 (retroactive to March 24, 2000). The ERISA bond policy period is from March 24, 2000, until cancelled.

NCG has a \$1,000,000 Financial Institutional Bond.

The firm has cybersecurity insurance as well.

**14. In the last 24 months, have there been any claims paid against the Errors and Omission policy or have you notified your insurance carriers of any potential claims? If yes, state the amount paid and the nature of the claim and any additional details.**

No.

## REGULATORY

- 15. What are the regulatory bodies that have oversight of the Investment Manager?**  
Securities and Exchange Commission

## AUDIT

- 16. Provide the name of the firm's auditor.**  
RSM is the firm's auditor. The firm has its financials reviewed on an annual basis.
- 17. Has the auditor of the firm/offering been the same since its inception? If not, explain the reason for the change and provide the name of the predecessor auditor.**  
The auditor of the firm has been the same since its inception.
- 18. Have any of the audit opinions been anything other than unqualified?**  
A review is less in scope than an audit, so the firm does not issue an opinion.

## INFORMATION TECHNOLOGY

- 19. List and describe any third party vendors that the firm uses for business functions such as:**
- a) Portfolio management,
  - b) Trade order management,
  - c) Accounting, and
  - d) Risk management.

### **Portfolio Management**

Factset (growth screen, research reports, financials, industry and market news, watchlists, etc.)  
Ethos (ESG third party research provider)

### **Trading**

Bloomberg/EMSX

Liquidnet

Moxy (trade order management and investment guideline monitoring)

CTM/Tradesuite/Alert

Instinet

### **Portfolio Accounting and Operations**

Axys  
ACD/Rex (automated custodial reconciliation)  
ISS (third party proxy provider)

**Compliance**

Ascendant Compliance Manager is used for regulatory and industry compliance news, completing quarterly and annual attestation and assistance with policy management and compliance program documentation.

Factset PA (sector weights, attribution, portfolio characteristics, market cap, etc.)

Smarsh (e-mail archive)

ACA GIPS

ACA ESG Consulting

**20. To the best of your knowledge, has the firm suffered a material cyber breach that has caused a business disruption? How do you know?**

To the best of our knowledge the firm has not suffered a material cyber breach that has caused a business disruption.

**21. Does the firm maintain a business continuity plan? If yes, please provide a copy.**

The firm maintains a business continuity/disaster recovery plan including an incident response checklist. Due to vendor specific details we are unable to provide a copy. The policy may be viewed at our office and we can also answer any questions you may have.

**22. Does the firm maintain a cybersecurity plan? If yes, please provide a copy.**

The firm maintains a cybersecurity policy as part of its IT infrastructure policy. We are currently updating the policy given the upcoming regulations. The policy may be viewed at our office and we can also answer any questions you may have.

**REFERENCES**

**23. Provide the name, title and contact information of three client references.**

Khar Kameda, Vice President of Investments

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