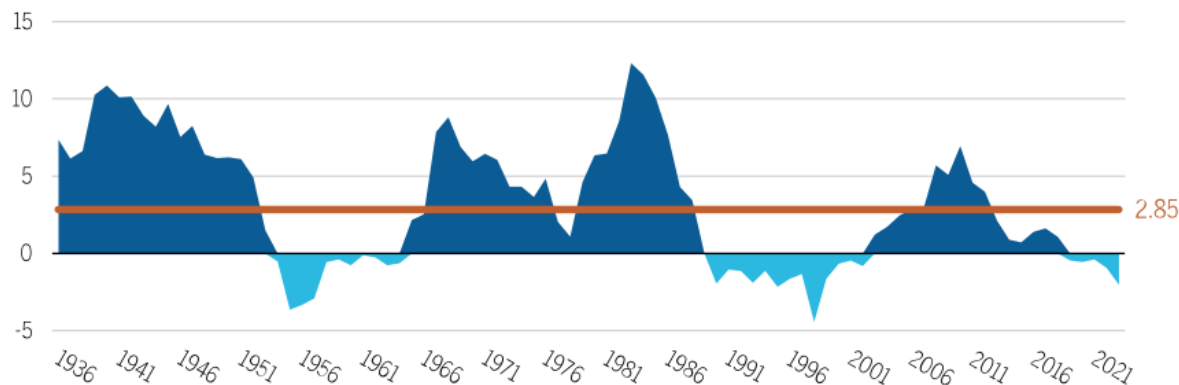


Small Caps on average outperform Large Caps with 2.85% per year since 1927



Trailing 10-year average SMB (Outperform) Trailing 10-year average SMB (Underperform)
Average annual relative performance

Source: Professor Kenneth French Data Library; ¹Data sourced from monthly observations in Fama/French | 3 Factors file for column titled "SMB" for Small minus Big. <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/index.html>. For illustrative purposes only. Not representative of an actual investment. Forward looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. | **PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

Within Small Caps Small Cap Value performs best, active managers outperform most in Small cap Growth

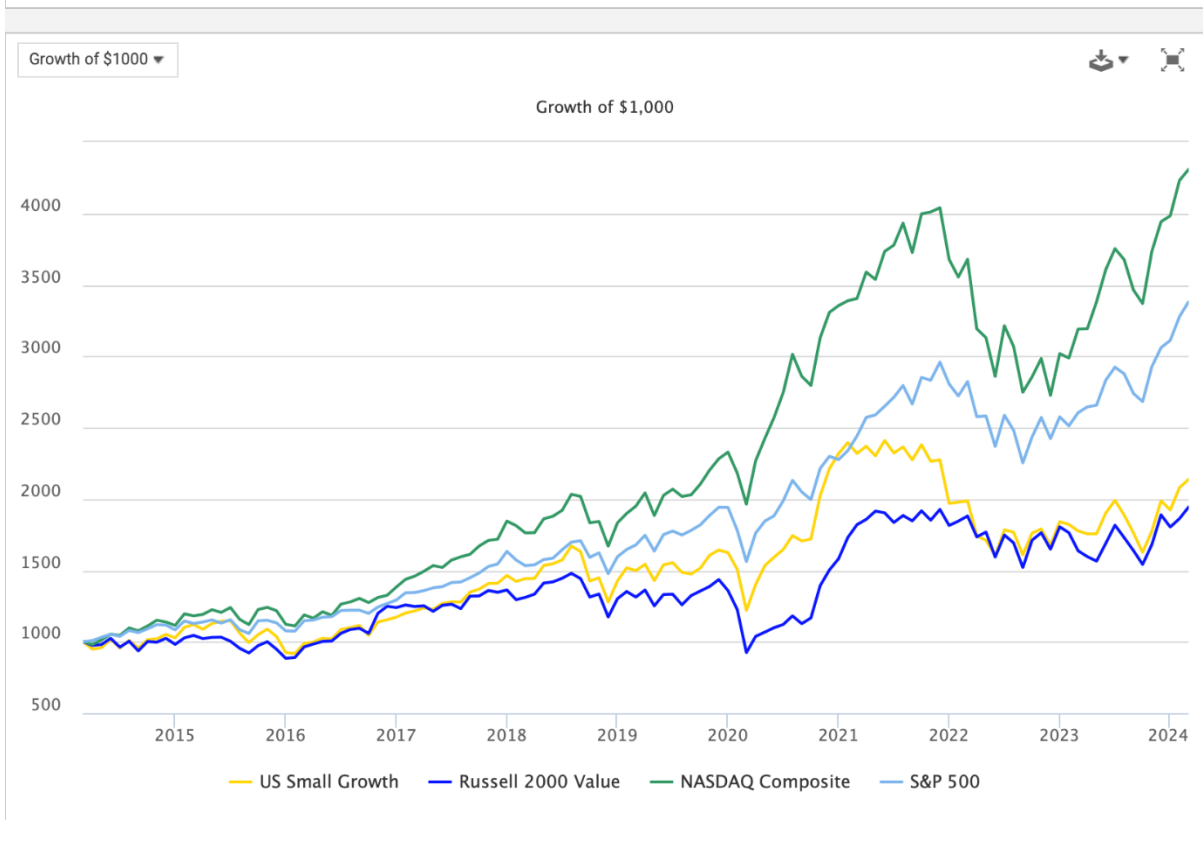
Long term total returns by investment style:

UNITED STATES 1963-2022

| | Value | Neutral | Growth |
|-------|-------|---------|--------|
| Large | 12.1% | 10.3% | 10.2% |
| Small | 15.2% | 13.6% | 8.4% |

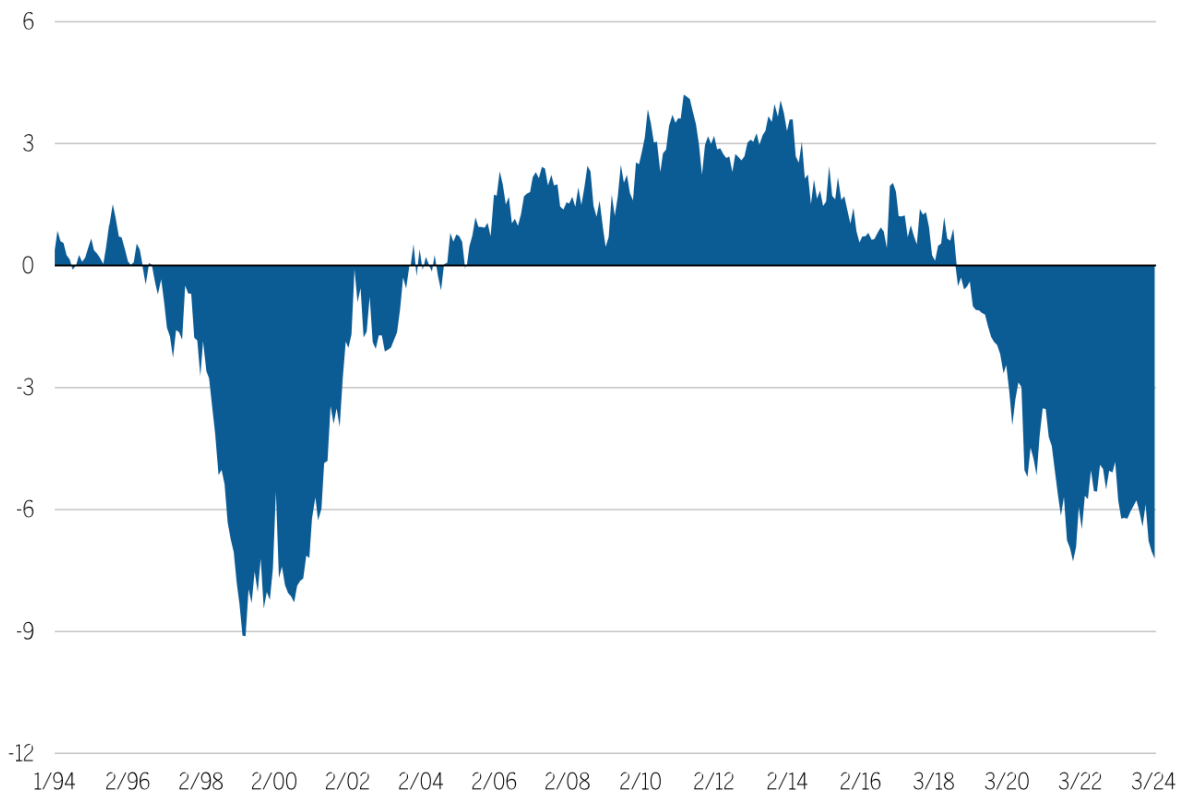
The last 10 years Small caps have underperformed with very large numbers

Configuration - Monthly Returns from Apr 2014 to Mar 2024 displayed in US Dollar (USD)



Small Caps have not been this undervalued versus Large Caps for over 2 decades

Forward P/E small caps versus large caps (S&P 600 vs S&P 500)



Source: Wolfe Research | Chart data: 31 January 1994 – 31 March 2024

Recently the 12 month relative performance gap between Small and Large got to extreme levels

A mean reversion seems likely

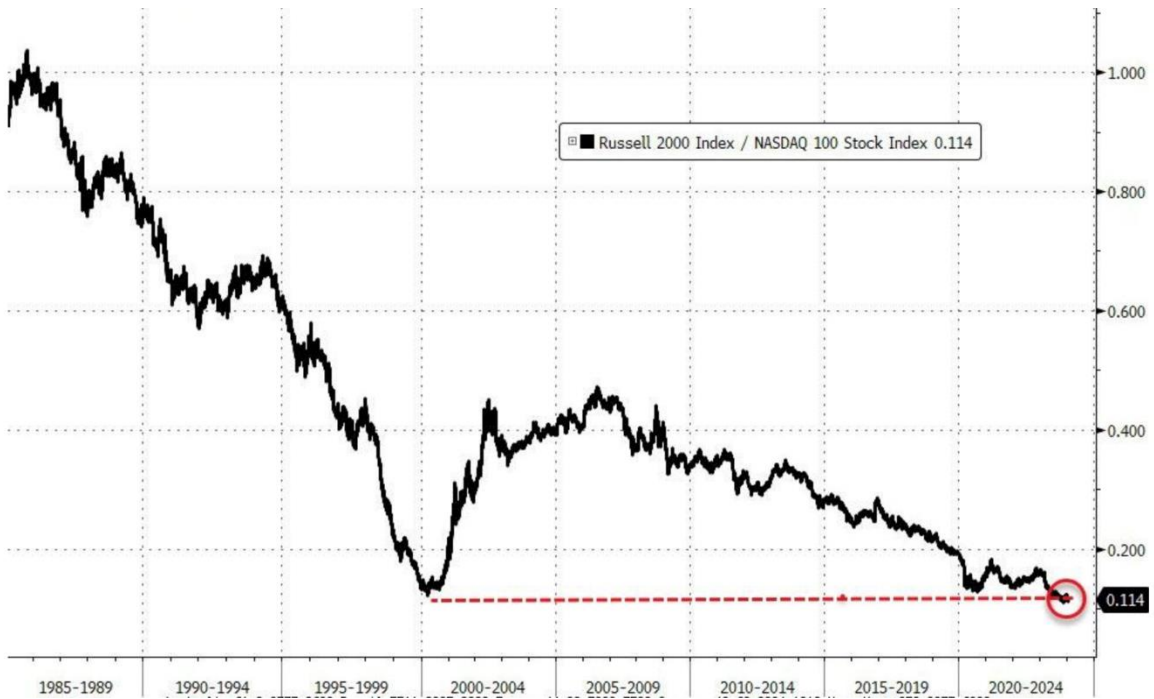
Chart 5: Large growth outperforming small growth by 31ppt...
Large cap growth vs small cap growth (12-mo relative performance)



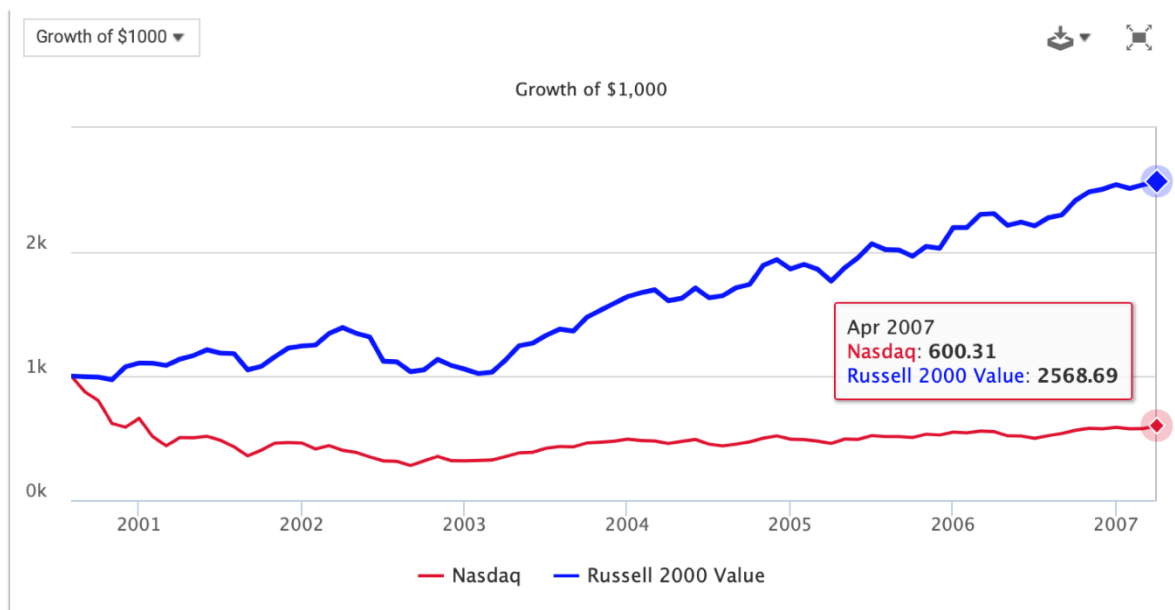
Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

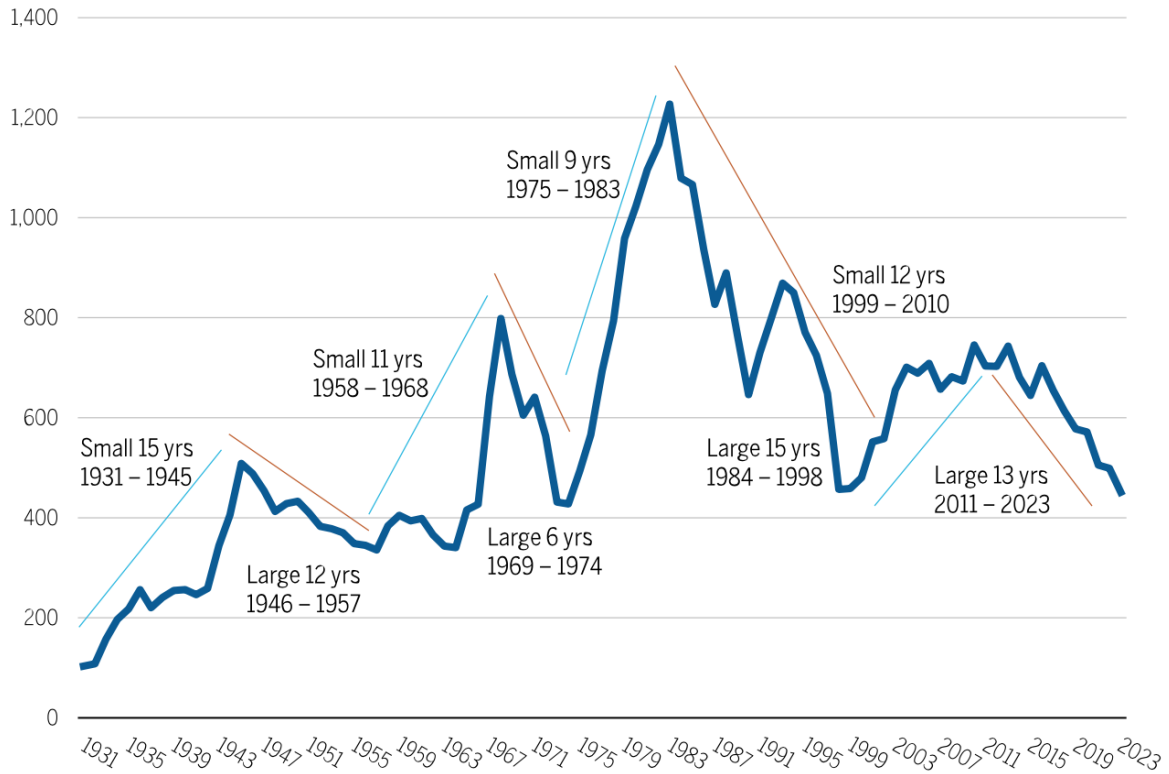
Small Caps/ Nasdaq



Last time valuation of Nasdaq versus Small Cap got this extreme, this is what happened next
Nasdaq down 40%, Small Cap Value up 157%, despite rising rates in 2005-2007 period



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.

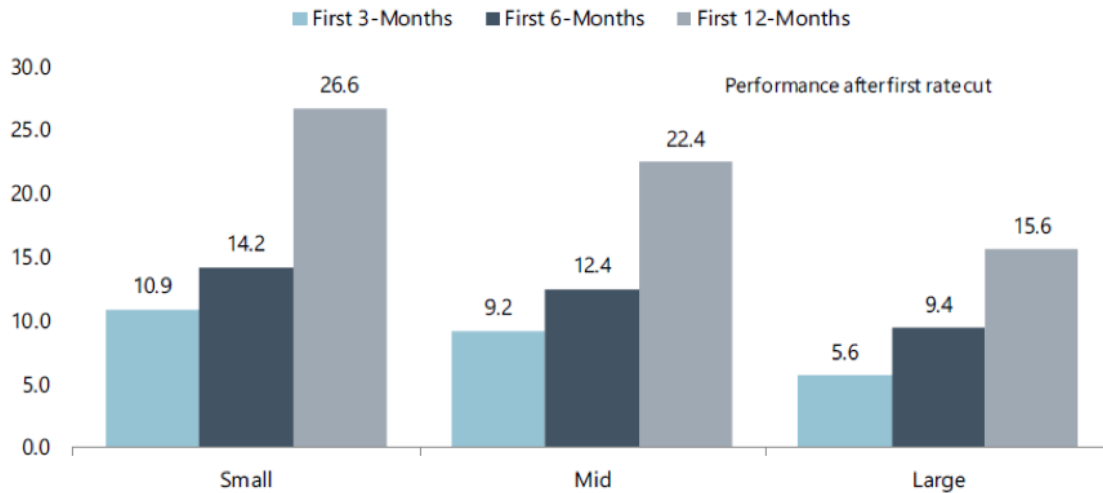
A period of strong outperformance typically follows, see red arrow.

| Period | Length (In Years) | Small Caps | | Large Caps | | Relative Performance | | 1Yr Subs Relative Perf | | 3Yr Subs Relative Perf | | 5Yr Subs Relative Perf | |
|-----------------------------------|----------------------|--------------|-------------|--------------|-------------|----------------------|--------------|------------------------|-------------|------------------------|-------------|------------------------|------------|
| | | 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

Later than expected, but when the FED starts cutting rates:

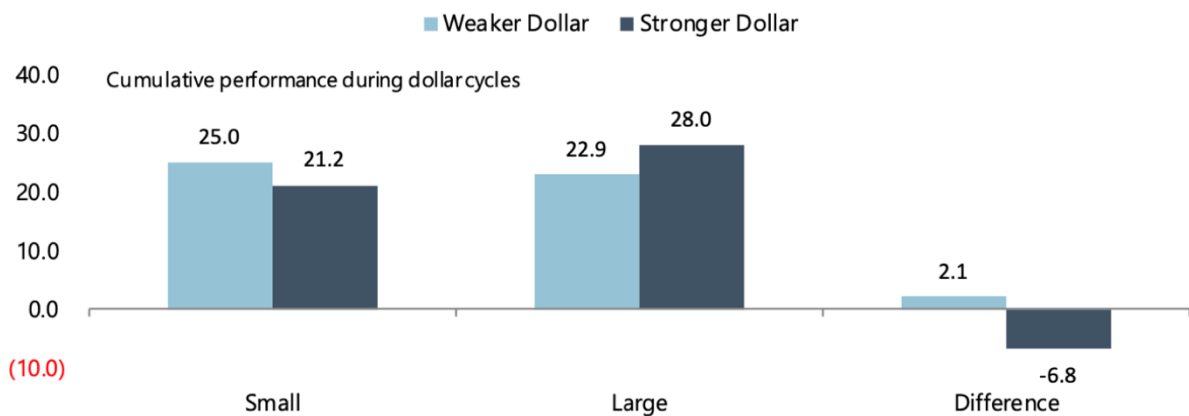
Performance after first Fed interest rate cut



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; Jefferies

A twin deficit in the US and a slowing economy might lead to a weaker USD

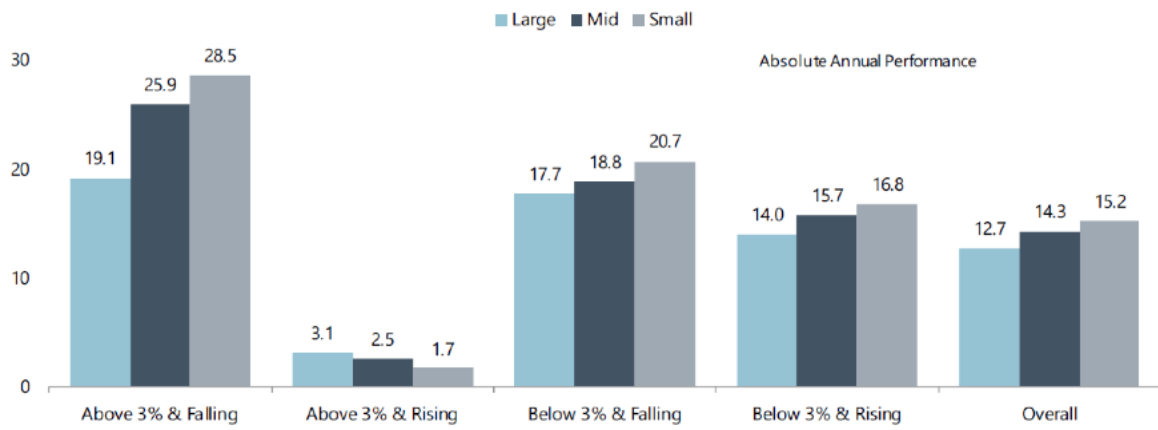
Performance in weaker USD environment



Source: FactSet; FTSE Russell; Jefferies

When inflation is above 3% but declining, this tends to be a good backdrop for small cap stocks.

Performance across CPI environments



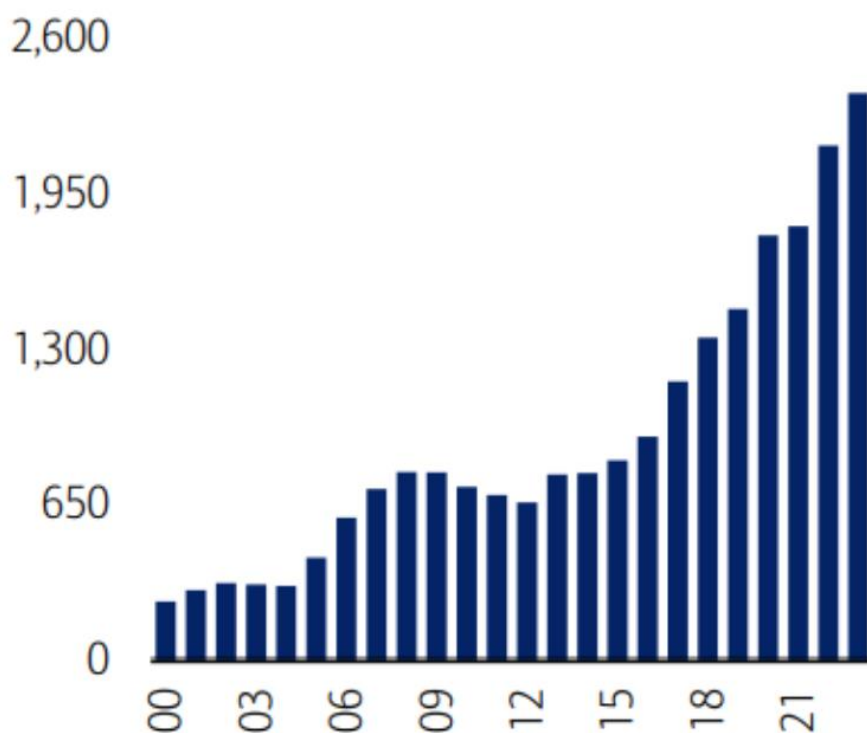
Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies
*Small represented by Russell 2000, Mid by Russell Midcap, Large by Russell 1000

If the public markets don't re-rate Small Cap Stocks,..then the Private markets surely will!

Dry powder in Private Equity is about half the entire US Small cap market cap

Exhibit 9: Private equity funds: record dry powder

Private equities' total dry powder (\$B) (2000-2023 as of 9/12/2023)

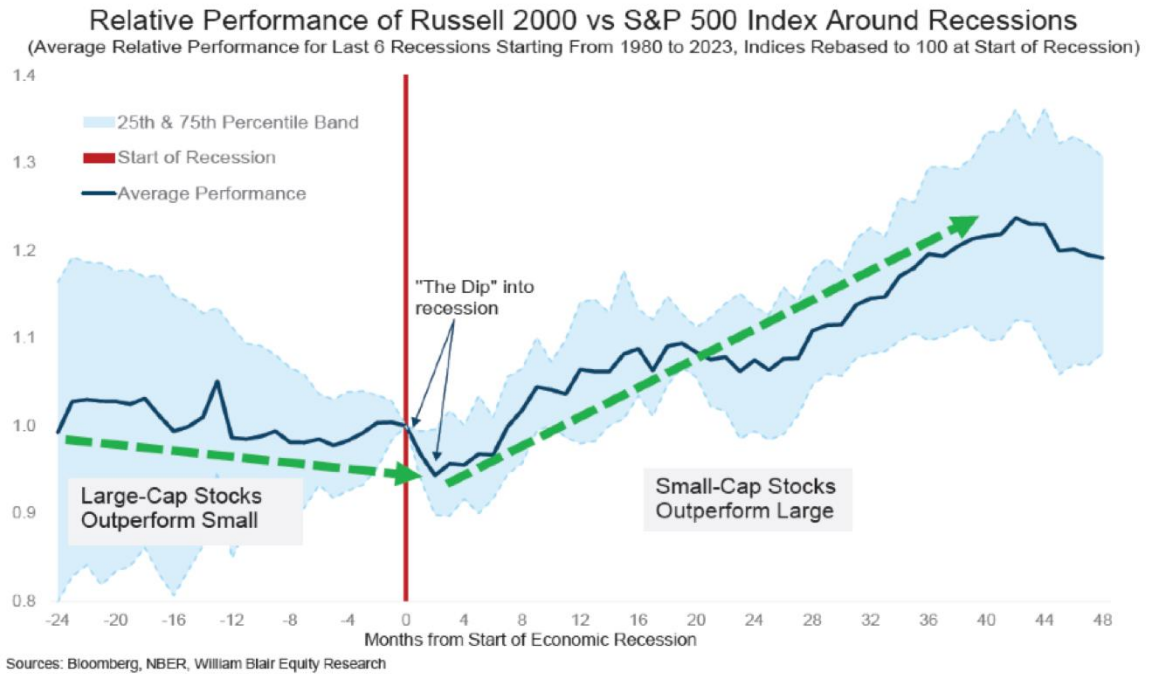


Source: Preqin, BofA Global Research

BofA GLOBAL RESEARCH

If we would enter a recession, things aren't bad for Small caps either:

Small Cap Performance Around Recessions (last 6 recessions since 1980)



Past performance is not an indicator of future performance.

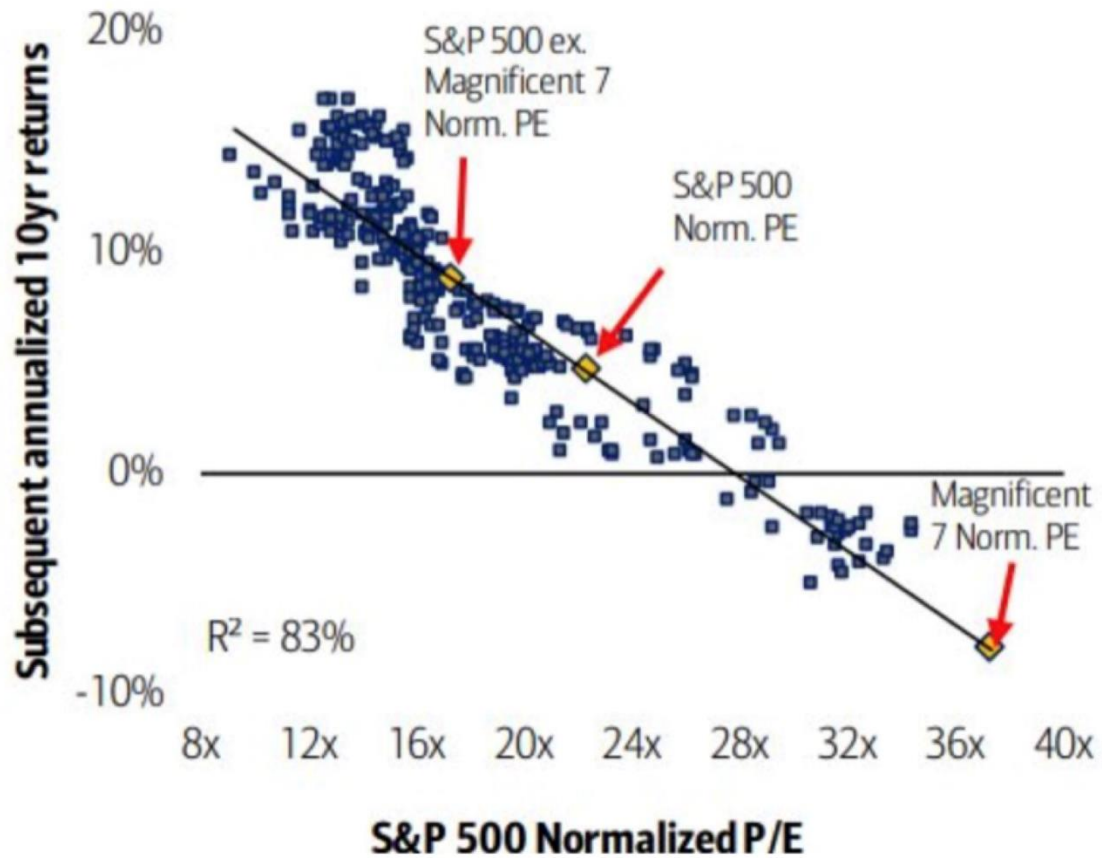
*Small represented by Russell 2000, Large by S&P 500

Expected returns next decade for Magnificent 7 do not look good at all.

Time to sell those and buy things that are cheap?

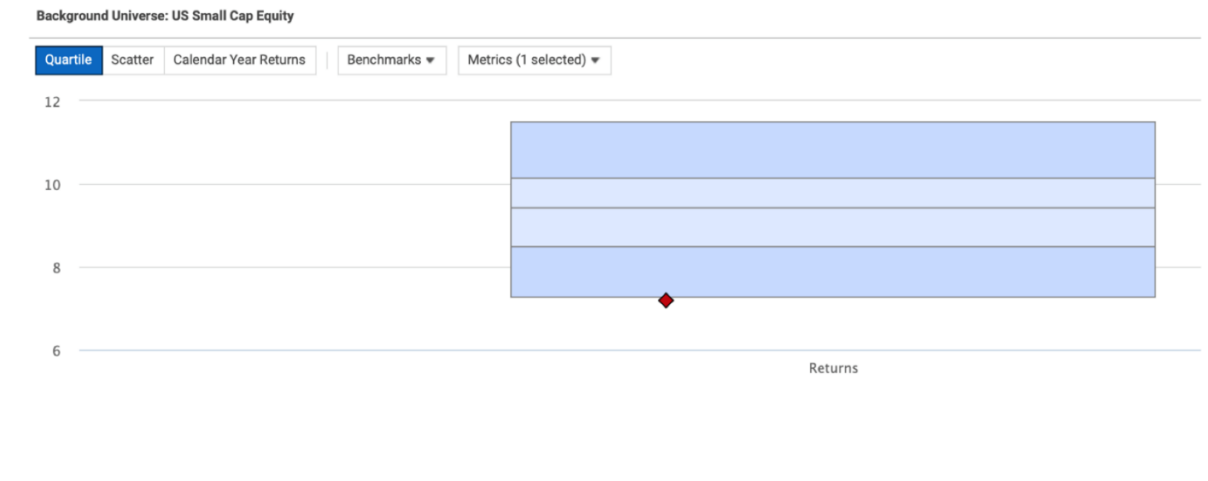
Exhibit 31: Valuation explains 80% of returns over the next decade

S&P 500 normalized P/E vs. subsequent annualized returns (since 1987, forecasts as of 11/17/23)



Allocate to active!

Almost all active managers beat the Small Cap Benchmark (red square) longer term (22 year chart)



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 72.9 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](#)
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Chairman, CEO, Portfolio Manager and Partner Thomas Press



[Bio: Thomas Press of Next Century Growth Investors](#)

Orchard US Small Cap Value Equities

The Orchard US Small Cap Value strategy is a high conviction, high alpha generating strategy that identifies companies that trade at a significant discount to where they should trade at and have one or multiple catalyst to unleash this intrinsic value. A daily liquid Art. 8 UCITS fund with an AUM of USD 335 million (one of the largest in its category) is available. ISIN code: [IE00BL0L0092](#)

As per Q1, 2024 the Orchard US Small Cap Value Equity strategy has an **annualized outperformance of 2.39%** over the Russell 2000 Value index since inception in 2001. Orchard Capital Management is a research-driven value investment manager solely focused on small cap value investing. As an independent employee owned boutique based in Chicago they deliver superior returns through proprietary research and a disciplined process. Long term US small cap value is the best performing segment of US Equities.

- [Asset Class & Strategy Summary](#)
- [Presentation](#)
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Founder and CIO Blake Harper



[Bio: Blake Harper of Orchard Capital Management](#)