August 2026 small cap commentary for Candoris

US small cap growth market summary

Small Cap Growth Performance

- Small cap growth stocks, measured by the Russell 2000 Growth Index, were up 1.6% in August and are up 16.9% YTD in 2026.

Strong positive earnings growth expected for small caps in 2026

- The positive inflection in small cap earnings growth from 2025 has continued into 2026 and could potentially accelerate in the quarters ahead. Estimates for 2027 call for continued strong earnings growth for small cap stocks. *See Exhibit 1*
- *Exhibit 2* compares average vs median earnings growth rates for 2026 across market cap.

Small cap performance relative to large cap

- In August, the Russell 2000 Index was up 1.0% and underperformed the Russell 1000 Index, which was up 2.8%. YTD the Russell 2000 Index is up 20.0% and is outperforming the Russell 1000 Index, which is up 13.0%.
- The rolling 10-year annualized relative return by small vs large is still in the 3rd percentile historically (zero being the worst relative performance and 100 being the best). *See Exhibit 3 for the Rolling 10-year Relative Performance of Small vs Large*
- As of the end of August, valuation of the small cap sector relative to large caps is in the 17th percentile historically (zero being the least expensive relatively and 100 being the most expensive). *See Exhibit 4*

Notable sector performance for the Russell 2000 Growth Index^

- The best performing sectors in the Russell 2000 Growth Index in August were Materials, Energy and Utilities, up 8.2%, 8.1%, and 7.3%, respectively.
- The worst performing sectors in the Russell 2000 Growth Index in August were Real Estate, Consumer Staples, and Industrials, down 5.7%, 5.4%, and 3.4%, respectively.

^Source Jeffries

Notable factor performance for the Russell 2000 Growth Index

- For August, there was outperformance from lower quality / negatives earning companies in the Russell 2000 Growth Index.
- Companies with negatives earnings in the Russell 2000 Growth Index increased 5.1% and companies in the lowest and second lowest ROE quintile in the Russell 2000 Growth Index were up 3.3% and 6.1% respectively.

Small Cap Performance (%) (ending August 31, 2026)

	MTD	**QTD**	**YTD**	**1-year**	**3-year**	**5-year**
Russell 2000	**1.0**	**-2.1**	**20.0**	**26.5**	**17.4**	**6.8**
Russell 2000 Growth	**1.6**	**-4.3**	**16.9**	**23.3**	**17.0**	**5.0**
Russell 2000 Value	**0.3**	**0.3**	**23.4**	**30.0**	**17.9**	**8.5**

Source: Factset; 1, 3, 5-year performance annualized

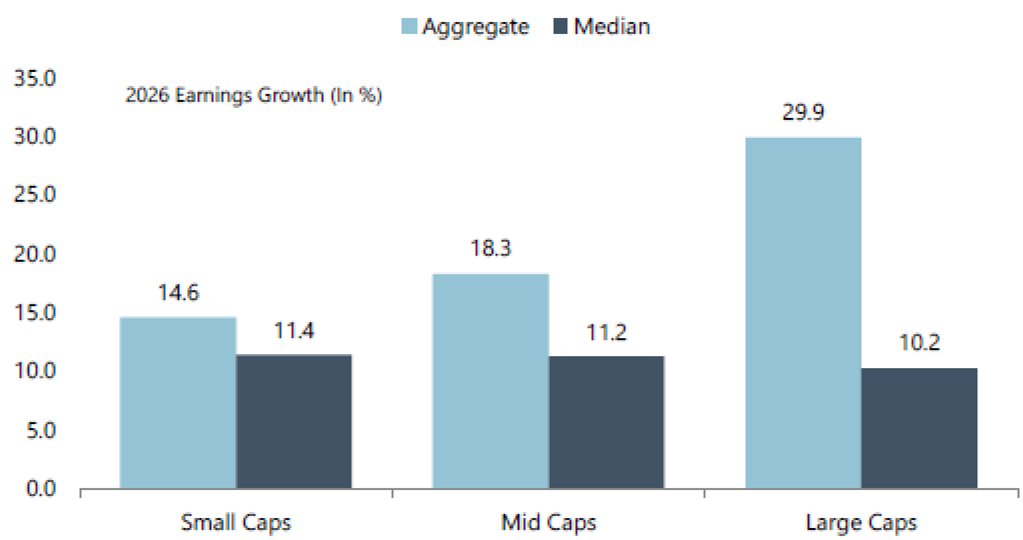
Exhibit 1. 2025, 2026, and 2027 Earnings Growth Estimates (as of 8/28/2026)

	Earnings Growth (%)		
Quarter/Year	**Small**	**Mid**	**Large**
1Q25A	-4.9	-2.9	14.5
2Q25A	6.2	2.8	12.0
3Q25A	13.9	9.2	13.8
4Q25A	8.9	5.0	13.2
2025A	**4.3**	**5.1**	**13.1**
1Q26A	12.0	13.3	28.8
2Q26P	16.5	18.0	50.5
3Q26P	7.7	13.8	26.3
4Q26P	15.1	20.7	22.9
2026P	**14.6**	**18.3**	**29.9**
2027P	**17.2**	**13.5**	**13.5**

Source: FactSet; Standard & Poor's; Jefferies

*Small represented by Russell 2000, Mid by Russell Midcap, Large by Russell 1000

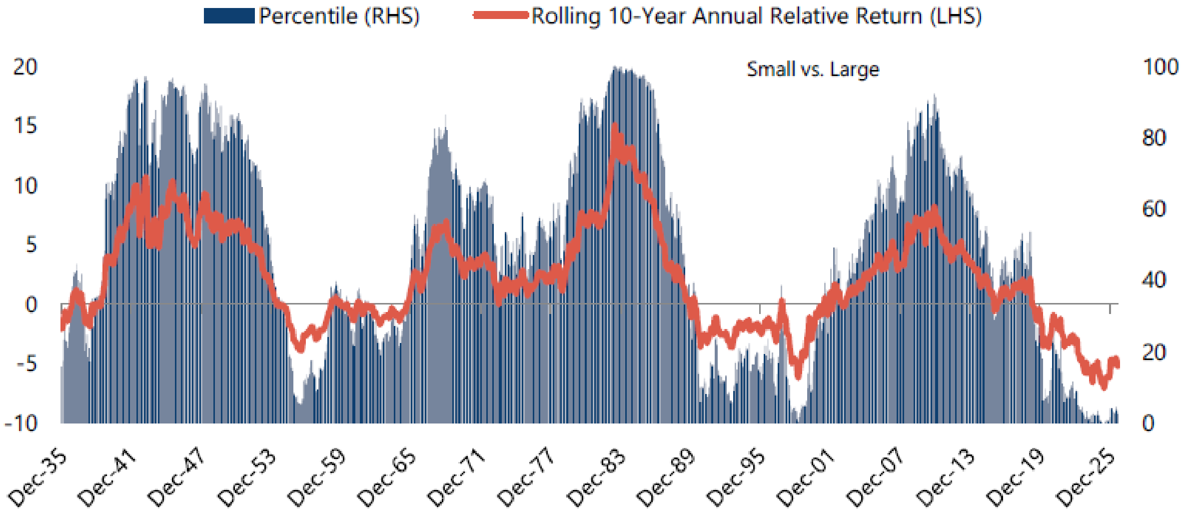
Exhibit 2. 2026 Median Earnings Growth by Market Cap



Source: FactSet; Standard & Poor's; Jefferies

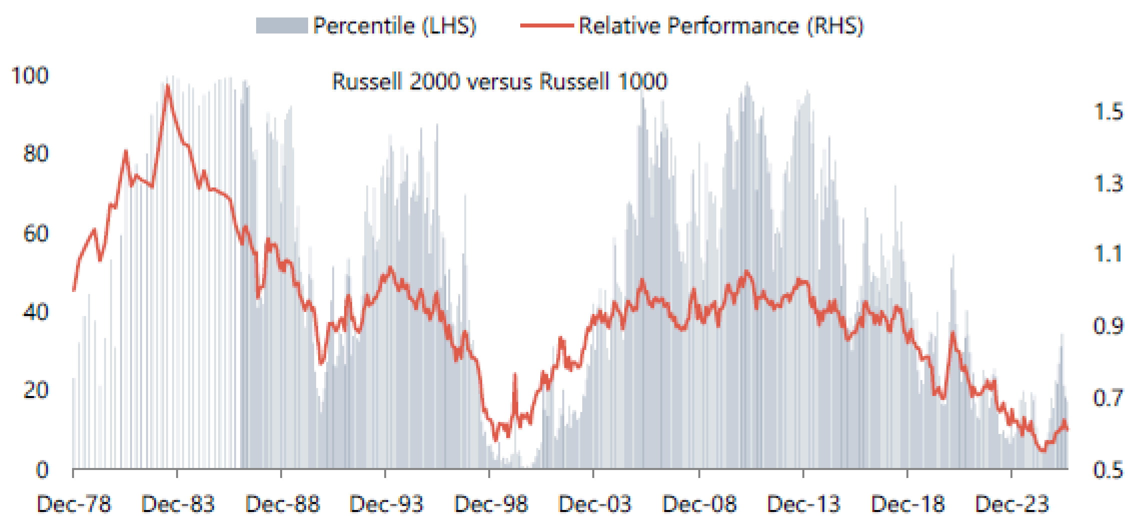
*Small represented by Russell 2000, Mid by Russell Midcap, Large by Russell 1000

Exhibit 3. Rolling 10-year Relative Performance of Small Cap Stocks vs Large Cap Stocks



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

Exhibit 4. Relative Valuation and Relative Performance of Russell 2000 vs Russell 1000



Source: FactSet; FTSE Russell; Jefferies

+*Past performance is not an indicator of future performance. The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index. The Russell 1000 Index is a U.S. stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index.*

Next Century Growth small cap summary

NCG Small Cap Performance update

- The NCG US Small Cap Growth Fund was down 0.6% in August (gross of fees) and YTD is up 22.6% (gross of fees).

Portfolio Positioning: *Source: Factset*		
Sector	**Relative Weight**	**Industry Exposure**
Basic Materials	Overweight	Aerospace, general industrial, rare/critical minerals
Consumer	Underweight	Restaurants, consumer goods
Financials	Underweight	Insurance (carriers and broker)
Health Care	Underweight	Medical device, diagnostics, pharma, managed care, health care services
Industrials	Overweight	Aerospace & defense, infrastructure construction, industrial manufacturing, transportation logistics, payment services
Technology	Overweight	Semiconductors, semicap equipment, AI infrastructure, software, IT services

Outlook

- We continue to believe conditions remain favorable for continued market broadening and small cap stock performance. First, small cap earnings growth turned positive during 2025 and growth is expected to stay positive and potentially accelerate in 2026. This continues to be the case as of early August. Secondly, despite uncertainty on the Fed Funds rate direction in 2026, we still expect the easing of financial conditions over the last 18-24 months to translate to improving business fundamentals. Finally, small cap stocks continue to trade at attractive valuations relative to large cap stocks. Combined with an improving fundamental backdrop, we believe this presents further opportunities in small caps.
- From a macro perspective, we believe the market will be focused on the geopolitical environment, the direction of oil prices, the mid-term elections, and policy updates from the Fed. That said, we believe our portfolio is exposed to secular growth drivers across many sectors of the economy which should remain intact as 2026 progresses.

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.