Riverbridge

ALL CAP GROWTH

Commentary — December 31, 2024

PERFORMANCE (AS OF 12/31/2024)

	4Q 2024	1 Year	3 Year	5 Year	10 Year	Inception
All Cap Growth (Gross)	**4.08%**	**20.31%**	**3.77%**	**12.34%**	**13.28%**	**11.71%**
All Cap Growth (Net)	**3.88%**	**19.37%**	**2.94%**	**11.47%**	**12.41%**	**10.70%**
Russell 3000® Growth	6.82%	32.46%	9.93%	18.25%	16.22%	10.70%
S&P 500®	2.41%	25.02%	8.94%	14.53%	13.10%	10.34%

Periods greater than one year are annualized. Inception Date: 09/30/1987.

HIGHLIGHTS

- Russell 3000 Growth capped off a second consecutive year of 30%+ returns with a 7% return in the fourth quarter
- Strategy outperformed in October and November, but gave up its relative performance lead in December when mega caps returned to dominating the index's returns
- Riverbridge's focus on seeking out companies with consistent, internally financed unit growth should position the strategy to thrive in the year ahead, even if the economic environment does not meet investors' rosy expectations

MARKET COMMENTARY

Catalyzed by a strong economy, cooling inflation, and excitement around artificial intelligence, the Russell 3000 Growth index posted a second consecutive year of 30%+ returns in 2024. The S&P 500 index, meanwhile, notched its second straight year returning more than 20%, the first such streak since the late 1990s.

In the fourth quarter for the Russell 3000 Growth, two flat months sandwiched a strong post-election rally in November, ultimately resulting in a nearly 7% return for the index. The S&P 500 was more volatile, declining in both October and December and returning less than 2.5% in the final three months of the year.

In October and November, market leadership continued to broaden beyond large cap growth as it had in the third quarter. Then in December, five constituents of the Magnificent 7 (Tesla, Alphabet, Amazon, Apple, and Meta) plus fellow mega cap Broadcom produced positive returns in a month when nearly 80% of the Russell 3000 Growth index's constituents declined, bringing back at least temporarily the narrow market that prevailed for the first half of 2024.

In another flashback to the environment that dominated most of the past two years, for the full quarter those six companies plus NVIDIA accounted for 89% of the Russell 3000 Growth's return. Naturally, then, the sectors that house the Magnificent 7 – Information Technology, Consumer Discretionary, and Communication Services – dominated the index's performance. In fact, five of the Russell 3000 Growth index's 11 sectors declined in the fourth quarter, with Real Estate, Materials, and Health Care the worst performers.

PERFORMANCE COMMENTARY

The Riverbridge All Cap Growth strategy returned approximately 4% net of fees in the fourth quarter, trailing the 6.8% return of its primary benchmark, the Russell 3000 Growth index, but outpacing the 2.4% of its secondary benchmark, the S&P 500. For the year, the strategy climbed nearly 20% net of fees while the Russell 3000 Growth rose 32.5% and the S&P 500 rose 25%.

Reflecting on 2024, the strategy largely performed as expected in each of the three distinct periods it encountered. In the first half of the year, an already narrow market coming out of 2023 narrowed further. Though the Russell 3000 Growth index surged nearly 20% during the first six months of the year, less than half of the benchmark's constituents produced positive returns; instead, the market was buoyed by the strong performance of mega caps, particularly in the Information Technology and Communication Services sectors. Unsurprisingly, the All Cap Growth strategy lagged during this concentrated mega cap rally, as our portfolio is more diversified with respect to both market cap allocation and the weighting of our top 10 holdings.

Then, from July through November, the market began to broaden, boosting the relative returns of our well-diversified portfolio. In both the benchmark and the All Cap Growth strategy, small and mid cap companies meaningfully outperformed during this period, the first interruption of large cap leadership since the end of 2022. As expected, the portfolio comfortably outperformed the Russell 3000 Growth over these five months, as our balanced exposure across market caps proved beneficial to relative returns.

Continued on next page…

The dominance of mega caps returned in December, however, with a small handful of companies keeping the Russell 3000 Growth in positive territory despite nearly 90% of the index's stocks declining during the month. Just as in the first half of the year, the portfolio struggled on a relative basis in this environment and gave up the performance lead it had established in October and November.

At the sector level in the fourth quarter, the All Cap Growth strategy had overall positive stock selection, but its overweight to Health Care, Industrials, and Real Estate detracted from relative performance, as did its underweight to Consumer Discretionary and Communication Services.

Health Care struggled throughout 2024 but had an especially rough fourth quarter in the wake of the election and appointment of Robert F. Kennedy Jr., a self-professed opponent of America's current healthcare system, as the head of the Department of Health and Human Services. Much of the negative move was concentrated in industries where we do not typically invest – namely Biotechnology and Pharmaceuticals – but positive stock selection in Health Care was not enough to overcome the sector's drag on performance.

In Real Estate, our lone holding CoStar Group (CSGP), an information and data analytics provider to the commercial, multifamily, and residential real estate markets, performed better than the overall sector but still declined during the fourth quarter, as investors remain concerned about the impact of elevated interest rates on new housing starts and existing home sales.

TRANSACTION COMMENTARY

Portfolio activity was light in the fourth quarter, with the only change by the Riverbridge Investment Team being a trim of digital advertising platform The Trade Desk (TTD) after a period of strong stock performance.

OUTLOOK

As we enter 2025, bullish investors are touting consensus expectations of strong corporate earnings, respectable economic growth, and moderating inflation. While consecutive years of 20%+ returns are rare, the 1990s saw five consecutive years of such gains. If the inflation rate stabilizes around 2% and corporate earnings rise by the consensus forecast of 15%, 2025 could also deliver strong returns.

Still, several risks lie in wait. The market is more concentrated now than at any other time in history. The largest 10 stocks in the S&P 500 represent 38.7% of the index, making its performance heavily reliant on a small number of companies. Valuation levels are also elevated. The S&P 500 is trading at 21.5 times forward earnings, compared to the 30-year average of 16.9 times.

Regardless of the economic and market environment, we believe Riverbridge's portfolio companies are well positioned for 2025 and beyond. Our focus on seeking out franchises that can produce self-financed, non-cyclical unit growth means that they should not need a goldilocks economy to thrive in the years ahead. In addition, we are optimistic about our portfolio positioning as we enter a new phase of artificial intelligence development. Until now, investors have rewarded companies building the infrastructure to support AI, primarily hardware providers. Starting in 2025, we anticipate entering the most consequential phase: deployment. We expect companies to leverage AI in novel ways to boost efficiency and increase productivity. We expect our strategically positioned holdings to be key partners in helping their customers incorporate the benefits of AI into their businesses.

PURCHASES 4Q 2024

Security	Sector	Rationale
There are no new securities.		

SALES 4Q 2024

Security	Sector	Rationale
There are no liquidated securities.		

CONTRIBUTORS 4Q 2024

Security	Rationale
Tesla, Inc.	Investors optimistic about positive developments in Full-Self Driving (FSD); Trump/Musk relationship signals potential for reduced regulatory burden
NVIDIA Corporation	Fears of "air pocket" continue to get pushed back as demand exceeds all forecasts; Hyperscalers continue to increase capital expenditure
Amazon.com, Inc.	Developers and AI startups contribute to robust growth at AWS; across the board strength in cloud, retail, and advertising
Salesforce, Inc.	Steady core business, strong margin expansion, and anticipation of robust generative-AI-driven Agentforce demand
ServiceNow, Inc.	Consistent execution and growth suggest ServiceNow's position as central to digital transformation and AI rollout in the enterprise

DETRACTORS 4Q 2024

Security	Rationale
Danaher Corporation	Post-COVID normalization of growth is slow to materialize; management's outlook is optimistic but subdued
HEICO Corporation	Solid results but modest revenue slowing causes stock price pullback after strong YTD performance; opportunities to drive share gains in government contracts create potential upside
IDEXX Laboratories, Inc.	Vet clinics continue to face staffing challenges leading to fewer appointments
Floor & Decor Holdings, Inc.	Higher rates likely to delay immediate turnaround of residential housing transactions
UnitedHealth Group, Inc.	Assassination of insurance division CEO highlights public dissatisfaction with the healthcare system, leading to increased scrutiny and negative sentiment toward health insurance companies

ALL CAP GROWTH COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Russell 3000® Growth Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Russell 3000® Growth 3-Year Ex-Post Std. Dev.	Composite Assets ($ Millions)	Ttl Firm Assets ($ Millions)	Advisory Only ($Millions)	Ttl Firm Assets & Advisory Only ($Millions)
2023	32.65	31.62	41.21	220	0.48	20.39	20.34	695.8	7,429.2	4,432.2	11,861.5
2022	-29.99	-30.58	-28.97	227	0.34	22.65	23.43	577.4	6,279.5	3,892.8	10,172.3
2021	10.01	9.20	25.85	214	0.37	17.27	18.27	814.1	9,408.0	6,149.6	15,557.6
2020	45.60	44.52	38.26	181	0.95	18.51	19.87	750.9	8,478.1	4,896.5	13,374.6
2019	31.14	30.14	35.85	159	0.62	13.25	13.20	526.5	5,378.3	2,633.2	8,011.5
2018	5.12	4.30	-2.12	117	0.62	13.04	12.29	355.8	4,737.1	1,842.0	6,579.1
2017	25.73	24.78	29.59	96	0.69	10.21	10.62	357.7	5,047.9	1,791.1	6,839.0
2016	6.35	5.52	7.39	93	0.51	11.13	11.34	413.3	4,686.7	1,546.6	6,233.3
2015	5.52	4.68	5.09	89	0.53	10.54	10.80	379.9	5,030.8	1,202.4	6,233.2
2014	4.02	3.14	12.44	83	0.29	10.34	9.74	350.6	5,523.2	1,215.6	6,738.8

Firm Information: Riverbridge Partners, LLC is a Minnesota based investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The firm provides investment management services to institutional and individual investors. The company offers growth and income oriented investment services which it believes will provide high returns over the long term. The firm's standard fee schedule is an annual 1%.

Composite Characteristics: The All Cap Growth Composite was created in October 1987 and its inception date was 09/30/1987. It is a diversified growth stock portfolio invested in growth companies of all market capitalization ranges. A complete list and description of all firm composites, including broad and limited distribution pooled funds, is available upon request. The composite benchmark is the Russell 3000® Growth Index. The Russell 3000® Growth Index includes the segment of securities within the Russell 3000® Index with higher price-to-book ratios and higher forecasted growth values. The Russell 3000® Index is an unmanaged index measuring the performance of the broad U.S. equity universe. The benchmark returns are gross of all fees and taxes. The composite minimum value is $100,000.

Material risks of the strategy include stock market, business and economic development, liquidity, and foreign security risk. Leverage, derivatives, short positions and illiquid investments are not used in the strategy. As with any investment, an investor may lose money, and the strategy can underperform its benchmark. Investment in strategies is not insured by the FDIC or any other government agency.

Calculation Methodology: Individual portfolios are revalued daily starting 1/1/2009. Prior to that, individual portfolios were revalued monthly and intra-month when large cash flows (defined at 10%) occurred. Gross-of-fee returns are calculated net of transaction costs and gross of management fees. Until 12/31/2007, net performance was calculated by applying the maximum annual management fee of 1% to gross performance on a monthly basis. Starting 1/1/2008, net-of-fee returns are calculated net of actual investment management fees. Both gross-of-fee and net-of-fee returns are calculated gross of all withholding taxes on foreign dividends. Accruals are included in calculations. The dispersion measure is the equal-weighted standard deviation of accounts in the composite for the entire year. Dispersion and Ex-Post standard deviation is calculated using gross-of-fees returns. Policies for valuing investments, calculating performance, and preparing GIPS® Reports are available upon request.

Compliance Statement : Riverbridge claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Riverbridge has been independently verified for the period 12/31/1989 – 12/31/2023. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The All Cap Growth Composite has had a performance examination for the periods 10/01/1987 – 12/31/2023. The verification and performance examination reports are available upon request.

Composite Benchmark: The benchmark returns are not covered by the report of the independent verifiers. Any indices and other financial benchmarks shown are provided for illustrative purposes only. Information about indices is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indices may be materially different from the performance of the Adviser. In addition, the Adviser's recommendations may differ significantly from the securities that comprise the indices.

Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely and can result in a loss of portfolio value.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.