

PERFORMANCE (AS OF 06/30/2024)

	2Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Small Cap Growth (Gross)	-9.46%	-5.63%	-2.07%	-8.87%	5.93%	9.59%	12.26%
Small Cap Growth (Net)	-9.65%	-6.02%	-2.86%	-9.58%	5.10%	8.77%	11.29%
Russell 2000® Growth	-2.92%	4.44%	9.14%	-4.86%	6.17%	7.39%	7.89%

Periods greater than one year are annualized. Inception Date: 06/30/1988.

HIGHLIGHTS

- Russell 2000 Growth declined nearly 3 percent as small caps felt the brunt of shifting Fed expectations and a murky inflation picture
- Strategy underperformed and remained broadly out of favor; in the short-term, the AI hardware boom is leaving behind the software and services business models in which Riverbridge tends to invest
- The equity market likely needs to broaden beyond the largest six companies to advance further, presenting an opportunity for small caps to assume a leadership role going forward

MARKET COMMENTARY

On the surface, the first six months of 2024 appeared to be a utopia for investors. The S&P 500 returned nearly 15% with very little volatility, despite the Federal Reserve not cutting interest rates and with inflation remaining stubbornly elevated. These impressive returns, however, masked some underlying warning signs. Despite the overall index posting strong returns, the majority of stocks in the S&P 500 declined in the second quarter. The market's gains were driven almost exclusively by the six largest stocks, which have been fueled by enthusiasm about artificial intelligence.

Small cap investors, meanwhile, felt the brunt of shifting Fed expectations and a murky inflation picture. The Russell 2000 Growth index declined nearly 3 percent in the second quarter. Eight of the benchmark's 11 sectors declined; Information Technology, Industrials, and Consumer Discretionary weighed heaviest on market performance. Consumer Staples, Communication Services, and Utilities were the only sectors that generated modest gains.

PERFORMANCE COMMENTARY

The Riverbridge Small Cap Growth strategy experienced its most challenging period since the late '90s dot com era, declining more than 9.5 percent in the second quarter and trailing its primary benchmark, the Russell 2000 Growth, by nearly 7 percent. The portfolio's holdings underperformed their counterparts in every sector except Consumer Staples, indicating that the Riverbridge investment philosophy was broadly out of favor, as it has been since the fourth quarter of last year.

The Information Technology sector provides the clearest illustration. Throughout 2024, areas where Riverbridge does not typically find its investment disciplines - such as hardware and semiconductors - have performed best, while business services companies - most notably in the Software industry - have broadly underperformed. The Small Cap Growth strategy holds many such companies, as they tend to possess the characteristics we covet - strategic customer relationships, high degrees of recurring revenue, modest if any debt, and solutions that address mission critical needs.

NEW BUYS

Doximity, Inc.
Jamf Holdings Corporation
Transcat, Inc.

FULL SALES

Definitive Healthcare Corporation
International Money Express, Inc.
Model N, Inc.
Squarespace, Inc.

CONTRIBUTORS

Glaukos Corporation
Freshpet, Inc.
Squarespace, Inc.
Guidewire Software, Inc.
Exponent, Inc.

DETRACTORS

Five Below, Inc.
DoubleVerify Holdings, Inc.
Kinsale Capital Group, Inc.
Repligen Corporation
Stevanato Group SpA

Excluding MicroStrategy (MSTR), which is effectively a Bitcoin proxy rather than a Software company, Software and IT Services have been two of the weakest industries in the Russell 2000 Growth in 2024. The Small Cap Growth strategy is overweight to both areas and underweight the hardware and equipment companies that have led the market amidst the frenzy to build out the infrastructure for artificial intelligence applications. This combination has led to relative performance challenges in both allocation and stock selection. While current demand is staggering, once the infrastructure is built out, there tends not to be an encore that results in sustained earnings power for pure hardware players. In contrast, we believe the software and services companies in our Small Cap Growth portfolio are well positioned to incorporate new capabilities into their solutions to strengthen their value proposition to new and existing customers, and that such companies will capture much of the enduring earnings power created by AI.

Outside of technology, the strategy has also been hurt by its allocation to the Life Sciences Tools & Services industry within Health Care, though it also includes our largest contributor to performance year to date, Medpace. A provider of clinical development services to small and medium size biotechnology, pharmaceutical, and medical device firms, Medpace continues to experience strong bookings and win rates relative to its peers amidst a recovering biotech funding environment.

Finally, the strategy's relative performance in the Consumer Discretionary and Consumer Staples sectors have been polar opposites year-to-date. Consumer Discretionary has been a detractor, with specialty retailer Five Below (FIVE) declining as it deals with store theft and a weakening low-end consumer. Fresh pet food manufacturer Freshpet (FRPT), on the other hand, has seen its shares surge on strong demand and improving gross margins, as the company's focus on quality and logistics appears to be bearing fruit.

TRANSACTION COMMENTARY

The Riverbridge Investment Team purchased three new holdings during the second quarter.

Doximity (DOCS) is a comprehensive, verified digital platform for medical professionals, facilitating connections among the community, providing access to pertinent literature and industry updates, and offering job alerts. The company is also building out tailored efficiency tools such as telehealth services, shared calendars, and mobile fax capabilities to increase engagement with the platform.

Jamf (JAMF) provides mobile device management and security solutions specially designed for Apple devices. Jamf is unique in the industry, designing with an Apple-First, Apple-Only mentality. The company works closely with Apple to understand future products updates so that its device management programs can be offered without downtime and without substantially limiting device functionality.

Transcat (TRNS) provides calibration services, rental equipment, and distribution sales for measurement and control instrumentation. Two thirds of the company's revenues are derived from services, in which production equipment or test instruments are calibrated to ensure they are accurately measuring things like flow, temperature, electricity, or pressure. They also maintain inventory for customers to rent or purchase equipment and have it delivered already calibrated and ready for use.

The Investment Team also sold four companies during the quarter. Definitive Healthcare (DH) proved to be less mission critical to its customers than expected, resulting in their growth opportunities being more economically sensitive than we prefer. International Money Express (IMXI) demonstrated growth and market share gains, but ultimately we became uncomfortable with how exposed the company was to the macro environment and the exchange rate between the dollar and the peso. Model N (MODN) and Squarespace (SQSP) were both sold because they are being acquired by private equity.

OUTLOOK

To advance further, the market will likely need to broaden beyond the six largest companies, as they possess both lofty valuations and lofty expectations. If history is any guide, narrow, speculative markets tend not to persist for more than a few quarters. On a relative basis, a shift in leadership would likely be a boon for small and mid cap franchises.

The November election also injects elements of uncertainty into the markets. The election results will influence many elements of the economy that impact investor expectations, including the regulatory climate, monetary policy, and trading policies.

Outlook continued...

Regardless of the voluminous factors that promise to shape market returns in the second half of 2024, the Riverbridge Investment Team remains steadfast in its investment philosophy, which is centered on investing in companies possessing high degrees of recurring revenue while internally financing their growth. More importantly, we seek management teams that are prioritizing long-term earnings power over short-term reported earnings. Our portfolio companies continue to invest to strengthen their strategic market positions. We believe this focus on earnings power creates the foundation for compelling returns over a full market cycle.

Important Disclosure Information

Past performance is not indicative of future results. The mention of companies/stocks herein is for illustrative purposes only and should not be interpreted as investment advice or recommended securities. The securities identified do not represent all of the securities purchased, sold or recommended and the reader should not assume that any listed security was or will be profitable. There is no guarantee that the same or similar holdings will be purchased or held in accounts in the future. It should not be assumed that account holdings will correspond directly to any such comparative benchmark index. Comparative indices may be more or less volatile than Riverbridge portfolios. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions.

Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Riverbridge) or any other discussion made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Riverbridge, nor should it be construed in any way as tax, accounting, legal or regulatory advice.

Performance-related information provided in this document is presented as supplemental information to the GIPS Composite Report included herein. Riverbridge performance results reflect the reinvestment of dividends and other account earnings and are net of applicable account transaction charges. Performance results do not reflect the impact of taxes. Where presented, gross-of-fee performance figures presented do not reflect the deduction of investment advisory fees. A client's returns will be reduced by the advisory fee and other expenses incurred in the management of its account. For example, the deduction of a 1% advisory fee over a 10-year period would reduce a 10% gross return to an 8.9% net return. A description of our services and fees is included in our Brochure, ADV Part 2, which is available upon request.

SMALL CAP GROWTH COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Russell 2000® Growth Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Russell 2000® Growth 3-Year Ex-Post Std. Dev.	Composite Assets (\$ Millions)	TTL Firm Assets (\$ Millions)	Advisory Only (\$Millions)	Ttl Firm Assets & Advisory Only (\$Millions)
2023	21.21	20.26	18.66	101	0.36	20.30	21.79	2,099.7	7,429.2	4,432.2	11,861.5
2022	-31.79	-32.34	-26.36	104	0.30	24.40	26.20	1,897.0	6,279.5	3,892.8	10,172.3
2021	4.58	3.82	2.83	105	0.30	21.25	23.07	2,456.5	9,408.0	6,149.6	15,557.6
2020	55.10	53.89	34.63	97	0.84	22.70	25.10	2,402.9	8,478.1	4,896.5	13,374.6
2019	28.32	27.32	28.48	97	0.27	15.31	16.37	1,396.4	5,378.3	2,633.2	8,011.5
2018	8.14	7.32	-9.31	104	0.47	15.47	16.46	1,372.9	4,737.1	1,842.0	6,579.1
2017	24.09	23.18	22.17	107	0.60	12.99	14.59	1,408.0	5,047.9	1,791.1	6,839.0
2016	14.23	13.37	11.32	111	0.75	15.29	16.67	1,566.9	4,686.7	1,546.6	6,233.3
2015	-2.56	-3.22	-1.38	133	0.43	14.19	14.95	1,633.3	5,030.8	1,202.4	6,233.2
2014	-0.34	-1.03	5.60	155	0.50	13.28	13.82	1,938.4	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 Small Cap Growth Composite was created in July 1988 and its inception date was 06/30/1988. It is a diversified growth stock portfolio invested in small capitalization growth companies. The general market capitalization guideline can be redefined due to market appreciation or depreciation. 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 2000® Growth Index. The Russell 2000® Growth Index includes the segment of securities within the Russell 2000® Index with higher price-to-book ratios and higher forecasted growth values. The Russell 2000® Index is an unmanaged index measuring the performance of the small-cap 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 Small Cap Growth Composite has had a performance examination for the periods 07/01/1988 – 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.

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