

**PERFORMANCE (AS OF 09/30/2024)**

	3Q 2024	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Smid Cap Growth (Gross)	6.06%	1.94%	12.80%	-4.95%	7.23%	10.47%	10.76%
Smid Cap Growth (Net)	5.86%	1.35%	11.93%	-5.66%	6.44%	9.63%	9.94%
Russell 2500™ Growth	6.99%	11.20%	25.20%	-0.75%	9.75%	9.98%	9.31%

Periods greater than one year are annualized. Inception Date: 12/31/2006.

**HIGHLIGHTS**

- Russell 2500 Growth returned nearly 7% as small and mid caps outpaced large caps in the broader equity market for the first time since 2022
- Strategy slightly lagged its benchmark, with strength in Information Technology and Industrials offset by challenging performance in Healthcare
- Riverbridge's internally financed and less economically sensitive portfolio companies are well positioned for what is sure to be an eventful fourth quarter

**MARKET COMMENTARY**

The narrow, one-way market of the first half of 2024 gave way to a broader and more volatile environment in the third quarter. A lower-than-expected inflation reading in July sent the market's smallest constituents soaring, only for them to give up most of those gains two weeks later when the unemployment rate ticked up more than anticipated. On balance, subsequent economic indicators were good enough to calm the nerves of most investors, and the S&P 500 index closed the quarter at an all-time high.

For the first time in nearly two years, however, the Magnificent 7 was not the primary source of the market's returns. In the growth indices, small and mid cap franchises outpaced the returns of large caps for the first time since the fourth quarter of 2022. In the Russell 2500 Growth index, the interest rate sensitive Real Estate and Financials sectors produced the best returns, buoyed by the Federal Reserve's larger-than-expected 50 bps interest rate cut in September. Consumer Staples and Energy, on the other hand, were the only two sectors that declined.

**PERFORMANCE COMMENTARY**

The Riverbridge Smid Cap Growth strategy participated in the market's small and mid cap rebound in the third quarter, rising approximately 6% and modestly lagging the 7% return of its primary benchmark, the Russell 2500 Growth index.

While the momentum of the Magnificent 7 stalled in the third quarter, the strength of the best short-term performers continued relatively unabated in the Russell 2500 Growth index. This factor presented a modest headwind for the Smid Cap Growth strategy's relative performance, as our investment style has been out of favor throughout 2024.

However, the portfolio's relative performance was not linear during the quarter. Without any market moving news the first two weeks of July, the strategy continued to lag as it had during the first half of the year. With the release of the consumer price index (CPI) on July 11th, however, things shifted. The cooler reading gave market participants confidence the Federal Reserve could begin easing its restrictive monetary policy and all but guaranteed a September rate cut. The benchmark's smallest constituents surged immediately, but as the quarter continued, the Smid Cap Growth strategy began to pick up relative performance, especially when the market sold off at the beginning of August and September due to fears about worsening employment data. It was encouraging to see performance play out as expected, as Riverbridge's portfolio companies tend to do well in more challenging economic environments.

**NEW BUYS**

- Alkami Technology, Inc.
- Kadant, Inc.

**FULL SALES**

- AMN Healthcare Services, Inc.
- Powerschool Holdings, Inc.
- Squarespace, Inc.
- ZoomInfo Technologies, Inc.

**CONTRIBUTORS**

- Guidewire Software, Inc.
- HEICO Corporation
- Tyler Technologies, Inc.
- Floor & Decor Holdings, Inc.
- Paylocity Holding Corporation

**DETRACTORS**

- Progny, Inc.
- Medpace Holdings, Inc.
- Entegris, Inc.
- Five Below, Inc.
- West Pharmaceutical Services, Inc.

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Then on September 18th, the Fed lowered its benchmark interest rate by 50 basis points, a more aggressive policy move than many expected. Given Riverbridge's insistence that our holdings be capable of internally financing their growth, they tend to carry little to no net debt and are generally less correlated in the short-term to changes in interest rates. Unsurprisingly, the Smid Cap Growth strategy trailed the benchmark from the Fed's announcement through the end of the quarter.

These macroeconomic forces obscured a generally solid quarter of results and fundamental progress for the Smid Cap Growth portfolio's holdings. Stock selection in Information Technology and Industrials were the two strongest pockets of relative performance, an encouraging trend reversal from early 2024. Vertical software providers Guidewire (GWRE) and Tyler Technologies (TYL) produced double digit returns thanks to strong earnings reports that demonstrated continued strength in their respective end markets and successful transitioning of their customers to cloud-based offerings. In Industrials, two very different businesses contributed to performance; after-market aerospace parts manufacturer HEICO (HEI) rose as its flight support group continues to accelerate and grow market share, while human capital management software company Paylocity (PCTY) made continued progress on balancing growth and profitability amid a stabilizing labor environment.

Conversely, Health Care proved the most challenging sector for the strategy's relative performance. Late in the quarter, Progyny (PGNY), a provider of fertility benefits management services to self-insured employers and their employees, announced that their largest customer would be switching to a competitive offering. While the company indicated that its sales momentum for 2025 remains solid, the Riverbridge Investment Team is evaluating whether this customer loss is a one-off or signals an erosion of Progyny's market position. In addition to Progyny, two of the portfolio's Life Sciences holding, Medpace (MEDP) and West Pharmaceutical Services (WST), continue to execute well but are being impacted by short-term malaise about the biotechnology and pharmaceutical industries. Despite the cycles within biopharma, we believe the long-term opportunities for both companies remain unchanged and expect them to continue taking market share and delivering mission-critical goods and services to their customers.

#### **TRANSACTION COMMENTARY**

The Riverbridge Investment Team purchased two new companies in the portfolio during the third quarter.

Kadant (KAI) provides equipment, parts, and consumables to the pulp, paper, and wood-processing industries. The company's highly

engineered parts and software optimize the output and yield in continuous processes, creating a high degree of recurring revenue via the replacement of parts and use of consumables. We have owned Kadant in our Small Cap Growth strategy since 2020.

Alkami Technology (ALKT) creates cloud-based digital banking solutions for banks and credit unions in the United States. Outside the 20 largest "mega banks" that have enough internal IT resources to build their own digital capabilities, Alkami is a critical service provider to the 2,000 largest financial institutions, which need an IT partner to invest and develop the digital experiences that customers expect. Alkami delivers a comprehensive platform encompassing, online and mobile banking, bill pay and money transfer, financial management tools, and integration among a bank's systems to ensure the seamless flow of information.

We also sold four companies in the quarter. We exited Squarespace (SQSP) and Powerschool (PWSC) due to pending acquisitions by private equity. In addition, we sold AMN Healthcare (AMN) and ZoomInfo (ZI) for fundamental reasons. AMN's market leadership began to deteriorate as private equity-backed companies entered with aggressive pricing and tactics. In addition, the company was unable to gather increased market share in its managed services programs in the way we expected. ZoomInfo's end markets deteriorated rapidly in the last 2.5 years and the company has not made sufficient progress diversifying its customer base away from technology companies. While the product continues to get positive reviews from end users, customers have been able to get by with fewer seat licenses as they look to contain their own costs, creating pressure on ZoomInfo's retention rate and turning their growth outlook negative.

#### **OUTLOOK**

The fourth quarter will feature more potentially market moving scenarios than any period in recent memory. Earnings reports will be closely scrutinized for clues about corporate America's growth and capital spending plans for 2025. Economic data, and particularly jobs data, will be monitored for signs indicating whether the U.S. economy is heading for a recession. While it is a near certainty that the Fed will continue to ease rates in the fourth quarter, the magnitude of cuts is unknown. Most expect two more quarter point cuts. Should economic growth weaken, the Fed could opt for a more aggressive path.

Overseas, the Chinese economy is weak and the government is aggressively intervening, while Mideast tensions could lead to a full-scale war. Domestically, the November presidential election will be of keen interest to all market participants.

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*Commentary continued...*

We believe the Riverbridge portfolios are well positioned for this period of uncertainty. We seek companies that are less economically sensitive and not as susceptible to macro events. In weakening economic environments, our companies have historically demonstrated the ability to strengthen their relative market positions, and we remain confident that our internally financed portfolio companies will traverse this uncertain landscape well. We are also encouraged that the market is beginning to broaden and recognize the opportunities within small and mid-cap stocks. As always, timing the market is futile. Investing for the long-term in companies with enduring earnings power remains key.

#### 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.

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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.

## SMID CAP GROWTH COMPOSITE

Year	Gross-of-Fee Return (%)	Net-of-Fee Return (%)	Russell 2500™ Growth Return (%)	Portfolios	Dispersion (%)	Composite 3-Year Ex-Post Std. Dev.	Russell 2500™ Growth 3-Year Ex-Post Std. Dev.	Composite Assets (\$ Millions)	Ttl Firm Assets (\$ Millions)	Advisory Only (\$Millions)	Ttl Firm Assets & Advisory Only (\$Millions)
2023	21.61	20.74	18.93	114	0.78	20.43	20.95	1,092.3	7,429.2	4,432.2	11,861.5
2022	-31.56	-32.09	-26.21	115	0.48	23.15	25.18	1,101.4	6,279.5	3,892.8	10,172.3
2021	6.88	6.12	5.04	106	0.41	19.06	21.97	1,569.8	9,408.0	6,149.6	15,557.6
2020	47.90	46.84	40.47	83	0.83	20.53	23.93	1,459.6	8,478.1	4,896.5	13,374.6
2019	33.09	32.11	32.65	82	0.55	14.46	15.85	972.9	5,378.3	2,633.2	8,011.5
2018	0.44	-0.34	-7.47	82	0.48	14.65	15.33	996.2	4,737.1	1,842.0	6,579.1
2017	26.27	25.33	24.46	85	1.12	11.97	13.04	1,187.4	5,047.9	1,791.1	6,839.0
2016	8.58	7.73	9.73	86	0.49	13.45	14.67	942.6	4,686.7	1,546.6	6,233.3
2015	0.37	-0.42	-0.19	90	0.48	12.24	13.29	850.3	5,030.8	1,202.4	6,233.2
2014	3.90	3.08	7.05	112	0.36	11.31	12.53	957.3	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 SMID Cap Growth Composite was created in January 2007 and its inception date was 12/31/2006. It is a diversified growth stock portfolio invested in small to mid 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 2500™ Growth Index. The Russell 2500™ Growth Index includes the segment of securities within the Russell 2500™ Index with higher price-to-book ratios and higher forecasted growth values. The Russell 2500™ Index is an unmanaged index measuring the performance of the small to mid-cap U.S. equity universe. Composite dispersion is not presented for years with 5 or fewer accounts. The benchmark returns are gross of all fees and taxes. The composite minimum value is \$100,000. Prior to January 1, 2016, the composite minimum value was \$50,000.

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. 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 SMID Cap Growth Composite has had a performance examination for the periods 01/01/2007 – 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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