

## Investment Objective

The Nicholas Partners Small Cap Growth Fund (the “Fund”) seeks long-term capital appreciation.

## Fund Performance as of December 31, 2019

Fund Performance (%)	NPSGX (NET)	RUSSELL 2000 GROWTH®
4Q19	12.97	11.39
YTD*	25.06	19.04
ITD*	25.06	19.04

*\*Fund inception date: 1/16/2019. The gross expense ratio of NPSGX is 1.47%. The net expense ratio is 0.99%. The adviser has contractually agreed to waive fees until January 31, 2021. The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please visit our website at [www.nicfunds.com](http://www.nicfunds.com).*

## 4Q Review

Staying true to our investment discipline and conviction in the strength of the Fund's holdings paid off with a sharp rebound in fourth quarter performance after a challenging Q3. As a result, Nicholas Partners Small Cap Growth Fund marched higher in Q4. Positions in inefficient, niche segments of the market, such as small-cap healthcare, consumer-related and technology companies, were key drivers of absolute returns for the quarter. Biotech, hotels and semiconductor holdings were particularly strong performers for the reporting period. Conversely, energy and consumer staples holdings subtracted from absolute returns.

Stock selection was the key driver of excess returns over the benchmark. Relative to the Russell 2000 Growth Index, healthcare (biotech) and communication services (media) positions were the most additive while the portfolio's holdings in consumer staples and REITS underperformed those in the benchmark.

On an individual stock basis, the most additive positions to the Fund's absolute returns for the quarter included Reata Pharmaceuticals (therapies for rare metabolic and pulmonary diseases), Cardlytics (bank/credit card linked loyalty program solutions), Medicines Company (cardiovascular disease therapies), uniQure (gene therapies for Hemophilia B and Huntington's Disease) and Amarin Corporation (treatment to reduce cardiovascular risk). Shares of Reata Pharmaceutical, for example, reported positive topline results from its pivotal Part II portion in Friedreich's ataxia, a rare neuromuscular disease. Prior to this data read out, the company's valuation was primarily predicated upon its lead asset focused on chronic kidney disease. The inclusion of this successful trial in this underappreciated indication led to an upward re-rating of the company's pipeline. We continue to hold this position as it addresses a large and varied patient population in an underserved market, with expectations of upside optionality on pipeline opportunities. Shares of Cardlytics rose on better-than-expected Q3 revenue growth due to an acceleration of monthly user growth. Management also raised Q4 topline growth guidance.

The five largest detractors were ForeScout Technologies (security and infrastructure software solutions), Matador Resources (oil and gas production), Personalis (diagnostics for cancer immunotherapies), Elastic (open source enterprise data software) and SAGE Therapeutics (novel therapies for central nervous system disorders). Shares of SAGE Therapeutics pulled back on poor Phase III clinical data results.

## Key Takeaways

- Stocks end 2019 on a high note, posting their best returns since 2013. Investor optimism regarding progress on US-related trade deals, green shoots in global growth as monetary easing kicks in and reassurance that central bank (US Fed and ECB) policies will remain accommodative for an extended period helped spur the rally.
- Investors favored large caps for much of 2019 amid economic and geopolitical uncertainty, driving them to outperform mid and small-caps. Growth beat value again across small- and mid-cap ranges in Q4.
- In Q4, the Nicholas Partners Small Cap Growth Fund advanced 12.97%, to close 158 bps over the Russell 2000 Growth Index for the quarter. The Fund also beat the benchmark since its inception by 602 bps (January 16, 2019 through December 31, 2019).
- Key drivers of performance for the quarter and since inception were largely in inefficient, niche segments of the market, such as healthcare, consumer-related and technology companies with idiosyncratic growth catalysts.

## 4Q Review *(continued)*

We had cut back our exposure to the security prior to the data read out because of the high-risk nature of the data read out. Although the drug may still be approvable, we sold the position due to near-term questions around clinical relevance and pending additional clinical readouts in 2020 that would support the efficacy profile. Shares of Forescout Technologies declined on lower Q3 revenue growth guidance due to slowing sales cycles. We also sold our position in Forescout Technologies to take profits and redeploy the assets into an investment with more attractive growth catalysts. Matador Resources and Personalis were also sold. We continue to hold Elastics as we did not see a material breakdown in the company's fundamental growth drivers.

## Positioning

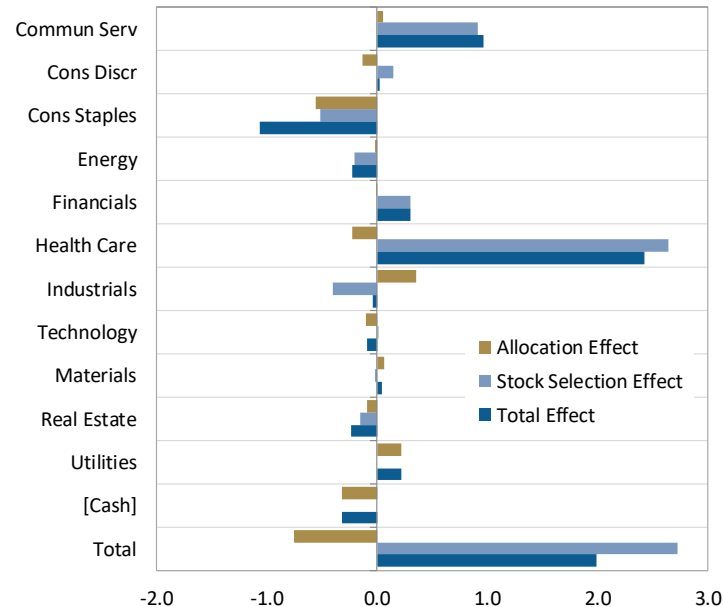
We believe we have positioned the Fund to benefit in an environment with incremental improvement in global growth and the prospect for an extended business cycle. As of December 31, 2019, the Fund's 19.5% EPS growth rate (FY1/FY2 wtd. avg.) is reflective of our tilt toward innovation-driven companies. This compares to 13.5% EPS growth (FY1/FY2 wtd. avg.) for the Russell 2000 Growth Index.

During the quarter, we selectively reduced the Fund's exposure to consumer staples, from 13.4% to 9.3%, by trimming our positions in Nomad Foods (frozen foods) to take some profits. Our exposure to healthcare increased during the quarter from 23.7% to 31.3% with the addition of key therapeutics, such as Esperion Therapeutics (novel therapeutics to treat hypercholesterolemia) and Iovance BioTherapeutics (tumor-infiltrating lymphocytes to treat various cancers.)

We continue to favor disruptive and innovative niches in healthcare, technology and select consumer companies. The portfolio's largest exposures are expressed in well-capitalized biotech companies working on curative therapies to address unmet medical needs, subscription software providers whose consistent revenues lessen the risk of financial underperformance and IT services with strong moats and distinctive business models that are gaining market share.

Relative to the Russell 2000 Growth Index, the largest active weights are in food products, consumer leisure and IT services stocks—with a focus on companies we believe can drive differentiated organic growth that is above and beyond the end markets that they serve, leading to an acceleration in their revenue and/or earnings growth. We remain underweight industrials and REITs.

## Performance Attribution vs. R2000 Growth 4Q 2019



## 5 Largest Absolute Contributors/Detractors 4Q 2019

TOP 5	AVG WEIGHT (%)	CONTRIB TO RETURN*
Reata Pharmaceuticals, Inc.	1.87	1.52
Cardlytics, Inc.	1.23	1.01
Medicines Company	1.49	0.87
uniQure N.V.	1.15	0.73
Amarin Corporation Plc	1.15	0.53

BOTTOM 5	AVG WEIGHT (%)	CONTRIB TO RETURN*
ForeScout Technologies, Inc.	0.24	-0.32
Matador Resources Company	0.21	-0.27
Personalis, Inc.	0.29	-0.27
Elastic NV	0.71	-0.25
SAGE Therapeutics, Inc.	0.58	-0.22

\*Contribution to portfolio absolute return.

## Where We Stand Now

Outlook for active management remains positive. We believe company fundamentals will have a greater impact on returns. With this firmly in mind, we are focused on companies in inefficient and niche market segments that we believe can drive differentiated organic growth that is above and beyond the end markets that they serve, leading to an acceleration in their revenue and/or earnings growth.

We are also in the camp that growth and cyclicals with idiosyncratic catalysts are poised to do well in 2020. Factors supporting our view include:

- Consumer strength holds steady with lower unemployment and rising wage growth
- Improving economic backdrop and extension of business growth cycle; though we are closely monitoring the impact on global growth and sentiment from the spread of the Coronavirus out of China
- Trade deal boost
- An accommodative Fed

Valuations are important. As multiples expand, we recognize that absolute valuations are not cheap at this stage in the cycle with the S&P 500 trading at 18.2x NTM P/E and the Russell 2000 Index at 23.4x NTM P/E according to FactSet. As a result, we continue to closely monitor portfolio holdings against various valuation metrics as part of our disciplined risk-monitoring process, which results in trimming or selling those that exceed their historical and industry averages.

*Wishing you a prosperous 2020!*

## Fund Characteristics as of December 31, 2019

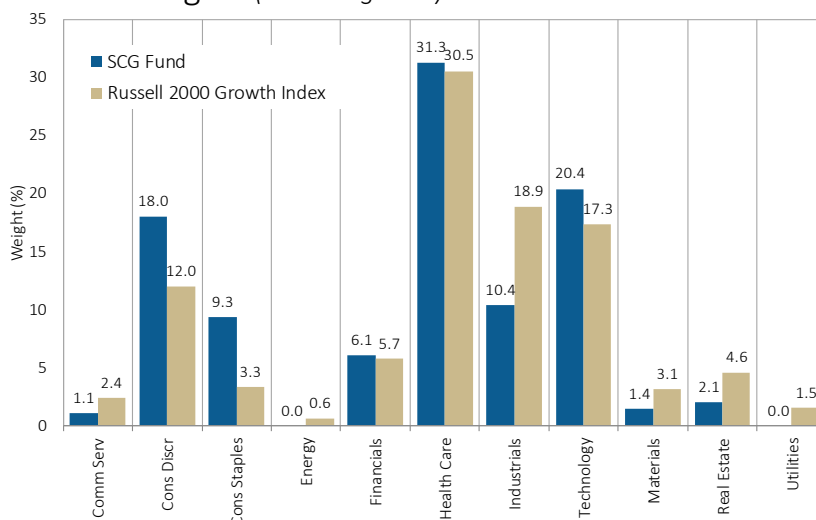
SUMMARY	SMALL CAP GROWTH
Number of Holdings	86
% Active Share	91.2
% Off Benchmark Weight	49.3
% of Equity	99.3
% of Cash	0.7

CHARACTERISTICS	SMALL CAP GROWTH	R2000 GROWTH
EPS Growth (FY1/FY2 wtd. avg.)	19.5%	13.5%
EPS Growth (3–5 year wtd. avg.)	18.6%	15.3%
P/E (FY2 wtd. harmonic avg.)	20.8 x	19.0 x
Market Cap (median)	\$3.3 B	\$925 M

TOP 10 HOLDINGS	SECTOR	WEIGHT (%)
CACI International Inc	Information Technology	3.5
Monolithic Power Systems	Information Technology	3.3
Simply Good Foods Co	Consumer Staples	3.1
Callaway Golf Company	Consumer Discretionary	2.9
Kornit Digital Ltd.	Industrials	2.5
Trex Company, Inc.	Industrials	2.0
Reata Pharmaceuticals	Health Care	2.0
Papa John's International	Consumer Discretionary	2.0
Saia, Inc.	Industrials	2.0
SkyWest, Inc	Industrials	1.9

## Sector Weights (excluding cash)

*Holdings are subject to change*



There are risks involved with investing, including possible loss of principal. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political instability in other nations. REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. There is no assurance the fund's investment objective will be achieved or maintained.

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Index returns are provided as a general indicator of the investment environment existing during the time periods shown and are provided for comparison purposes only. The returns for the index do not include any transaction costs, management fees or other costs. Investors may not make direct investments into any index. Investors should consider comparing the performance of any potential investment to other benchmarks and indices that are representative of their particular investment objectives, horizons and risk tolerances.

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

**Definitions:** Active Share is the percent of companies in the portfolio that differs from the benchmark. Off Benchmark Weight is the percent of securities held in the portfolio that are not held by the benchmark. Market Cap refers to the total dollar market value of a company's outstanding shares. This figure is commonly used to determine a company's size. Price/Book Ratio compare a company's current market price to its book value. P/E Ratio (FY2) is a forward-looking valuation measure of a company's common stock. It encapsulates the amount of earnings estimated for next year per dollar of current share price. For the fund, the individual P/E stock ratios are then weighted by their respective portfolio market values in order to calculate a weighted harmonic average representative of the portfolio as a whole. P/E Ratio (FY2) is not a forecast of the fund's future performance. EPS Growth (FY1 to FY2) is the percent change in FY2 consensus EPS estimate to FY1 consensus EPS estimate. EPS Growth (FY1 to FY2) is not a forecast of the fund's future performance. EPS Growth (3 to 5 YR) is the average consensus long-term EPS growth rate estimate over the next 3 to 5 years using a weighted average for holdings at the aggregate level. EPS Growth (3 to 5 YR) is not a forecast of the fund's future performance.

**Consider the fund's investment objective, risk, and charges and expenses. This and other information can be found in the fund's prospectus, and if available, the summary prospectus, which may be obtained by visiting [www.nicfunds.com](http://www.nicfunds.com) or by calling 833-810-7345. Please read the prospectus, and if available the summary prospectus, carefully before investing.**

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## ABOUT NICHOLAS INVESTMENT PARTNERS

Nicholas Investment Partners, L.P. is an investment boutique led by Catherine Nicholas focused on dynamically growing small- and mid-cap companies, investing in both equities and convertible bonds and with a distinctive expertise in the healthcare sector. It has consistently adhered to a forward-looking investment philosophy that seeks to identify companies undergoing positive change where the resulting acceleration of growth is sustainable and the investment is timely. Its edge comes from combining fundamental equity and credit research with the objectivity and efficiency of quantitative analytics and decades of experience over multiple market cycles. The firm is headquartered in San Diego County, CA and currently manages \$894 million across all strategies with over \$300 million in partner assets invested alongside clients as of 12/31/2019.