

## Fund Performance

as of December 31, 2023

| Performance | NPSGX<br>(NET) | RUSSELL 2000<br>GROWTH® | EXCESS RETURN<br>(NET) |
|-------------|----------------|-------------------------|------------------------|
| 4Q23        | 12.65%         | 12.75%                  | -0.10%                 |
| YTD         | 20.05%         | 18.66%                  | 1.39%                  |
| 1 Yr Ann.   | 20.05%         | 18.66%                  | 1.39%                  |
| 3 Yr Ann.   | -3.23%         | -3.50%                  | 0.27%                  |
| ITD Ann.*   | 14.09%         | 7.63%                   | 6.46%                  |

\*Fund inception date:1/16/2019. The gross expense ratio of NPSGX is 1.15%. The net expense ratio is 0.99%. The adviser has contractually agreed to waive fees until January 31, 2025. 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).



## Morningstar Rating™

Nicholas Partners Small Cap Growth Fund (NPSGX) was rated against the following numbers of 563 Small Cap Growth funds in the Morningstar Small Cap Growth category over the 3-year period ending December 31, 2023.

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## 4Q23 Market Overview

The fourth quarter of 2023 highlighted a remarkable contrast in the U.S. stock market, beginning with a turbulent October where geopolitical tensions and the Fed's firm stance on interest rates prompted a sell-off, with the S&P 500 and Russell 2000 dropping by -2.10% and -6.82%, respectively. Despite positive GDP growth, market sentiment was dampened, especially in sectors like healthcare, technology, and consumer discretionary, reflecting concerns over the economy's long-term growth potential amid "higher-for-longer" interest rate environment.

A pivot occurred in November, with the market rebounding as interest rates receded, propelling the S&P 500 and Russell 2000 to gains of +9.13% and +9.10%. This momentum persisted into December, with a more dovish Federal Reserve stance, falling yields, and surging interest in equity ETFs driving broader market gains. The Russell 2000 Index led the surge, outperforming large caps with a +12.2% increase, while the S&P 500 also advanced by +4.5%. Overall US equity markets ended the year on a high note.

| As of 12/31/23          | 4Q23  | CY2023 |
|-------------------------|-------|--------|
| S&P 500 Index (TR)      | 11.7% | 26.5%  |
| Russell 2000 Index (TR) | 14.0% | 16.9%  |

Source: MSCI/S&P Global, FTSE/Russell and Nicholas Investment Partners

In summary, the fourth quarter of 2023 underscored the resilience and dynamic nature of the market, influenced by a range of economic and policy factors. Looking ahead, we remain cautiously optimistic near-term as we navigate the shifting economic environment and escalating geopolitical tensions.

## Performance Discussion

The Nicholas Partners Small Cap Growth Fund (“Fund”) concluded the year strongly, returning +12.7% (net) in 4Q23 and securing a +20.1% (net) gain for 2023. In comparison, the Russell 2000 Growth (R2G) benchmark posted a +12.8% quarterly return and +18.7% annual gain.

Our disciplined investment process, focusing on companies with sustainable growth catalysts, yielded solid gains, especially in healthcare, industrials, and technology sectors. Stock-specific events in the energy and communications services sectors adversely impacted our performance. The largest quarterly detractors were ChampionX Corp and Iridium Communications. Security-level analysis showed that nearly 70% of Fund holdings contributed positively to Q4 performance.

## Largest Contributors

**Monolithic Power System (MPWR – semiconductors):** Shares rose after strong 3Q23 results and positive guidance, highlighted by its Enterprise Data end market revenue growth of \$98.9m in Q3, significantly above our expectations. Management noted strength in both GPU and CPU sales as the company's products for AI servers’ ramps quickly, a sustainable growth catalyst over the next 12 to 24 months in our view.

**Symbotic, Inc. (SYM – automation/robotics machinery):** Shares advanced on better-than-expected EPS and revenue growth with sales of \$392 million, a 60% increase year-over-year. In addition to improving operating leverage, stronger-than-expected profitability was supported by cost reductions and commercialization of the next-generation autonomous mobile robot, “Symbot.” Numerous levers also support a strong 2024 outlook, highlighted by accelerating lead times, ramping up production, and favorable product mix.

**Cytokinetics (CYTK - biotech focused on small-molecule therapies):** CYTK rallied on strong topline Ph3 SEQUOIA-HCM data with aficamten efficacy and safety results stronger than expected. (CYTK) specializes in developing muscle-targeted therapies, notably aficamten for obstructive hypertrophic cardiomyopathy (HCM). Their SEQUOIA-HCM trial for aficamten showed significant improvements in HCM symptoms, with a safety profile similar to placebo, marking a notable advancement in treating this heart condition. Positive results at 12 weeks and 24 weeks indicate the rapidity of response as well as durability, which could be seen as a potential differentiator. With additional catalysts in expected in 2024, our conviction in the investment these remains strong and we incrementally added to the position in mid-December, ahead of PH3 results.

## Largest Detractors

**Lattice Semiconductor (LSCC: semiconductor):** Lattice Semiconductor (LSCC) experienced a pullback following its 3Q23 results, which met expectations but included weaker Q4 guidance. The company cited diminishing demand in Industrial markets across various regions, attributing this to increased interest rates affecting customers' capital expenditures. Despite these challenges, LSCC's unique position as the sole independent public FPGA company is aiding its market-share growth. The company is optimistic about its new product cycle, Avant, which has begun shipping. Avant is expected to significantly boost revenue in 2024/2025, with its Average Selling Price (ASP) being 10X to 20X higher than the company's current average.

## Largest Detractors cont.

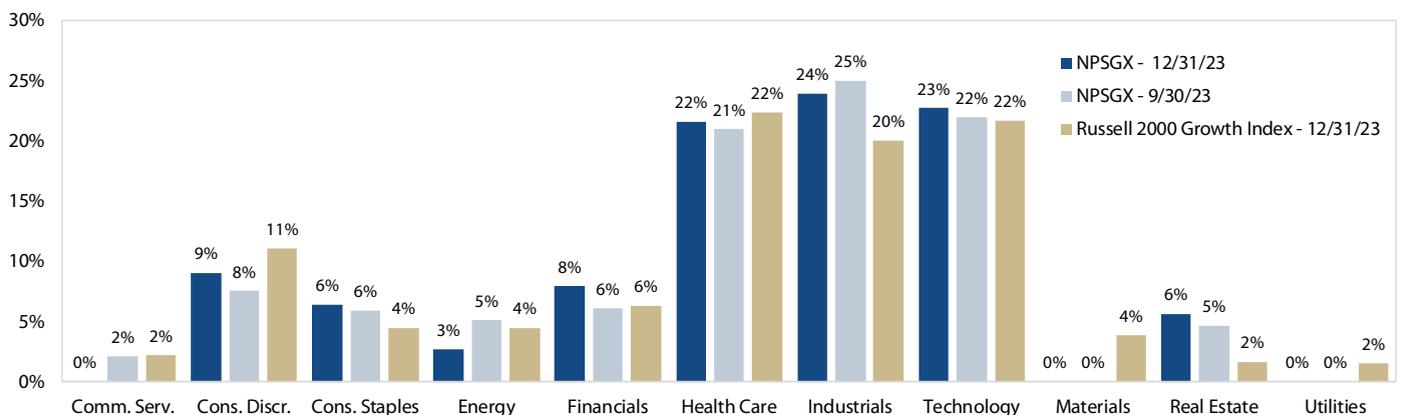
**ChampionX (CHX: oilfield services and equipment):** Shares of CHX declined following lighter-than-expected EPS and FCF growth driven by shortfalls in U.S.-leveraged Production & Automation and Drilling Technologies segments, while Production Chemicals was impacted by \$7.2 million of foreign exchange losses. 4Q guidance was also below expectation. As such, we took profits and exited the position given weak operational results and less clarity on energy price forecasts.

**Iridium Communications (IRDM - global mobile satellite communication services):** IRDM came under pressure following worse-than-expected quarterly results due to a larger than expected decline in equipment revenue. Further, we exited the position due to a weaker revenue growth outlook for 2024 following the additional news that Qualcomm was terminating its agreement to use IRDM's satellite technology in QCOM's Snapdragon chips.

In relative terms, our healthcare and energy investments excelled, with Cytokinetics and ImmunoGen standing out in the healthcare sector. However, our technology, communication services and consumer discretionary selections underperformed during the period. For instance, software and semi-positions lagged, attributable to a pullback in non-benchmark positions Confluent (data streaming software) and Lattice Semiconductors (semiconductors). Our conviction in the long-term growth profile in these companies remains intact and as of this report, the positions have provided upside portfolio gains from their cost basis.

Our strategy remains focused on companies showing sustainable improvements in key financial metrics, especially in the industrial, technology, and healthcare sectors. This approach is crucial given current market dynamics and the potential of small-cap stocks to lead if growth decelerates and yields stabilize.

At the close of the quarter, the Fund remains fully invested with cash levels <1% and is characterized by a high active share (90%). We've made incremental changes to sector weights, increasing exposure to financials and consumer discretionary sectors. Notably, we added Wintrust Financial in financials and Abercrombie and Fitch in apparel, although our focus remains on industrials, technology, and healthcare sectors.



Source: FactSet, FTSE/Russell, Nicholas Investment Partners.

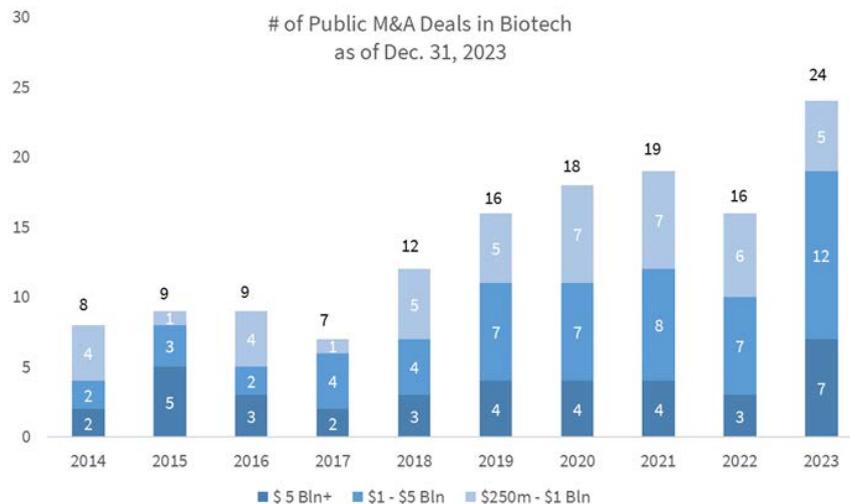
Information is reported in US dollars. Results are for the Fund as of the date above and subject to change. Additional information about the portfolio is available upon request. Please refer to the appendix for additional disclosures. Supplemental information.

## Sector Weights and Industry Trends

**Industrials (~24% weight):** We're witnessing strong trends in automation and re-onshoring. Investments in companies that facilitate these trends, such as those involved in advanced manufacturing and logistics automation, are key focuses. Pent up housing demand is poised to benefit from lower rates.

**Technology (~23% weight):** Our outlook is positive, with 2024 poised to bring many innovative solutions, especially in Gen-A. The portfolio is concentrated on companies that provide the essential components for Gen-AI adoption. Stabilizing software demand trends and expanding margins in our holdings also bolster our conviction.

**Healthcare (~22% weight):** Our significant overweight in biotech continues, positioning the portfolio for upcoming clinical, regulatory, or financial milestones. The recent M&A activity in the sector is promising, potentially increasing valuations for near commercial or de-risked Phase 2 and Phase 3 assets.



Supplemental Information - As of December 31, 2023

Source: Leerink; SEC filings, press releases. Includes whole company acquisitions of public biotech companies.

## Looking Ahead

Economic trends remain unclear, but with inflation coming down so convincingly this will give the Fed the optionality to be data dependent. Thus, our near-term outlook remains cautiously optimistic, as financial markets transition towards normalization, evidenced by moderate economic growth, easing inflation, and a potential recovery in corporate earnings. Key highlights include:

**Normalization of Inflation:** The Core Personal Consumption Expenditures (PCE) inflation rate is estimated to be running at 3.2% over 12 months and at 2.7% for the last six months. There is an expectation that inflation will stabilize within the range of 2.5% to 3.0% over the next six months.

## Looking Ahead cont.



This abatement in inflation is influencing the normalization in interest rates, which have fallen from 4.9% to 3.9%, as measured by the 10 Yr US Treasury yield in Q4. However, the yield curve remains inverted, which historically signals a recession. However, it is our view that this stabilization in rates gives the Federal Reserve (Fed) ample room to maneuver, especially if the economy weakens.

Corporate earnings also appear to have bottomed in the second quarter of 2023. This bottoming, combined with the abatement in rates, has led to a broad stock market rally. These data points suggest a transition towards a more normalized financial environment, with easing inflationary pressures and a recovery in corporate earnings contributing to a broadening of equity market strength, as experienced in December, where small-cap stocks outperformed large caps by 900 basis points.

## Small Cap Stocks: A Promising Outlook

Amidst this broader context, small-cap stocks emerge as a compelling area:

**Valuation and Market Share:** Small-caps are trading at a significant discount relative to large-caps. Representing just 4% of the US equity market share, even modest investment inflows could trigger a significant re-rating.

**Catalysts for Outperformance:** Factors such as inflation deceleration, easing interest rates, and widening market breadth present potential catalysts. These elements historically favor small-cap stocks over larger counterparts.

## Conclusion

While the outlook for 2024 needs to account for a potential global economic slowdown, rising geopolitical tensions, and multiple worldwide elections, our strategy remains cautiously optimistic. The possibility of a soft landing is juxtaposed with signals suggesting caution against a potential recession.

Our investment approach is twofold: selective security choices and strategic industry allocation. This method diverges from the norm of adhering closely to benchmark sector weightings. By focusing on sectors that offer the highest risk-adjusted return potential, particularly within the small-cap space, we are well-positioned to leverage opportunities that arise from market shifts. As always, we are committed to navigating these complexities to identify and capitalize on market opportunities for our clients.

**Nicholas Partners**  
**Small Cap Growth Fund**  
**(NPSGX)**

# NICHOLAS INVESTMENT PARTNERS

## FUND HIGHLIGHTS

|                             |                      |
|-----------------------------|----------------------|
| Fund Assets                 | \$102.1 million      |
| Ticker Symbol               | NPSGX                |
| CUSIP                       | 00774Q726            |
| Inception Date              | 1/16/2019            |
| Asset Class / Style         | US Equity / Growth   |
| Capitalization              | Small Cap            |
| Approach                    | Active               |
| Driver of Expected Return   | Stock Selection      |
| Benchmark                   | Russell 2000 Growth® |
| Total Expense Ratio (Net)*  | 0.99%                |
| Total Expense Ratio (Gross) | 1.15%                |
| Minimum Initial Investment  | \$5,000              |

\*Adviser has contractually agreed to waive fees until January 31, 2025.

## Investment Objective

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

## What Sets Us Apart

- Specialists in identifying dynamically growing companies whose revenues and earnings are catalyzed by positive change
- Edge comes from combining fundamental research with objectivity and efficiency of quantitative analytics
- Investment expertise in both equities and convertibles provides insights across a company's capital structure
- Over 30 years of experience investing in small- to mid-cap companies

### Catherine Nicholas

*Managing Partner, Chief Investment Officer and Lead Portfolio Manager*

39 years Industry Experience  
16 years with Firm

### John Wylie

*Partner, Portfolio Manager*

41 years Industry Experience  
15 years with Firm

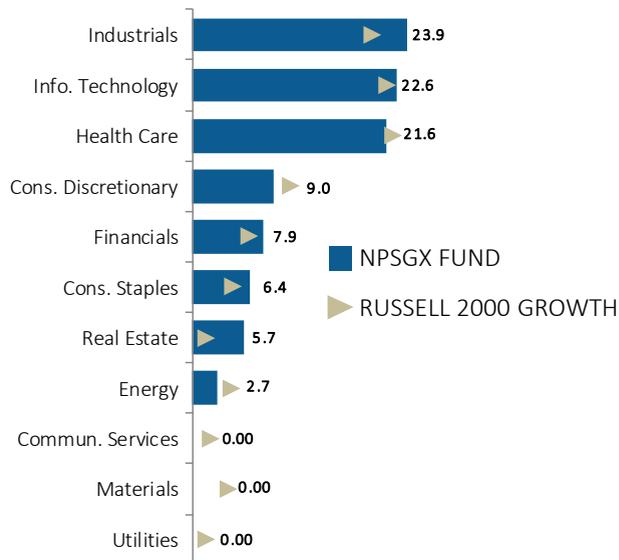
## CHARACTERISTICS

|                                 |         |
|---------------------------------|---------|
| Number of Holdings              | 83      |
| % Active Share                  | 89.7%   |
| % Off Benchmark Weight          | 50.2%   |
| EPS Growth (FY1/FY2 wtd. avg.)  | 15.1%   |
| EPS Growth (3–5 year wtd. avg.) | 14.2%   |
| P/E (FY2 wtd. harmonic avg.)    | 19.4 x  |
| Market Cap (median)             | \$4.7 B |

## TOP 10 HOLDINGS

|                        | SECTOR                 | WEIGHT (%) |
|------------------------|------------------------|------------|
| BWX Technologies, Inc. | Industrials            | 3.5        |
| Monolithic Power       | Information Technology | 3.1        |
| Weatherford Int.       | Energy                 | 2.7        |
| MGIC Investment Corp   | Financials             | 2.6        |
| Celsius Holdings, Inc. | Consumer Staples       | 2.6        |
| Tanger Inc.            | Real Estate            | 2.6        |
| Evercore Inc.          | Financials             | 2.5        |
| Lattice Semiconductor  | Information Technology | 2.3        |
| e.l.f. Beauty          | Consumer Staples       | 2.3        |
| TFI International Inc. | Industrials            | 2.2        |

## Sector Weights (%) (excluding cash)



**HOLDINGS:** Holdings are subject to change. Specific securities identified do not represent all securities purchased, sold or recommended to advisory clients. It should not be assumed investments in these securities were or will be profitable. **Active Share** is the percent of companies in the portfolio that differs from 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. **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.

## FOR ADVISOR SUPPORT

1-858-381-8189

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**Currently available on Fidelity, Schwab, TD Ameritrade,  
 Interactive Brokers and Pershing Platforms**

**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.**

There are risks involved with investing, including possible loss of principal. In addition to the normal risks associate 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.**

The Fund is distributed by SEI Investment Distribution Company (SIDCO) 1 Freedom Valley Dr, Oaks PA 19456. SIDCO is not affiliated with Nicholas Investment Partners.

**Definitions:** Active Share is the percent of companies in the Fund 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. ROR is rate of return. Alpha is measured as the excess return of the Fund, or group of funds, versus a specific Index.

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**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. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics. Index returns include the effect of dividends and income which are reinvested daily.

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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.