Quarterly Commentary

Q4 – 2024

January 2, 2025

Dear Client,

The broad U.S. stock market enjoyed its second consecutive year of returns over 20%. The last time the market declined in the fourth quarter after advancing 20+% in the first three quarters was during the 1987 crash, so a continued advance was unsurprising. It was, however, disappointing to see a return to very narrow leadership. The top ten largest members of the S&P 500 each easily bested the benchmark and now represent over 37% of the index (the top 5 components are over 27%). Small-Cap leadership was short lived and Growth once again outperformed Value.

While valuations are expensive based on historic metrics at 23.5X forward earnings, this is a far cry from the Internet Bubble at year end 1999, when multiples on the largest companies were triple digits, if there were any earnings at all. Even the Nifty Fifty of the late 60's-early 70's saw P/Es peak at 42X. The Nifty Fifty were the leading-edge companies of their day, but AI represents considerably greater transformative innovation than Polaroid cameras, or even McDonald's fast food. Only Tesla (at 120X forward earnings), with its unique status and apparent disconnect from current operations, trades above 42X next 12 month estimates. The majority of the market leaders that dominate the weighted S&P 500 are expected to enjoy nice earnings growth and have financial resources to capitalize on new opportunities.

The U.S economy is expected to grow between 2% and 2.5% in 2025, fueled heavily by investments in AI and security. The Fed has intimated that it will be more hawkish in its approach and further interest rate cuts will be data dependent. This suggests rates on Treasury debt will remain comfortably above 4% until there is a cooling of the economy. Mortgage rates appear steady between 6%-7%, a level that is still challenging for homebuyers and not likely to support an uptick in activity. Jobs data is mixed and will be pressured by AI over time. Healthcare demographics will continue to provide growth, but a change in Administrations will likely reverse much of the recent government hiring initiatives.

There are a significant number of key unknown variables in play as President Trump returns to the White House. A fair number of Democrats are making overtures to work with the new Department of Government Efficiency (DOGE) in an effort to maintain some influence on decisions. Nevertheless, it is clear that partisan government will continue and most legislation will require compromise. At the forefront are Trump's proposed tariffs. It seems a majority of Americans favor our trade and defense partners paying an increased share, but there is little discussion about retaliatory reactions from China and other targeted countries. We may be energy independent, but we rely on foreign sources for other natural resources and international trade partners for many of our key industries. The ultimate resolutions will likely add inflationary pressure and continue to strengthen the U.S. dollar given our resilient economy.

Perhaps Trump will bring an end to costly conflicts in Ukraine and the Middle East, but it will not create much opportunity to reduce defense spending. There is expected to be a significant reduction in government regulatory oversight, which along with favorable tax policy, should lead to an increase in M&A activity, share repurchases and investment to boost productivity and growth. Popular campaign issues on immigration, crime, taxes and entitlement programs are certain to be watered down in the end, as a perceived mandate will face fiscal reality.

Oak Ridge Large-Cap portfolios underperformed by about 2% during the fourth quarter, which left annual results comparably behind the Russell 1000 Growth benchmark. Given the highly concentrated market leadership, the past two years returns of approximately 41% and 31% respectively provided not only exceptional absolute performance, but strong results versus our peers. Nearly the entire quarterly shortfall can be attributed to two factors: a correction in the leading GLP-1 manufacturer following a multi-year run during which we trimmed the position on valuation; and concentration concerns and the post-election spike in Tesla, which is not held in the portfolios due to valuation concerns.

Technology and Communication Services now combine for slightly more than 60% of the Russell 1000 Growth Index, as well as our portfolio. Virtually every growth manager's success depends on how well they navigate this critical area, and we continue to believe there is good value in the Mega-Cap leaders. While we are slightly underweight the top tier, particularly the largest gainer, Nvidia, we have more than offset that with strong stock selection in smaller large and mid-cap holdings and continue to add to these emerging leaders. Healthcare has been a long-standing area of strength for all Oak Ridge products. While stock selection remains strong, other than the aforementioned fourth quarter correction in our largest holding due to a cooling on the GLP-1 front, the sector was the worst performing major bench component and our overweighting offset most of the selection contribution. Tech/Comm Service stole the headlines, but Staples concluded 2024 nicely and led in positive attribution for the year, due to well received restructuring in a food and personal care holding and the avoidance of large beverage stocks in the benchmark.

We appreciate your confidence in trusting us as your equity manager and extend our wishes for a healthy, happy and prosperous New Year.

Sincerely,

Sincerely,

David M. Klaskin,

Chief Executive Officer & Chief Investment Officer

January 2, 2025

Dear Client,

The broad U.S. stock market enjoyed its second consecutive year of returns over 20%. The last time the market declined in the fourth quarter after advancing 20+% in the first three quarters was during the 1987 crash, so a continued advance was unsurprising. It was, however, disappointing to see a return to very narrow leadership. The top ten largest members of the S&P 500 each easily bested the benchmark and now represent over 37% of the index (the top 5 components are over 27%). Small-Cap leadership was short lived and Growth once again outperformed Value.

While valuations are expensive based on historic metrics at 23.5X forward earnings, this is a far cry from the Internet Bubble at year end 1999, when multiples on the largest companies were triple digits, if there were any earnings at all. Even the Nifty Fifty of the late 60's-early 70's saw P/Es peak at 42X. The Nifty Fifty were the leading-edge companies of their day, but AI represents considerably greater transformative innovation than Polaroid cameras, or even McDonald's fast food. Only Tesla (at 120X forward earnings), with its unique status and apparent disconnect from current operations, trades above 42X next 12 month estimates. The majority of the market leaders that dominate the weighted S&P 500 are expected to enjoy nice earnings growth and have financial resources to capitalize on new opportunities.

The U.S economy is expected to grow between 2% and 2.5% in 2025, fueled heavily by investments in AI and security. The Fed has intimated that it will be more hawkish in its approach and further interest rate cuts will be data dependent. This suggests rates on Treasury debt will remain comfortably above 4% until there is a cooling of the economy. Mortgage rates appear steady between 6%-7%, a level that is still challenging for homebuyers and not likely to support an uptick in activity. Jobs data is mixed and will be pressured by AI over time. Healthcare demographics will continue to provide growth, but a change in Administrations will likely reverse much of the recent government hiring initiatives.

There are a significant number of key unknown variables in play as President Trump returns to the White House. A fair number of Democrats are making overtures to work with the new Department of Government Efficiency (DOGE) in an effort to maintain some influence on decisions. Nevertheless, it is clear that partisan government will continue and most legislation will require compromise. At the forefront are Trump's proposed tariffs. It seems a majority of Americans favor our trade and defense partners paying an increased share, but there is little discussion about retaliatory reactions from China and other targeted countries. We may be energy independent, but we rely on foreign sources for other natural resources and international trade partners for many of our key industries. The ultimate resolutions will likely add inflationary pressure and continue to strengthen the U.S. dollar given our resilient economy.

Perhaps Trump will bring an end to costly conflicts in Ukraine and the Middle East, but it will not create much opportunity to reduce defense spending. There is expected to be a significant reduction in government regulatory oversight, which along with favorable tax policy, should lead to an increase in M&A activity, share repurchases and investment to boost productivity and growth. Popular campaign issues on immigration, crime, taxes and entitlement programs are certain to be watered down in the end, as a perceived mandate will face fiscal reality.

Oak Ridge All-Cap portfolios slightly underperformed during the fourth quarter, but managed to narrowly surpass the Russell 3000 Growth benchmark surge of 32.4% for calendar 2024. Nearly the entire quarterly shortfall can be attributed to two factors: a correction in the leading GLP-1 manufacturer following a multi-year run during which we trimmed the position on valuation; and concentration concerns and the post-election spike in Tesla, which is held at less than half the index exposure. Industrial holdings were particularly strong, as a focus away from cyclical and international businesses was well rewarded, particularly in the areas of aerospace parts and personal safety/security.

Technology and Communication Services now combine for slightly more than 60% of the Russell 3000 Growth Index, as well as our portfolio. Virtually every growth manager's success depends on how well they navigate this critical area, and we continue to believe there is good value in the Mega-Cap leaders. While our overweight is minimal, it has been a contrarian view relative to the majority of our peer group, and a position we feel will continue to add value in a market that rewards top innovators. Our smaller large-cap and mid-cap holdings have also contributed nicely and were recently increased to reflect their superior growth potential. Healthcare has been a long-standing area of strength for all Oak Ridge products. While stock selection remains strong, other than the aforementioned fourth quarter correction in our largest holding due to a cooling on the GLP-1 front, the sector was the worst performing major bench component and our overweighting created a slight drag on returns.

We appreciate your confidence in trusting us as your equity manager and extend our wishes for a healthy, happy and prosperous New Year.

Sincerely,

Robert G. McVicker,
Executive Vice President & Lead Portfolio Manager

There is no guarantee that the investment objectives will be achieved. Moreover, the past performance is not a guarantee or indicator of future results. Certain information contained herein has been obtained from third party sources and such information has not been independently verified by Oak Ridge. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Oak Ridge or any other person. While such sources are believed to be reliable, Oak Ridge does not assume any responsibility for the accuracy or completeness of such information. Oak Ridge does not undertake any obligation to update the information contained herein as of any future date. Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future. All investments involve risks and clients should carefully review the risks disclosed in our Form ADV Part 2 Brochure which can be found at https://adviserinfo.sec.gov/firm/summary/107066. Clients should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment.

January 1, 2025

Dear Client,

The Oak Ridge Mid-Cap portfolio had a difficult time keeping up with the leadership of the Russell Mid-Cap Growth Index for the year, occurring almost entirely during the fourth quarter, as highly speculative Technology stocks soared. The Oak Ridge Mid-Cap Growth portfolio performed well for 2024 and during Q4. Meanwhile, our benchmark, the Russell Mid-Cap Growth Index is up nearly 22% for the year and soared just over 8% in the quarter. 2024 was a highly disappointing year for Mid Growth active managers. The top 10 weighted names in the Russell Mid-Cap Growth Index jumped 171% and added nearly 1300bps of performance, or 60% of total performance. Specifically, two software names accounted for 30% of the performance of the Russell Mid-Cap Growth Index in 2024. This high level of concentration in just a handful of holdings has likely never occurred in the history of the Russell Mid-Cap Growth Index. The vast majority of active managers did not participate. Oak Ridge's balanced, diversified portfolio suffered due to this concentration, and we underperformed the benchmark for the quarter and the year.

Over half of the underperformance in the fourth quarter originated from the Technology sector. Oak Ridge Mid-Cap and the Russell Mid-Cap Growth Index both hold over 25% in this area, but our stocks advanced about 3.5% versus the bench return of over 20%, We lagged for two reasons. First, our portfolio was underweight the two, aforementioned, high-flying software companies, which both more than doubled in the fourth quarter. Secondly, we bought several high-quality software names throughout the year, which all produced positive returns in the quarter, but could not keep up with the meteoric performance of the Russell Mid-Cap Growth leaders. Technology in the Index was up 34% for the year and led the Index last year as well, up close to 50%.

Our Consumer Discretionary holdings were particularly strong, as our performance benefited from good stock selection which included a high-quality discount clothing retailer and an innovative footwear manufacturer. Conversely, Healthcare was the only significantly weighted sector in the Index that produced a negative return in the fourth quarter. Specifically, our exposure to several healthcare equipment companies lagged. We remain strong holders of the companies given favorable secular tailwinds. Healthcare has been a stellar area of investment for the portfolios since its inception given the sector's visible growth and less economic sensitivity.

Despite the underperformance relative to the Index, our absolute returns in the Oak Ridge Mid-Cap portfolios were solid in the fourth quarter and for the year. We realize this has been a taxing time of relative performance, yet we strongly believe in our high quality, balanced portfolio with a favorable risk/reward profile.

Sincerely,

Kenneth S. Kailin

Kenneth S. Kailin & Brian King
Co Portfolio Managers

There is no guarantee that the investment objectives will be achieved. Moreover, past performance is not a guarantee or indicator of future results. Certain information contained herein has been obtained from third party sources and such information has not been independently verified by Oak Ridge. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Oak Ridge or any other person. While such sources are believed to be reliable, Oak Ridge does not assume any responsibility for the accuracy or completeness of such information. Oak Ridge does not undertake any obligation to update the information contained herein as of any future date. Certain information contained herein constitutes “forward-looking statements,” which can be identified using forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future. All investments involve risks and clients should carefully review the risks disclosed in our Form ADV Part 2 Brochure which can be found at https://adviserinfo.sec.gov/firm/summary/107066. Clients should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment.

October 1, 2024

Dear Client,

The broad stock market responded to a 50 basis point Fed rate cut with renewed belief in a "soft landing" and rallied to post its best first three quarters' return in 27 years. The resiliency was impressive, as leadership shifted from mega-cap growth, which significantly lagged small-cap and value stocks. Further rate cuts should be data dependent, but it would be unusual to not see additional Fed action. Demand will likely continue to be supported by consumer and government spending, with the greatest inflation pressure coming from wages and geopolitical events.

GDP expansion forecasts remain tracking around 3% into next year, which is encouraging given the steady decline in the rate of inflation. Wage increases are still high and there is continued pressure from proposed legislative changes around minimum wage, mandated employee benefits and organized labor progress. The Fed took a more aggressive initial step to easing than most observers had forecast, due to an uptick in unemployment rates and its likely effect on compensation related inflation. Lower interest rates will improve affordability of homes and big ticket items, while higher income levels will help buoy consumer spending. Importantly, there is very little risk of overheating given the significant level of existing personal debt.

The highly charged political environment projects two parties of dramatically different values and preferred policies. While this may be true on issues such as the border, abortion, the environment and many social issues, both sides will be handcuffed, to a large extent, when it comes to the economy and fiscal policy. Neither party is willing to address the true liability for Medicare and Social Security entitlement plans, which are likely already larger than our existing national debt. Taxing the very rich will fall far short of paying for campaign promises, while potential tax reductions and credits to promote growth will also not meet their objectives in shoring up government coffers. The end result is likely to be further bloating of the deficit and ongoing fighting over limited resources.

Geopolitical risks have surged on many fronts. One might argue that the escalation of the Middle East conflict was inevitable and the lack of market reaction reflects the belief that any short-term dislocation will quickly reverse, as it did in the early stages of The Gulf War and other major conflicts. The prolonged Ukraine War has also been shrugged off by markets, but it is another example of our reduced influence on global stages. Cyber wars, political interference and even the possibility of an Iranian backed effort to assassinate Donald Trump, all add risk to the global economy (not to mention China). These concerns simply suggest a level of prudence and the importance of investing in companies with the financial wherewithal and market position to survive and even thrive in volatile and changing times.

Oak Ridge Small-Cap Growth portfolios enjoyed strong absolute during the third quarter, but fell short of the surging Russell 2000 Growth benchmark that rose over 8%. As previously referenced, small-cap stocks shined, with the catalyst being lower interest rates and an economy that remains in expansion mode. Valuations have been relatively attractive for smaller stocks versus large across all sectors and they can continue to outperform, assuming the economy stays strong. Healthcare is the largest sector in the benchmark at 25.6% and we remain overweight this consistently leading area. Strong stock selection, particularly in medical equipment holdings, once again made this our greatest contribution to relative performance. Several upgrades were achieved in the space through transactions that included the sale of a disappointing provider of fertility services, the addition of an engineered medical component supplier and the swap of a long time holding in surgical equipment in favor of a robotic manufacturer with strong early receptivity.

The best performing sectors in the market were those that benefit most from lower rates: Real Estate and Financials. We have little exposure to these areas, which weighed on returns last quarter, but this appears to be a short term reaction to a surprisingly larger Fed move and not likely sustainable. We reduced our overweight in Energy, the only group in negative territory for the quarter and the greatest detractor from returns. We like the management and key properties in our holdings and expect a strong recovery over time. Our largest underweight has been in Materials, which generally lack visibility to meet our longer investment horizon. We added our first exposure in nearly a decade, with the purchase of a gold miner that is an excellent operator of a growing enterprise, while adding a hedge for a geopolitical or global economic crisis.

While we remain long-term, fundamental investors, our turnover has ticked up moderately over the past few months in order to adjust to a shift in market opportunities based on earnings trends and valuations. Oak Ridge has enjoyed strong growth as a firm over the past two years, due to a rotation into our more quality oriented growth style of investing. We are grateful for your confidence and have high conviction in our positioning for what will likely be a more volatile period ahead.

Sincerely,

David M. Klaskin,
CEO and Chief Investment Officer

accuracy or completeness of such information. Oak Ridge does not undertake any obligation to update the information contained herein as of any future date. Certain information contained herein constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.

All investments involve risks and clients should carefully review the risks disclosed in our Form ADV Part 2 Brochure which can be found at https://adviserinfo.sec.gov/firm/summary/107066. Clients should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment.