How Oak Ridge Thinks about Small and Mid Cap Investing

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OAK RIDGE
INVESTMENTS

In recent months, there has been rampant media speculation as to whether this is the "year of the small cap" – investors have anticipated a rotation into small and mid-cap stocks, which have been out of favor versus their large and mega cap peers for many years. As managers of a Small-Mid Cap Growth SMA, we certainly welcome the attention that small cap stocks and strategies are getting. However, at Oak Ridge, we believe that our investment process and stock selection can help our strategy outperform our benchmark and peers in many investment environments, even one where small caps are out of favor due to different headwinds.

Investing in small and mid-cap companies presents unique opportunities and challenges. Small cap stocks often have shorter operating histories and are less broadly followed by the financial community, so accurately valuing these businesses can be more opaque and complex. These smaller companies are not guaranteed to become market share leaders, and their management teams face a variety of challenges as they try to transform small, lesser known product lines and businesses into large, dominant, and profitable leaders.

These traits can make small cap stocks seem riskier than investing in larger, more established companies with proven track records. However, those challenges also present a unique and potentially very profitable opportunity for investors who take a disciplined approach to analyzing and valuing small caps. At Oak Ridge, we believe our disciplined, bottom-up process has helped us outperform meaningfully, and with less risk, over a variety of time frames. Our Small-Mid Cap Growth SMA is built based on a focus on high-quality businesses with durable earnings growth and healthy balance sheets, alongside an ongoing emphasis on downside risk.

Our philosophy is straightforward: over time, equity returns tend to follow earnings. Instead of trying to predict macro moves or time the market, we spend our time identifying businesses with strong fundamentals, capable management teams, and real competitive advantages. We study characteristics like earnings visibility, balance sheet strength, returns on capital, and how well each business is positioned within its industry. We believe that companies with these traits can consistently compound earnings over time. By investing in these high-quality businesses, we're not building the portfolio around a benchmark, we're allocating capital based on where we see the best fundamental opportunities. Over time, we feel our disciplined approach has been validated, as a significant number of our holdings have been acquired by larger companies that also seek out the traits we find attractive.

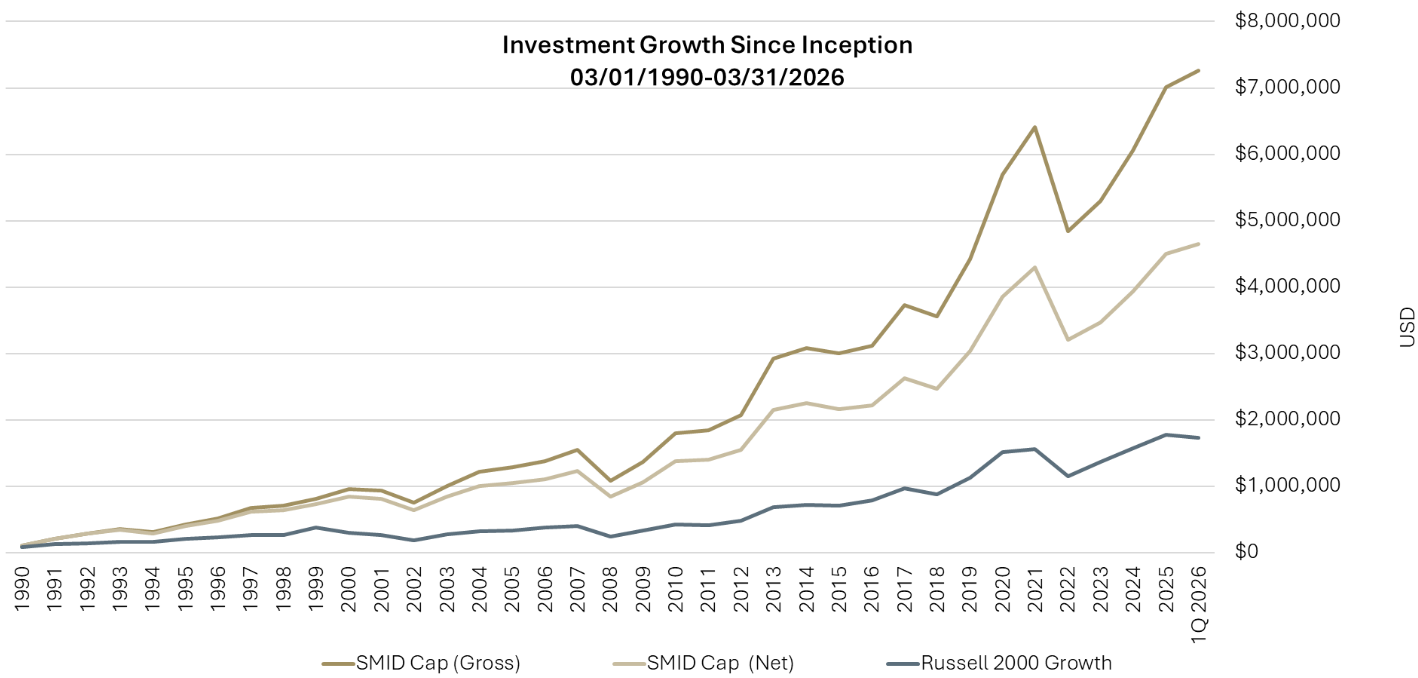
One of the key traits we emphasize is earnings durability. It's not just about growth, it's about how consistent and sustainable that growth is. We want to see companies that can translate revenue into real, repeatable earnings power. That discipline helps us avoid more speculative areas of the market and keeps the portfolio focused on businesses with structural advantages.

While we focus on consistently growing businesses, risk management is built into everything we do. Downside protection isn't an afterthought, it comes through in the types of companies we own, the valuations we're willing to pay, and how we size positions in the portfolio.

Our focus on risk is more important now than ever before. Currently, roughly 40% of the names in our benchmark, the Russell 2000 Growth Index, are unprofitable. We have meaningfully less exposure to unprofitable stocks - about 21% of the names in our portfolio are not currently profitable, the majority of which are in the biotech industry, where many companies are not profitable as they develop and seek approval for drugs that could lead them to profitability.

We're constantly monitoring holdings to make sure our original investment thesis still holds – our focus on long term investing has led us to lower turnover and less volatility than many of our peers. Our screening and process focus on identifying true small cap companies to add to our portfolio, but as long term investors, we can continue to hold successful stocks as they grow into the mid cap space, hence the strategy being called the Small-Mid Cap Growth portfolio. One example is Cisco (CSCO), which we bought as a small cap business in January 1991. It grew into a solid mid cap stock before we sold it later in the 1990s as its valuation became distorted and the stock clearly grew into the large cap space.

Our process and philosophy lead to a portfolio that's designed to participate in the upside of small and mid-cap equities, while being thoughtful about volatility and capital preservation over a full market cycle. Importantly, this isn't a new approach—in the chart below, you can see how profitable this process has been across a variety of market environments, since the strategy's inception in 1990.



Source: Oak Ridge Investments, LLC SMID Cap Equity Composite as of March 31, 2026.
The chart is meant to represent dollar returns based off a 100k initial investment.
Please see the Performance History table at the end of this document for more details on the performance of the SMID Cap Strategy.

We certainly find ourselves in a unique environment right now, as AI transforms every business and sector more rapidly than ever before. While much of the market conversation is dominated by the “Magnificent 7” and other large and mega cap stocks that are on the forefront of AI, our process has helped us to identify opportunities in companies that we believe are true beneficiaries of AI’s expansion. Our technology exposure is centered on companies positioned closest to AI infrastructure spending, particularly businesses tied to critical components supporting long-term AI buildout. Our view is that the most visible beneficiaries of this cycle are often the “picks-and-shovels” providers supporting data center expansion and infrastructure, while portions of the software landscape remain more susceptible to valuation compression and shifting market sentiment. We also recognize that the world is not solely focused on direct AI businesses - we mitigate risk by diversifying across other sectors who best utilize technology and create moats relative to their competition. Below are a few AI beneficiaries that we have added to our Small-Mid Cap Growth SMA.

- **Modine (MOD)** provides comprehensive thermal solutions used for data center cooling technologies, specialty HVAC, and refrigeration. Modine’s systems blend liquid and air cooling for high density AI and hyperscale environments where traditional air-only architectures are no longer sufficient. Additionally, Modine offers a global service network. Currently cooling accounts for roughly 20% of data center capex – as global data center investment and the complexity of racks and chips increase, we believe Modine is well positioned to capture meaningful market share due to its differentiated offerings.

- **Viavi (VIAV)** sells network monitoring software and hardware which alert IT staff to data transmission problems. As AI’s presence grows, the network is becoming much more important, and growing quickly, driven by giant clusters of hundreds of thousands of chips, worth billions of dollars, that must be running efficiently 24/7. VIAV, which rose to prominence and failed during the internet boom in the 1990s, has established itself as a market share leader competing well on price and performance.

- **Digital Ocean (DOCN)** supplies GPU and CPU compute servers and storage to small businesses. Small businesses are adopting AI at 3.5x the rate of large companies, based on our research. AI models are rapidly replacing Software-as-a-Service companies in small companies, driven by extreme cost savings of AI models over software. As AI needs continue to increase, we believe DOCN will be a beneficiary.

These are just a few examples of the compelling risk reward opportunities we have recently seen. Over time, we believe that our combination of fundamental rigor and a strong awareness of risk provides a differentiated way to access the Small and Mid Cap Growth markets – whether or not 2026 ends up being the “year of the small cap.”

Performance History

GIPS® Composite Information			Annualized				
Reporting Date for all Data: March 31, 2026	**QTR**	**1 YR**	**3 YR**	**5 YR**	**7 YR**	**10 YR**	**Since Inception[1]**
Oak Ridge Small Cap (%, "Pure" Gross Rate of Return)[2]	3.58	28.18	12.13	4.48	8.52	9.61	12.31
Oak Ridge Small Cap (%, Net Rate of Return)	3.31	26.67	11.00	3.35	7.32	8.36	10.93
Russell 2000 Growth (%, Rate of Return)	-2.81	23.58	12.27	1.62	7.68	9.79	8.21
Russell 2500 (%, Rate of Return)	-3.52	19.31	10.61	1.75	8.32	10.46	9.65

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Investment in securities entails risks, which may include but are not limited to equity portfolios being subject to the basic stock market risk that a particular security, or securities in general, may decrease in value and the stocks of small and medium-sized companies are often associated with higher risk than stocks of larger companies, including higher volatility. Investment advisory programs may require a minimum asset level and, depending on an investor's specific investment objectives and financial position, may not be suitable for all investors. Please consider the investment objectives, risk, charges, and expenses of the program carefully before investing. Oak Ridge Investments' Form ADV contains this and other important information about separately managed accounts managed by Oak Ridge Investments, LLC. Please read the Form ADV carefully before investing.

Data is as of 03/31/2026 unless stated otherwise. Returns include dividends net of withholding taxes if applicable, interest, realized and unrealized gains or losses. The "net of fees" performance results reflect the deduction of wrap fees or fees in lieu of commissions on wrap-fee accounts and advisory fees and trading commissions paid by non wrap-fee separately managed accounts in the Small-Mid Cap Composite since inception. Inception date of the strategy is 03/01/1990. Account performance is based on total assets in the account, including cash and cash equivalents. Historical performance results include the results of accounts which are no longer managed by the Firm. The composite returns presented represent past performance, which is not a reliable indicator of future results, which may vary. Past performance is not indicative of future results.

The Russell 2000 Index is a capitalization-weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index, an index that represents approximately 98% of the investable U.S. equity market measured by market capitalization. The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2500 Index is a market-cap-weighted index that includes the smallest 2,500 companies in the Russell 3000 Index. The Russell 2500 Growth Index measures the performance of small- to mid-cap US companies with higher price-to-book ratios, higher forecasted growth, and higher sales per share growth. Indices shown are unmanaged and are not subject to fees and expenses typically associated with investment vehicles/accounts.

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