Quarterly Commentary

Q1 – 2025

April 7, 2025

Dear Client,

These are indeed unprecedented times with hourly changes in policy. We are writing a week later than normal in the quarter and are yet certain to be out of date in some of our commentary and outlook when this letter is received. While there is limited panic, there is a considerable increase in the inbound call volume and inquiries from clients, friends and family as to whether this a great buying opportunity, or time to move to the sidelines and wait out the high stakes Trump strategy. It is impossible to forecast with any confidence, as virtually everything is dependent on the outcome of the escalating tariff conflict.

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It seems the President's tactics are minimizing a number of risk factors. Most importantly, China is unlikely to flinch given the great appeal of their large and growing end market for Western products, our dependency on their resources, and the awareness that a U.S. isolationist policy would likely drive Europe and other critical partners to China and further destabilize the world. Anything creating such extreme change is bound to have adverse consequences when applied too rapidly, as we have seen in the chaos around deportation actions. Trump officials promote the significant amount of new business and manufacturing that will return to the country due to the tariff policies. This too ignores the disruption and uncertainty created and even if successful, it is hard to believe automation will offset the soaring costs of labor that sent the jobs overseas in the first place. The economy continued to grow and though the Fed has expressed concern that tariffs will push inflation toward 3%, it commented it would likely be transitory and may pause rate cuts, but there is little mention of increases. Interest rates have actually fallen over concern a recession would accompany higher costs of goods.

Oak Ridge Large-Cap portfolios performed very well during Q1 2025, protecting assets through strong stock selection with greater domestic exposure and an adherence to our 35-year discipline of investing in companies with sustainable earnings growth at supportable valuations. Our portfolios declined roughly 8.75% net of fees, versus the Russell 3000 Growth benchmark loss of 10.0%, as Technology and Consumer Discretionary stocks collapsed. We were significantly underweight these more speculative and economically sensitive areas, which considerably aided results, though our stock selection in Technology and a subset of Industrials was very weak. We find the long-term prospects of many AI-related businesses attractive, but the selloff was so indiscriminate that individual prospects mattered little.

Healthcare provided our strongest positive contribution, both from our overweight to one of the few areas with positive returns, as well as strong stock selection in pharmaceutical and biotech companies with robust pipelines and limited patent risk. Additional benefit was derived from a recovery in the largest managed care provider, which became attractive to investors seeking companies whose business is primarily U.S.-centric. The only detractor to performance was a small position in a medical diagnostic and life science company over fears surrounding the Administration's policy changes.

The strongest absolute returns were enjoyed in our Financial holdings, as we avoided banks and capital markets companies in favor of long-standing positions in the two leaders in global payments. Aside from the aforementioned areas within Technology and Industrials, the only other detraction from performance resulted from our underweighting within Consumer Staples, an area the market found attractive due to the lower risk and more predictable nature of food and consumer products companies.

The AI bubble has clearly burst this year, leaving investors to consider how much is due to the overexuberance that drove shares to lofty valuations, versus fears of a more ominous slowdown in demand and weakening margins. While the movement is led by mega-cap manufacturers such as Nvidia and Broadcom and users like Microsoft, Meta, Amazon and Apple, many Mid-cap players enjoy exciting prospects as partners and beneficiaries of macro trends. Some smaller positions were added at inopportune times during the quarter, but we remain in the camp that there is significant growth ahead for many years to come. It is disappointing that many of our stocks were punished more than anticipated, but it has not deterred our long-term optimism and the risks are offset in our positioning elsewhere.

The remainder of the year should continue to be volatile, but markets tend to respond favorably to greater certainty and the severe negative reaction to the hard line on tariffs is likely to lead to compromise on the part of the administration. The advice of real value we have given in response to this crisis is that long-term investors benefit from employing a sound asset allocation strategy and don't attempt to time the market. The Oak Ridge discipline has historically done best during times when there is a focus on sound fundamentals and valuations.

Thank you for your continued confidence.

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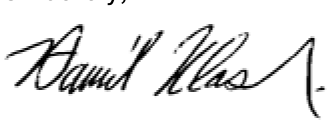

David M. Klaskin,
CEO and Chief Investment Officer

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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.

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Without the mandate President Trump frequently references, the budget deficit was untenable and even under the most fiscally conservative policy, an accelerating headwind would exist as we are forced to recognize the impact of entitlement liability not reflected in the reported deficits. Spending has been out of control for decades, but even the most ardent critics of social programs under Democratic leaders have been stunned with the blinding pace and depths of the Administration's actions. The cost for being the world's most prosperous nation has been the tab we have paid for defense and support of other countries through trade policy. Tariffs are one tool to create a more equitable balance, but the draconian proposals and stubborn rhetoric are unsettling for investors, businesses and consumers throughout the world. The markets are betting that this is the well touted Trump "Art of the Deal" negotiating ploy and that we will end up winning concessions and net a gain, albeit with much less impact.

It seems the President's tactics are minimizing a number of risk factors. Most importantly, China is unlikely to flinch given the great appeal of their large and growing end market for Western products, our dependency on their resources, and the awareness that a U.S. isolationist policy would likely drive Europe and other critical partners to China and further destabilize the world. Anything creating such extreme change is bound to have adverse consequences when applied too rapidly, as we have seen in the chaos around deportation actions. Trump officials promote the significant amount of new business and manufacturing that will return to the country due to the tariff policies. This too ignores the disruption and uncertainty created and even if successful, it is hard to believe automation will offset the soaring costs of labor that sent the jobs overseas in the first place. The economy continued to grow and though the Fed has expressed concern that tariffs will push inflation toward 3%, it commented it would likely be transitory and may pause rate cuts, but there is little mention of increases. Interest rates have actually fallen over concern a recession would accompany higher costs of goods.

Oak Ridge All-Cap portfolios performed well during Q1 2025, protecting assets through strong stock selection with greater domestic exposure and an adherence to our 35-year discipline of investing in companies with sustainable earnings growth at supportable valuations. Our portfolios declined roughly 8.75% net of fees, versus the Russell 3000 Growth benchmark loss of 10.0%, as Technology and Consumer Discretionary stocks collapsed. We were significantly underweight consumer related companies, which benefitted performance, but even our focus on high-quality leaders with exceptional long-term prospects could not protect us from the indiscriminate selloff and we lagged slightly in our technology holdings.

Healthcare provided our strongest positive contribution, both from our overweight to one of the few areas with positive returns, as well as strong stock selection in pharmaceutical companies with robust pipelines and limited patent risk. Additional benefit was derived from a recovery in the largest managed care provider, which became attractive to investors seeking companies whose business is primarily U.S.-centric. The strongest absolute returns were enjoyed in our Financial holdings, as we avoided banks and capital markets companies in favor of long-standing positions in the two leaders in global payments, as well as a leading insurance-consulting company. The greatest detractor from performance was the small weighting within Consumer Staples. As the market moved toward lower risk and more predictable food and consumer products companies, we suffered weak returns from a smaller alcoholic beverage company that was sold during the quarter along with a couple of other stocks that had disappointing results.

The AI bubble has clearly burst this year, leaving investors to consider how much is due to the overexuberance that drove shares to lofty valuations, versus fears of a more ominous slowdown in demand and weakening margins. While the movement is led by mega-cap manufacturers such as Nvidia and Broadcom and users like Microsoft, Meta, Amazon and Apple, many mid-cap players enjoy exciting prospects as partners and beneficiaries of macro trends. Some smaller positions were added at inopportune times during the quarter, but we remain in the camp that there is significant growth ahead for many years to come. It is disappointing that many of our stocks were punished more than anticipated, but it has not deterred our long-term optimism and the risks are offset in our positioning elsewhere.

The remainder of the year should continue to be volatile, but markets tend to respond favorably to greater certainty and the severe negative reaction to the hard line on tariffs is likely to lead to compromise on the part of the administration. The advice of real value we have given in response to this crisis is that long-term investors benefit from employing a sound asset allocation strategy and don't attempt to time the market. The Oak Ridge discipline has historically done best during times when there is a focus on sound fundamentals and valuations.

Thank you for your continued confidence.

Sincerely,

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

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Oak Ridge Mid-Cap portfolio had in-line performance with the Russell Mid-Cap Growth Index for the first quarter. The Oak Ridge Mid-Cap Growth portfolio was down 6.95% net of fees. Meanwhile, our benchmark - the Russell Mid-Cap Growth Index – declined just over 7% in the quarter. Energy was the only sector that eked out a positive return. We were significantly underweight consumer-related companies, which benefited performance, but even our focus on high quality leaders with exceptional long-term prospects could not protect us from the selloff in our technology holdings. In fact, the greatest detractor from performance was our Technology holdings. Specifically, our exposure to AI stocks and data centers fell out of favor during the quarter. Note, however, that we find the long-term prospects of many AI-related businesses attractive, but the selloff was so indiscriminate that individual prospects mattered little.

Consumer Staples provided our strongest positive contribution as well as our largest absolute return. In this area, we benefited greatly from a retailer whose low-price strategy of selling bulk merchandise resonated well with inflation-weary consumers. An additional benefit was derived from a convenience store chain with a food offering and strategic footprint that continues to appeal to its rural customer base. Our Financial holdings also delivered a positive absolute return, as we avoided banks and capital markets companies in favor of long-standing positions in two leading insurance companies.

The AI bubble has clearly burst this year, leaving investors to consider how much is due to the overexuberance that drove shares to lofty valuations, versus fears of a more ominous slowdown in demand and weakening margins. While the movement is led by mega-cap manufacturers such as Nvidia and Broadcom and users like Microsoft, Meta, Amazon and Apple, many Mid-cap players enjoy exciting prospects as partners and beneficiaries of macro trends. Some smaller positions were added at inopportune times during the quarter, but we remain in the camp that there is significant growth ahead for many years to come. It is disappointing that many of our stocks were punished more than anticipated, but it has not deterred our long-term optimism and the risks are offset in our positioning elsewhere.

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Brian L. King

Senior Vice President and Co-Portfolio Manager

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Oak Ridge Small-Cap portfolios performed exceptionally well during Q1 2025, protecting assets through strong stock selection with greater domestic exposure and an adherence to our 35-year discipline of investing in companies with sustainable earnings growth at supportable valuations. Our portfolios declined roughly 6.6% net of fees, versus the Russell 2000 Growth benchmark loss of 11.1%, as Technology and Consumer Discretionary stocks collapsed. We were significantly underweight these more speculative and economically sensitive areas, which considerably aided results, though our stock selection in Technology and a subset of Industrials was very weak. We find the long-term prospects of many AI-related businesses attractive, but the selloff was so indiscriminate that individual prospects mattered little.

Healthcare is the largest sector in the Russell 2000 and was our strongest area for stock selection in the first quarter, most notably within Bio/Pharma. We were led by companies advancing +126% on impressive phase 3 results on an ovarian cancer drug; +57% on a buyout by J&J for their popular neuropsychiatric drugs; +37% for a favorable settlement of a suit against a generic manufacturer and their strong pipeline; and a low P/E enzyme producer with growing business and key large partners. We trimmed a couple of names, including a big winner from last year that added 10% this year, based solely on prudently managing the position size. As many financial stocks were hard hit due to rate and economic fears, the sector was our second greatest contributor due to large exposure in specialty insurance. Consumer related companies also contributed very positively, particularly those offering attractive value through warehouse clubs. An education stock and low beta frozen food manufacturer enjoyed nice gains, more than offsetting the three stocks down double digits due to their greater exposure to weaker consumers spending and tariff risk. While difficult to see, we have high conviction in these companies' prospects and take solace that our portfolios are significantly less exposed than the benchmark to a weakening consumer.

The AI bubble has clearly burst this year, leaving investors to consider how much is due to the overexuberance that drove shares to lofty valuations, versus fears of a more ominous slowdown in demand and weakening margins. While the movement is led by mega-cap manufacturers such as Nvidia and Broadcom and users like Microsoft, Meta, Amazon and Apple, many small cap players enjoy exciting prospects as partners and beneficiaries of macro trends. We remain in the camp that there is significant growth ahead for many years to come, but we were underweight on valuation and excess bullish sentiment. It is disappointing that our stocks were punished more than anticipated, but it has not deterred our long-term optimism and the risks are offset by our lower weighting in the area and positioning elsewhere.

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