Quarterly Commentary

Q3 – 2025

October 1, 2025

Dear Client,

The third quarter saw continued market momentum, generating nearly double digit returns for the broad indices. This was fueled by manageable inflation data, allowing the beginning of an expected series of Fed interest rate cuts as investors shrugged off mixed economic data. President Trump remains an unpredictable wildcard, with some policies proving economically beneficial and the world accepting, or numb to, tariff implementation. Consumers have been surprisingly resilient and should remain stable with debt less costly. The political divide is as wide as ever with looming domestic and international tensions more threatening than the impressive market advances imply. Increased volatility is likely to follow, though absent a shock event market sentiment and GDP forecasts are strong and likely to drive further gains through year end.

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It was encouraging seeing small-cap stocks participate in the market advance, with the Russell 2000 outpacing the S&P 500 for only the 4th quarter in 4 ½ years. Smaller stocks historically perform well during periods of declining interest rates, and the dominance of mega-cap technology stocks over the past decade has created perceived valuation disparity. There is, however, legitimate debate justifying premium valuations for these dominant companies holding monopolistic positions, where scale makes it very difficult for small players to serve more than a support role.

To illustrate the effects of a decade of surging growth in large Technology related stocks, 44.7% of the S&P 500, the most representative benchmark for U.S. equities, is made up of stocks in the Tech and Communication Services sectors, with the Russell 1000 Growth Index at 64.2%. In contrast, the Russell 2000 benchmark is comprised of only 18.3% in these sectors, with the Russell 2000 Growth only slightly higher at 24.8%. There is some quiet concern about the return on investment in the spending race to keep pace in AI development, but AI demand and backlogs suggest we have good visibility for at least another couple of quarters. Tech earnings are expected to have grown 17% during the third quarter, with non-Tech well behind at 5.3%. The demand is concentrated in hardware (predominantly semiconductors), with great concern over the future of software companies, particularly those focused on seat licensing.

Oak Ridge Large-Cap Growth portfolios experienced strong absolute performance yet still trailed the Russell 1000 Growth Index. Technology holdings generated strong double digit returns, driven by full exposure to the Mega-Cap leaders and security providers, but the sector was our greatest detractor due to losses from legacy software companies weighing on results. We reduced exposure late in the quarter in favor of opportunities benefitting from macro spending shifts. Close behind Tech was Communication Services, which dragged down results due to our more conservative positioning focusing on established household names with recurring revenues. The largest EV company represents a large weighting in the benchmark and its absence in the portfolio was positive for performance until recently, as excitement around new technology and its CEO sent the stock materially higher. We began a small position to immunize ourselves slightly, as fundamentals have stabilized and the stock is now among the ten largest in the S&P 500.

Throughout our 36 year history, we have typically been overweight Healthcare due to the aging population, constant innovation and less cyclical exposure. Concerns over valuation and other risks (legislative, regulatory and tariff) led to a decision to underweight the sector, though we still underperformed this out of favor area. Uncertainty over demand due to potential spikes in costs, as well as questions over coverage with radical shifts in government positions on vaccines and the potential impact of the administration's efforts to tackle drug pricing all weighed on the group. Aside from small profit taking in the world's largest and arguably best positioned pharmaceutical company, major selloffs occurred in the leading robotics and orthopedics companies, which are both highly vulnerable to declines in procedures. The long-term prospects remain very strong, as these companies continue to make important advances in treatment.

We continue to focus on identifying and investing in the highest quality businesses across all sectors and industries. During the third quarter, unprofitable, higher risk companies dominated the markets. Momentum as a factor meaningfully outperformed quality. While that type of environment might not favor our process and philosophy in the short term, we see it as an opportunity for us to continue to upgrade and optimize the quality of our portfolio for the long term.

Our success in the aftermath of the Internet market run was due to our concentrated effort to identify the companies across all industries who best employed the new technological advance to gain market share and profitability.   This led to a period of strong outperformance without deviating from our adherence to risk control metrics.

Thank you for your continued confidence.

Sincerely,

David M. Klaskin,
CEO and Chief Investment Officer

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The Government shutdown is the immediate crisis, though history has shown - from the Reagan Era through the first Trump administration - that there has been little long-term damage to the economy or stock market following similar past occurrences. At the forefront is the expiration of the Affordable Care Act subsidies and recent Medicaid cuts. The Democrats refuse to agree to the standard continuing resolution to keep the government open, unless the Republicans address the disruption and exorbitant healthcare cost increases by agreeing to legislation protecting American health benefits. The shutdown may be prolonged, with neither side gaining points for their tactics, but something needs to be done to provide basic healthcare and a compromise is inevitable.

It was encouraging seeing small-cap stocks participate in the market advance, with the Russell 2000 outpacing the S&P 500 for only the 4th quarter in 4 ½ years. Smaller stocks historically perform well during periods of declining interest rates and the dominance of mega-cap technology stocks over the past decade has created perceived valuation disparity. There is, however, legitimate debate justifying premium valuations for these dominant companies holding monopolistic positions, where scale makes it very difficult for small players to serve more than a support role.

To illustrate the effects of a decade of surging growth in large Technology related stocks, 44.7% of the S&P 500, the most representative benchmark for U.S. equities, is made up of stocks in the

Tech and Communication Services sectors, with the Russell 1000 Growth Index at 64.2%. In contrast, the Russell 2000 benchmark is comprised of only 18.3% in these sectors, with the Russell 2000 Growth only slightly higher at 24.8%. There is some quiet concern about the return on investment in the spending race to keep pace in AI development, but AI demand and backlogs suggest we have good visibility for at least another couple of quarters. Tech earnings are expected to have grown 17% during the third quarter, with non-Tech well behind at 5.3%. The demand is concentrated in hardware (predominantly semiconductors), with great concern over the future of software companies, particularly those focused on seat licensing.

Oak Ridge All-Cap Growth portfolios had strong absolute growth for the quarter yet still trailed slightly to the Russell 3000 Growth Index. We managed to slightly outperform the two thirds of the portfolio representing Tech and Communication Services, adding strong results outside our overweight to the Magnificent 7, with contributions from smaller AI suppliers and software companies providing apps for security and gaming. Consumer Discretionary stock selection also contributed positively, primarily in the auto related field.

Throughout our 36 year history, we have typically been overweight Healthcare due to the aging population, constant innovation and less cyclical exposure. Concerns over valuation and other risks (legislative, regulatory and tariff) led to a decision to underweight the sector, though we still underperformed this out of favor area. Uncertainty over demand due to potential spikes in costs, as well as questions over coverage with radical shifts in government positions on vaccines and the potential impact of the administration's efforts to tackle drug pricing all weighed on the group. Aside from small profit taking in the world's largest and arguably best positioned pharmaceutical company, major selloffs occurred in the leading robotics and orthopedics companies, which are both highly vulnerable to declines in procedures. The long-term prospects remain very strong, as these companies continue to make important advances in treatment.

We continue to focus on identifying and investing in the highest quality businesses across all sectors and industries. During the third quarter, unprofitable, higher risk companies dominated the markets. Momentum as a factor meaningfully outperformed quality. While that type of environment might not favor our process and philosophy in the short term, we see it as an opportunity for us to continue to upgrade and optimize the quality of our portfolio for the long term.

Our success in the aftermath of the Internet market run was due to our concentrated effort to identify the companies across all industries who best employed the new technological advance to gain market share and profitability. This led to a period of strong outperformance without deviating from our adherence to risk control metrics.

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Sincerely,

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

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The Oak Ridge Mid-Cap portfolios delivered strong performance in Q3 2025, outperforming the Russell Midcap Growth Index. For the second consecutive quarter, our Technology holdings were a primary driver, generating double-digit returns fueled by our strategic exposure to data center and AI infrastructure companies. Communication Services also saw significant gains, advancing by double-digit percentage points, led primarily by a forum-style social media platform. Additionally, our investments in the Healthcare sector proved beneficial, helped largely by a specialty pharmaceutical company focused on treatments for rare lung diseases. Our Industrial holdings were the largest drag on performance, driven primarily by a data analytics company that provides risk management solutions to insurance companies. The position declined due to slowing organic growth, though the factors behind this appear transient. We remain enthusiastic about the long-term prospects of this multi-year holding. Additionally, our lack of exposure to Materials and Real Estate slightly detracted from performance—a reversal from the prior quarter.

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Sincerely,

Brian L. King

Senior Vice President and Lead Portfolio Manager

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Oak Ridge Small-Cap Growth portfolios had strong absolute performance for the quarter yet still trailed the Russell 2000 Growth Index. On the surface this seems quite dismal, but we have continued to stay in line with our benchmark year-to-date. The market is very much in a “risk-on” mode, as leading sectors - including Materials, Industrials, Utilities and Energy – soared, and we experienced 550 basis points of cumulative relative underperformance. Since there are many fewer companies with leading positions in AI, the focus has been on the energy and coolant necessary to produce chips. Nuclear and alternate energy developers surged, with many up over 100% for the quarter and most years away from material profitability. Many risks can derail or slow earnings to the point where these stocks could see extreme selloffs. Profit taking in our long-term holdings in insurance stocks, which have been successful for us, negatively impacted returns and led to the sale of one of our holdings, as well as a significant decline in a Consumer Staple beverage company over fears surrounding a large foreign competitor.

While concerns over valuation and other risks (legislative, regulatory, tariff) led to a decision to remain sector neutral in Technology and Healthcare, we were rewarded for extremely strong stock selection. Within Tech, our exposure to AI areas that supply and support the mega-cap leaders is 12.5% of the overall portfolio, versus 10.9% for the benchmark. These weightings are the result of some profit taking based on valuation, as well as substantial increases in market cap. Throughout our 36 year history, we have typically been overweight healthcare due to the aging population, constant innovation and less cyclical exposure. Our concerns center around demand due to potential spikes in costs, as well as questions over coverage with radical shifts in government positions on vaccines and the potential impact of the administration’s efforts to tackle drug pricing. Despite an underweight to the bio/pharma area, stock selection was truly extraordinary. Not only did seven of our positions advance over 40% during the quarter, with one more than doubling, there was only one double digit decliner among our 14 holdings. Bio/pharma added over 100 basis points of positive attribution. Providers benefitted from offering cost effective care, but were offset by Equipment positions perceived to be on the wrong side of reimbursement, despite highly innovative products.

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