

The market's "seesaw effect" has been evident throughout the year, with capital shifting back and forth between large-cap and small-cap stocks. Small-capitalization stocks had a strong start to the year, capturing investor interest with their potential for higher growth. However, they lost some momentum in the second quarter as economic uncertainties grew and borrowing costs rose. By the third quarter, small caps regained strength, buoyed by early signs of potential interest rate cuts, which provided a more favorable environment for these growth-oriented companies.

Overall, the market appears robust, with more than 60% of companies in the Value Line Arithmetic Index trading above their 200-day moving average—a level generally viewed as an indicator of market health. This expansion in market breadth suggests that investors are diversifying beyond the mega-cap names that have driven returns in recent years.

We view this broadening of market participation as a positive development that can provide active investors with an opportunity to differentiate themselves. With a wider range of companies performing well, skilled investors can potentially identify high-quality stocks outside the mega-cap segment, focusing on superior companies poised to deliver strong returns in a more balanced market environment.

## Strategy Performance

For the quarter, the Shaker Small Cap Growth Strategy underperformed its benchmark. The strategy increased 4.2% versus the benchmark's 8.4%. A significant portion of this underperformance stems from specific individual stock selections.

Sectors that lead performance during the quarter were consumer staples, consumer discretionary and industrials while the remaining sectors detracted most from returns. Stock specific contributors and detractors are shown on the following page.

	3Q 2024	1 Year	3 Years	5 Years	10 Years
<b>Shaker Small Cap Growth (gross)</b>	4.5%	25.9%	2.8%	16.6%	13.7%
<b>Shaker Small Cap Growth (net)</b>	4.2%	24.7%	1.8%	15.4%	12.6%
<b>US Small Cap Growth Index</b>	8.4%	27.7%	-0.4%	8.8%	9.0%

*DISCLAIMER: Information contained is as of 9/30/2024. Returns in the current year are preliminary. Gross returns are net of expenses. Net returns are net of expenses and a 0.25% quarterly (1% annual) management fee for the corresponding period. The benchmark is a US Small Cap Growth index. At times, the iShares Russell 2000 Growth ETF is used as a proxy. The strategy is more concentrated than the benchmark. The strategy's overall return is a composite of clients' separately managed account returns. Some clients' investment returns were more or less than the overall strategy return. Not all our client's returns surpassed the benchmark. It is not intended as investment advice or recommendation, nor is it an offer to sell or a solicitation of an offer to buy any interest in any fund or product. An investment in any of our strategies is speculative and involves a high degree of risk, including potential loss of principal. There is no guarantee that the investment objective will be achieved, or that the investment strategies will be profitable. Investments in smaller companies may be riskier, less liquid, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. Past performance is not indicative of future results. The information herein has been obtained from public sources and we do not guarantee its accuracy. This document is confidential and for the sole use of the intended original recipient. The specific securities identified in this report do not represent all of the securities purchased, sold or recommended for clients. It should not be assumed that investments in the securities identified and discussed will be profitable in the future. Holdings / sector weightings in any strategy are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings may vary by client. A list of the stocks selected for any of our strategies during the trailing twelve months is available upon request.*

## Top Contributors

**Sprouts Farmers Market (SFM)** – On the top contributor list for the third quarter in a row, SFM is one of the nation’s fastest growing grocers with a unique open layout experience that inspires wellness.

**Axos Financial (AX)** – AX is a branchless financial institution involved in commercial and consumer banking as well as the securities business. We view Axos’s management as particularly strong.

**Lantheus Holdings (LNTH)** – LNTH is a leader in the radiopharmaceutical space, continuing to be a pioneer in expanding their product lines in both therapeutic and diagnostic products.

**Installed Building Products (IBP)** – IBP is one of the nation’s largest new residential insulation installers, offering a streamlined one-stop-shop value chain of product offerings.

**Argan (AGX)** – AGX designs and builds power generation plants. As energy demand picks up, AGX is well positioned for growth.

## Top Detractors

**Dexcom (DXCM)** – DXCM is a pioneer in the continuing glucose monitoring system technology, developing innovating technology that transforms how people manage their diabetes. Our position in DXCM was exited during the quarter.

**Medpace Holdings (MEDP)** – MEDP is a contract research organization (CRO) with a core customer base in the smaller biotechnology companies.

**Axcelis Technology (ACLS)** – ACLS designs, manufactures, and services ion implantation and other process tools used to fabricate semiconductor chips. We exited our position in ACLS during the quarter.

**Napco Security Systems (NSSC)** – NSSC manufactures and designs electronic security devices, cellular communication services, and school safety solutions.

**Veeco Instruments (VECO)** – VECO provides capital equipment in advanced semiconductor manufacturing. VECO holds a large market share of the Laser Spike Annealing processes.

## Changes to the Portfolio

This quarter, our portfolio saw an uncharacteristically high level of turnover, with 13 new additions and 13 exits. This repositioning was driven by a shift in the improved the outlook for growth-oriented companies and new opportunities within the small-cap space. Our strategy aims to harness these changes to position the portfolio for future growth and capitalize on emerging sectors with robust potential.

Among our new holdings, Sportsradar Group (SRAD) and Fiverr International (FVRR) stand out as high-conviction names that align well with our growth objectives. SRAD, a leader in sports data and analytics, is capitalizing on the rising demand for real-time sports insights. We believe that SRAD’s innovative approach and strategic partnerships will drive strong growth in the coming quarters, particularly as fan engagement and sports betting markets expand globally.

FVRR International, a key player in the freelance and gig economy, offers a marketplace that connects businesses with freelance talent worldwide. As more companies embrace flexible, project-based work, FVRR is well-positioned to benefit from this ongoing shift. With a comprehensive platform and a strong user base, FVRR offers exciting growth potential and diversification within our portfolio.

On the other hand, we decided to exit several longer-term holdings where we see less growth potential in the current economic environment. For instance, we exited our position in Charles River Laboratories (CRL), a company that has served us well in the past due to its stable demand in the contract research organization (CRO) space. However, our analysts observed signs of slowing demand in certain segments of CRL’s business, combined with rising competition in the CRO market, leading us to conclude that the stock’s future growth prospects were less compelling relative to new opportunities in our portfolio.

As long-term investors, we focus on building a resilient portfolio that can thrive in evolving market conditions. Our recent proactive repositioning reflects this commitment, as we’ve redirected capital toward high-quality companies with strong growth potential under current economic conditions.