



MARCH 31, 2026

CAMPBELL NEWMAN



SMALL CAP GROWTH

1Q 2026 COMMENTARY

MARKET OVERVIEW

Rapid shifts in narratives defined 1Q 2026 U.S. stock market action. AI-driven optimism at the beginning of the year hit the software sector, calling into question the seat-based recurring revenue business model. These concerns also negatively affected the private credit sector, which has favored SaaS businesses for their predictability. Next, geopolitical shock hit on February 28 with the commencement of the U.S. and Israel's bombing of Iran, which further stoked the rise in the price of oil (Brent crude almost doubled from roughly \$60/bbl in January to close 1Q around \$120/bbl) reigniting inflation fears and pushing interest rates higher. The result was a volatile quarter in which major indices declined due to the sharp sell-off in

March, as leadership rotated and expectations of Fed policy tipped away from easier toward tighter while macro/geopolitical risks became the top concerns.

The Russell 2000 Growth recorded a -2.81% quarterly return due to the war-induced -6.30% sell-off in March. Energy, unsurprisingly, was the big 1Q winner with a sector return of 26.06%. Materials (8.44% return) and Industrials (5.56%) also posted positive returns. All other sectors underperformed the benchmark, with Information Technology (-9.81%), Utilities (-7.78%) and Health Care (-6.50%) posting the worst returns.



PERFORMANCE

	1Q 2026	1 YEAR	5 YEARS	10 YEARS
Small Cap Growth (Gross)	6.94%	33.47%	8.23%	14.07%
Small Cap Growth (Net)	6.76	32.55	7.50	13.39
Russell 2000 Growth Index	-2.81	23.58	1.62	9.79

Returns greater than 1 year are annualized.

PORTFOLIO REVIEW

The Small Cap Growth portfolio outperformed with a gross of fees return of 6.94% (6.76% net of fees) compared to the Russell 2000 Growth benchmark return of -2.81%.

The greatest detractor from relative performance was stock selection in the Consumer Staples sector (-24.98% portfolio return vs. -2.86% for the benchmark), which cost 98 bps. Weakness primarily came from Vital Farms (VITL, -55.79%) on weaker-than-expected guidance.

Stock selection in Financials (-16.65% return vs. the benchmark's -5.29%) cost 77 bps. All four portfolio holdings underperformed, with Upstart (UPST, -34.58%) the laggard due to credit concerns. UPST was sold during the quarter.

Stock selection in Information Technology (18.39% return vs. the benchmark's -9.81%) was the largest contributor to relative performance, adding 660 bps. Seven of the portfolio's nine holdings outperformed with standout performance from DigitalOcean (DOCN, 78.26% return), Advanced Energy Industries (AEIS, 54.18%), Clear Secure (YOU, 39.05%) and Onto Innovation (ONTO, 29.91%).

Lastly, stock selection in Industrials (17.43% return vs. the benchmark's 5.56%) added 351 bps. Seven of 10 holdings outperformed in the quarter, led by companies with exposure to either the continued AI buildout or defense, including Modine Manufacturing (MOD, 62.32% return), MasTec (MTZ, 48.01%), Curtiss-Wright (CW, 23.60%) and American Superconductor (AMSC, 17.62%).

TOP CONTRIBUTORS

MasTec, Inc. (MTZ), a leading infrastructure construction company, delivered another strong quarter with revenue growth of 16% and earnings growth of 44%, both ahead of expectations. Additionally, management noted several strong

bookings in the quarter with momentum in all four divisions, leading to a record backlog and 2026 guidance ahead of expectations. The company also announced an investor day in May where management is expected to outline longer-term growth targets.

Modine Manufacturing Co. (MOD), a leading thermal solutions company, reported strong fiscal 3Q results with 21% organic sales growth and earnings growth of 29%, driven by a 78% increase in Data Center sales. Given the strong demand and the successful execution on its planned capacity expansion, the company raised its multi-year outlook for Data Center sales to a range of 50% to 70% annual growth for the next two years, putting it solidly ahead of a \$2.0 billion revenue target for fiscal year 2028.

DigitalOcean Holdings, Inc. (DOCN), a cloud infrastructure platform business focused on small developers, AI startups and small to medium-sized businesses, delivered a strong fourth quarter with 18% revenue growth and exited December at a \$1.0 billion annualized monthly run-rate. Building on this momentum, management again raised its growth outlook, having already done so last quarter, and now expects revenue to grow 21% in 2026 and accelerate further to 30% in 2027.

BOTTOM CONTRIBUTORS

Vital Farms, Inc. (VITL), a producer of pasture-raised shell eggs, butter, hard-boiled eggs and liquid whole eggs in the U.S. through a network of more than 600 family farms, reported exceptional 4Q results with revenue growth of 28.7% to a record \$213.6 million and earnings per share of \$0.35 compared to \$0.23 last year. FY2026 revenue guidance of \$900 to \$920 million fell short of the December Analyst Day forecast of \$930 to \$950 million due to the current macroeconomic environment and volatility in order patterns so far in January and February. The company believes these fluctuations are more reflective of short-term market disruptions and sees continued healthy consumer demand, which is supported by consumer panel data.



ExlService Holdings, Inc. (EXLS), a leading data analytics and digital operations company, reported 4Q results that once again exceeded expectations. While 2026 guidance came in below prior consensus for double-digit growth (at 9%–11% revenue growth and 10%–12% EPS growth), this may prove conservative given strong pipeline momentum exiting 4Q and the company’s history of outperforming the high end of its annual guidance ranges. In addition, the upcoming investor day in May and a newly authorized \$500 million share repurchase program provide potential near-term catalysts for the stock.

Clinical contract research company, **Medpace Holdings, Inc. (MEDP)**, reported a solid 4Q with accelerating revenue growth to 32% and net new business awards growth of 39.1%. Initial 2026 guidance of low double-digit growth in revenues and earnings was also generally in line with expectations. However, shares traded lower as management noted project cancellations ticked up to their highest level in over a year, indicating a choppy funding environment for biotech. Despite a choppy environment, growth is expected to remain strong with improvement potential as the year progresses, thus we remain constructive on the stock.

PORTFOLIO POSITIONING

The market’s short-term action likely depends upon what happens in Iran and it’s too soon to tell. We expect volatility if the conflict persists or escalates or a rally in the case of a ceasefire/resolution. With thoughts of binary outcomes like these, along with our quality, longer-term focus, we do not see this as the time to make significant changes.

That said, it's noteworthy that earnings estimates remain robust. Further, despite issues among some private credit funds, credit spreads remain tight. Concern about oil-induced inflation has changed most commentators’ Fed outlook – now looking for one 25 bps increase this year.

Turnover in the portfolio was 3.31% in 1Q. New positions were initiated in health insurer Alignment Healthcare (ALHC), mechanical, electrical and plumbing contractor Limbach Holdings (LMB) and semiconductor company Semtech (SMTC). These positions were funded through the sale of Upstart and trims of Curtiss-Wright, MasTec and Fabrinet (FN) as all three triggered our hardwired 5% max position size risk control discipline due to strong performance.

The portfolio’s largest allocations remained in Industrials (32.0% weight), Information Technology (25.3%), Health Care (21.2%) and Consumer Discretionary (8.6%).

TOP AND BOTTOM ABSOLUTE CONTRIBUTORS

1Q 2026 TOP CONTRIBUTORS	WEIGHT	RETURN (GROSS)	IMPACT (GROSS)
MasTec, Inc.	5.13%	48.01%	199 bps
Modine Manufacturing Co.	4.11	62.32	184
DigitalOcean Holdings, Inc.	2.52	78.26	160
Onto Innovation, Inc.	4.29	29.91	109
Curtiss-Wright Corp.	5.02	23.60	104

1Q 2026 BOTTOM CONTRIBUTORS	WEIGHT	RETURN (GROSS)	IMPACT (GROSS)
Vital Farms, Inc.	1.49%	-55.79%	-107 bps
ExlService Holdings, Inc.	2.49	-28.25	-86
Medpace Holdings, Inc.	4.31	-14.50	-61
Lithia Motors, Inc.	1.56	-24.70	-41
ePlus, Inc.	2.52	-13.92	-37

**IMPORTANT DISCLOSURES:**

Past performance is not indicative of future results. All investments involve risk, including possible loss of principal. There is no guarantee investment objectives will be met. Gross returns are presented before deducting management fees (and custodian fees) and include the reinvestment of all income. Net returns are presented after the deduction of a model fee based on the highest fee paid then in effect for the period shown and include the reinvestment of all income. The current assumed model fee is 0.68% annually. Performance returns are calculated using a time-weighted formula with appropriate adjustments for cash flows, and include all dividends and interest, accrued income, and realized and unrealized gains or losses. Indexes are unmanaged and do not incur fees or expenses. It is not possible to invest directly in an index. The portfolio characteristics are based on a composite. Other portfolios may differ. Portfolio sector weights reflect a composite and are subject to change without notice. It should not be assumed that an investment in the sectors listed were, or will be, profitable. Portfolio holdings reflect a composite and are subject to change. Other accounts within the strategy may have different holdings. Portfolio holdings should not be considered a recommendation to buy, hold or sell securities. Current and future portfolio holdings are subject to risk.

Extracted Performance and Portfolio/Investment Characteristics shown do not reflect the deduction of all fees and expenses that a client or investor has paid or would have paid. Please see full composite performance on page 2 to understand the overall effect of fees.

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