TRIBUTARY CAPITAL MANAGEMENT

SMALL/MID CAP EQUITY MARKET COMMENTARY

Portfolio Managers: Donald Radtke & Mark Wynegar

Third Quarter 2026

	Quarter	Year to Date	1 Year	3 Years	5 Years	Since Inception*
Tributary Capital Management (Gross of Fees)	-2.4%	10.6%	8.2%	9.4%	5.8%	9.9%
Tributary Capital Management (Net of Fees)	-2.6%	9.9%	7.4%	8.6%	4.9%	9.0%
Russell 2500 Index	-6.4%	14.9%	17.4%	17.7%	7.5%	10.4%
Russell 2500 Value Index	-4.4%	18.8%	22.5%	19.1%	9.8%	9.4%

**Inception: 12/31/2016*

Portfolio Review

Small- and mid-cap stocks navigated a turbulent third quarter. After reaching an all-time high in mid-August, the Russell 2500 Index declined more than 8% through quarter-end, a slide driven largely by expectations of a new Federal Reserve rate hiking cycle, which began with September's rate increase. The Fed has struck a hawkish tone on inflation, and markets are now pricing in three or more additional hikes into next year. Higher interest rates are broadly considered a headwind for smaller companies, which tend to have greater domestic exposure than large caps and rely more heavily on bank financing. This dynamic was a primary contributor to the Russell 2500's quarterly decline of -6.4%.

Against this backdrop, the Tributary Small/Mid Cap Strategy delivered strong relative outperformance. The portfolio returned -2.4%, outperforming the benchmark by +4.0% for the quarter. The majority of that outperformance was generated in July, when the AI/data center trade faced a series of negative headlines. A notable theme during the quarter was the rotation away from high-flying AI-related names and toward stocks that had been punished in the first half of the year on AI disruption fears, particularly software and professional services companies, which rebounded sharply.

Corporate earnings continued to provide a constructive backdrop for equities, serving as a key catalyst for the benchmark's mid-August peak. Annual profit expectations have risen steadily throughout the year, reinforced by a strong recent earnings season. Over 90% of the Small/Mid Cap portfolio's holdings met or exceeded earnings estimates during the quarter, a meaningful indicator of broad fundamental strength across the portfolio.

Nine of eleven benchmark sectors posted negative returns for the quarter, with industrials and consumer discretionary leading the decline with double-digit losses. Industrials had benefited from data center buildout enthusiasm in the first half of the year but gave back a portion of those gains as emerging AI anxieties tempered investor excitement. Consumer discretionary continued to be weighed down by concerns over consumer spending amid persistent inflation and weak sentiment. Somewhat paradoxically, overall consumer spending has remained resilient. Unemployment remains low, and as history has shown, employed consumers tend to keep spending. Healthcare (+2%) and energy (+7%) were the only sectors to post positive returns, with healthcare attracting investors seeking defensive positioning and energy benefiting from a roughly 30% third quarter rise in oil prices driven by re-escalating tensions in the Strait of Hormuz. From a style perspective, growth stocks (-10%) meaningfully underperformed value stocks (-4%), consistent with a risk-off quarter following a strong first half, with high valuation and high beta ranking as the worst-performing style factors.

The strategy's outperformance was driven primarily by its industrial (-4% vs. -15% benchmark) and information technology (-1% vs. -5% benchmark) holdings, fueled by strong rebounds in professional services (+25%) and software (+29%) names. The portfolio is overweight both industries, which had been deeply out of favor in the first half of 2026 due to fears of AI-driven displacement. Those concerns have moderated, and it is encouraging to see these high-quality holdings receiving market recognition. Notable individual contributors included CACI International (+31%), Dynatrace (+32%), Qualys (+36%) and Manhattan Associates (+43%).

On the negative side, consumer staples (-19% vs. -7% benchmark) and financials (-6% vs. -4% benchmark) were modest drags on relative performance. Casey's General Stores (-23%) reported same-store sales growth slightly below estimates, though the long-term outlook remains favorable. In financials, Markel Group (-12%) flagged some emerging pricing concerns in its commentary. The strategy also held several names that suffered as AI-related enthusiasm faded this quarter, including AAON (-35%), Power Integrations (-38%) and Onto Innovation (-19%). The magnitude of these individual moves, both positive and negative, underscores that momentum remains a dominant factor in the current market environment.

The strategy remains -4.3% behind the Russell 2500 on a year-to-date basis, though this quarter's outperformance made a substantial dent in the first half deficit. Importantly, nearly 4%, or almost the entirety, of the strategy's current year-to-date underperformance can be attributed to a specific benchmark composition issue: a cohort of very large stocks with market capitalizations exceeding $30 billion were significant drivers of Russell 2500 performance in the first half of 2026 before being removed from the index at the end-of-June rebalancing. The Tributary Small/Mid Cap Strategy maintains a $30 billion upper market cap limit in order to remain true to

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its small- and mid-cap mandate, meaning these larger cap names were never eligible holdings. Adjusting for this factor, the strategy's underlying performance picture is much more favorable than the headline year-to-date figure suggests.

Portfolio Changes

During the third quarter five holdings were added to the portfolio. *Advanced Energy Industries* designs and manufactures precision power conversion products serving semiconductor equipment, industrial, medical, data center and telecom end markets, holding a number one or number two market position in each. Management has established a long-term revenue target of $3 billion with expanding margins, expected to be achieved through continued growth in semiconductor, data center and industrial and medical end markets, complementary M&A, factory footprint optimization and new product introductions including plasma power solutions.

Prestige Consumer Healthcare develops and markets a portfolio of well-recognized over-the-counter health and personal care brands, including Clear Eyes, Compound W and Chloraseptic. The company holds strong market share positions across 17 brands, 11 of which are category leaders. This provides durable pricing power supported by inelastic consumer demand. A capital-light model relying on third-party manufacturers produces exceptional free cash flow, funding organic growth, value-accretive acquisitions and share repurchases. Above-average business visibility and consistent organic revenue growth round out a compelling, high-quality investment profile.

UFP Technologies is a contract design and manufacturing partner to the world's leading medical device companies, producing single-use components and sterile packaging for minimally invasive surgery, wound care, infection prevention and orthopedic applications. The company has been growing much faster than the global outsourcing market and prudent capital allocation has helped produce healthy cash flow margins and returns on invested capital. A senior leadership team averaging over 30 years of combined tenure provides rare continuity and deep industry expertise.

ESCO Technologies provides highly engineered, technically specialized products across aerospace and defense, utility and test and measurement end markets. Their products range from stealth-aiding submarine technologies to electrical grid diagnostic tools and electromagnetic shielding solutions. Return on invested capital is the company's focus and it generates attractive cash flow levels. Management targets above market annual organic sales growth supplemented with strategic acquisitions.

MYR Group is a specialty electrical contractor operating across the U.S. and Canada, serving utilities, data centers, renewable energy and transportation projects. The company owns one of the largest specialized electrical equipment fleets in the industry. A healthy balance sheet provides flexibility for investment, acquisitions and buybacks, while surging electricity demand from AI, data center buildout and an aging grid supports a compelling multi-year growth outlook.

Four positions were eliminated from the portfolio during the third quarter. *Integer Holdings* is a medical device contract manufacturer. We initiated a position in late 2024, attracted by steady growth in the neurological and cardiovascular end markets, an accelerating trend of OEM production outsourcing and a skilled management team with a clear operational improvement agenda. We exited the position following the announcement that private equity firm KKR would acquire the company at a 20% premium to the prior day's closing price.

Enovis is a manufacturer of artificial joints, surgical implant tools and orthopedic braces. We initiated the position expecting low-teens reconstruction revenue growth. Despite continued market share gains, organic implant growth decelerated to high single digits, falling short of our expectations. This limited the company's ability to expand margins, while heightened competition pressured its ambulatory surgical center business. We ultimately exited the position after management acquired a robotics company with no near-term revenue or earnings prospects.

We exited our positions in *ICF International* and *Franklin Electric* in our Small/Mid Strategy while retaining both in our Small Cap Strategy. We continue to see value in the shares of both companies and expect their fundamentals to progress in line with our investment theses. The exits within the Small/Mid Cap Strategy reflect our view that ESCO Technologies and MYR Group represent more attractive opportunities, and our preference to avoid increasing sector concentration in industrials.

Top Contributors

CACI International, an information technology and network services provider with significant Department of Defense exposure, benefited from robust funded backlog growth, strong pipeline activity and encouraging initial fiscal year 2027 guidance, with management citing healthy customer budgets and demand across intelligence, space/Golden Dome and counter-unmanned aerial systems programs.

Integer Holdings Corporation, a medical device contract manufacturer, reported second quarter 2026 results above Street expectations. In addition, private equity firm KKR announced its intention to acquire Integer at $127 per share, representing an enterprise value of $5.8 billion and an implied next twelve months price-to-earnings multiple of 18.9x.

Revvity, a medical technology company, reported above-consensus second quarter 2026 results, supported by

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11% diagnostics organic sales growth (excluding China) and meaningful operating profit margin expansion, driven by U.S. tariff refunds, volume growth and operational efficiencies.

Dynatrace, a provider of software that monitors, analyzes and optimizes software systems, benefited from a broader recovery in software stocks as momentum in the artificial intelligence trade moderated during the quarter. The company exceeded all top-line growth and profitability guidance metrics, fueled by strong new customer annualized recurring revenue growth.

Qualys, a cybersecurity software company, benefited from a broad recovery in software stocks as momentum in the artificial intelligence trade moderated during the quarter. Additionally, Qualys reported a strong quarter in early August, exceeding expectations across sales, margins, earnings per share, billings and deferred revenue.

TOP DETRACTORS

AAON, a commercial HVAC equipment manufacturer, reported robust sales and earnings per share growth; however, data center backlog declined modestly due to increased throughput. Backlog remains at a healthy level, though orders can be uneven quarter to quarter. Fading investor enthusiasm for artificial intelligence and data center stocks also pressured shares.

Power Integrations, a designer of high-voltage power conversion semiconductors, was pressured by fading investor optimism around the artificial intelligence trade, which weighed broadly on semiconductor stocks. In-line guidance alongside softer expected consumer sales quarter-over-quarter presented additional headwinds for the stock.

Onto Innovation, a semiconductor capital equipment provider, delivered a strong quarter, raised full-year guidance and offered encouraging preliminary fiscal year 2027 commentary; however, the stock faced headwinds as broader sentiment around the artificial intelligence trade weighed on the semiconductor equipment space.

Enpro, a provider of highly engineered industrial sealing solutions and semiconductor manufacturing services, reported results well ahead of expectations. Semiconductor-related sales are rebounding strongly, but margins disappointed due to heavy growth investment spending. Shares gave back a bit of their robust first half 2026 rally, but the company's outlook remains very attractive.

AAR Corp., a pure-play aerospace aftermarket company providing parts supply and repair services, reported strong sales and earnings per share growth and raised fiscal year 2027 guidance. A significant acquisition announced at the end of the quarter strengthens the company's maintenance capabilities and improves its margin profile, though it increases near-term leverage.

MARKET OBSERVATIONS

Small, mid and large-cap companies all reported strong earnings growth during the third quarter, with most exceeding consensus estimates. Positive forward guidance further lifted full-year earnings growth expectations. While these fundamentals are encouraging, we remain vigilant in monitoring potential risks on the horizon.

Three themes warrant particular attention: the combined effect of higher oil prices and rising interest rates, the durability of consumer spending and the potential for a pullback in AI and data center investment.

Oil prices have risen $33 per barrel (+57%) since the start of the year, rippling across nearly every corner of the economy. Prices could retreat quickly if an agreement to reopen the Strait of Hormuz is reached, as briefly occurred in June, but until then, higher gas prices will continue to erode consumer spending power. Less visible but equally consequential is the surge in diesel prices, which are up 70% since mid-February. Diesel is essential to land and sea transportation, agriculture and construction, making it a pervasive cost driver across goods and services broadly. Unlike gasoline, diesel prices may not fall as sharply even if the Strait of Hormuz reopens, given damaged refining infrastructure in the Middle East and Russia. In the meantime, refiners have been clear beneficiaries, with refinery margins expanding significantly.

Interest rates have also been climbing. The Federal Reserve raised the Fed Funds rate in September, and as of this writing, markets are pricing in one additional hike before year-end. Rising rates can be particularly challenging for small-cap companies, which tend to carry greater exposure to floating rate debt. That said, the picture is nuanced. According to Furey Research Partners, half of the Russell 2000's debt is concentrated among just 12% of the index by market cap, and more than a third of index constituents are net cash positive. Many small-cap companies are well-equipped to navigate a rate-hiking cycle, supported by strong balance sheets and healthy free cash flow. Tributary monitors the balance sheet health of its holdings on an ongoing basis.

Together, higher oil prices and rising rates are weighing on consumer sentiment, which has softened throughout the year. Inflation expectations have risen, and wage growth continues to lag inflation, gradually eroding purchasing power. That said, delinquency rates on auto loans and credit cards have remained stable, suggesting that consumers, on balance, are in a middle ground: neither thriving nor deteriorating.

AI's rapid expansion and the associated data center buildout remain a key area of focus. According to a Brookings Institution economist, AI spending is projected to average 3.6% of U.S. GDP annually from 2025 through 2032. This massive investment has meaningfully benefited

many small- and mid-cap companies within the Russell 2500. However, growing pushback against data center construction could slow momentum. We have carefully managed our exposure to this theme throughout the year and continue to maintain what we believe is a well-calibrated position in this powerful long-term trend.

Despite these risks, we remain optimistic about the near-term outlook for equity markets and small- and mid-cap stocks. As of quarter-end, 2026 earnings and sales growth expectations for the asset class stood at 16.9% and 8.8%, respectively, according to Jefferies Research. Our strategy continues to lead the index on both measures, with earnings and sales growth projected at 18.2% and 12.5%, respectively. The strategy is also attractively valued at 16.3x forward earnings, three turns below the benchmark's 19.5x multiple. We believe this combination of stronger projected growth and a more compelling valuation positions the strategy well for continued outperformance.

Looking ahead, we will continue to manage risk thoughtfully while positioning the portfolio for long-term outperformance. We remain committed to our disciplined approach of identifying high-quality businesses that we believe are underappreciated by the broader market.

Unless otherwise noted, all returns, excluding Tributary Capital Management's strategies, have been obtained from FactSet Research Systems. Sector and security level performance is presented gross of fees without the deduction of fees and expenses. Refer to total portfolio gross and net performance to understand the overall effect of fees.

Net-of-fees composite returns are calculated using the highest potential fee the investment advisor will charge investors in the composite. Net performance is reported net of investment advisory fees and transaction costs. Capital gains and dividends are reinvested for performance calculations.

The performance numbers shown above are for the Tributary Small/Mid Cap Equity Composite and are expressed in U.S. dollars. The composite includes all discretionary accounts with an initial market value of $500,000 that are invested in the Small/Mid Cap Equity Strategy. The inception date of the Small/Mid Cap Equity Composite is December 31, 2016. Tributary claims compliance with the Global Investment Performance Standards (GIPS®). A fully compliant presentation can be requested by emailing clientservices@tributarycapital.com.

The portfolio returns for periods other than those starting and ending with calendar month ends are generated using FactSet attribution software to approximate portfolio performance. They are not official composite returns. They are provided for illustrative purposes only and are presented gross of fees meaning they do not reflect the impact of advisory fees which reduces performance returns.

The Russell 2500 is a market cap weighted index that includes approximately 2,500 of the smallest companies in the Russell 3000 Index. The Russell 2500 Value Index measures the performance of the value segment by including those companies with lower price-to-book ratios and lower forecasted growth values. It is not possible to invest directly in the Russell 2500 Index or the Russell 2500 Value Index.

Stocks of small companies are subject to market risk and may be more volatile and less liquid than stocks of large companies.

It should not be assumed that an investment in securities identified was or will be profitable or that the investment decisions we make in the future will be profitable or will equal the performance of the securities discussed herein. Holdings are subject to change. The holdings identified do not represent all of the securities purchased, sold or recommended for the portfolio. The holdings listed should not be considered recommendations to purchase or sell a particular security. The "Top Contributors" and "Top Detractors" represented are based on contribution to portfolio return. To obtain the contribution calculation methodology and a complete list of every holding's contribution to the overall portfolio's performance during the quarter, please contact clientservices@tributarycapital.com.

Tributary is an SEC Registered Investment Adviser and operates as a distinct business unit, separate from its affiliates; Tributary is a wholly owned subsidiary of First National Bank of Omaha ("FNBO"), a wholly owned subsidiary of First National of Nebraska, Inc. Tributary was formed on January 1, 2005, and expanded in May 2010 through the merger with First Investment Group (formerly an investment team within FNBO), and further expanded on April 1, 2026, following FNBO's acquisition of Country Club Bank. Tributary manages equity model portfolios, wrap accounts, separately managed accounts, and mutual funds.

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