

PORTFOLIO MANAGERS: DONALD RADTKE & MARK WYNEGAR

FIRST QUARTER 2025

	Quarter	Year to Date	1 Year	3 Years	5 Years	Since Inception*
Tributary Capital Management (Gross of Fees)	-7.4%	-7.4%	-3.7%	3.3%	16.9%	10.1%
Tributary Capital Management (Net of Fees)	-7.6%	-7.6%	-4.5%	2.5%	15.9%	9.2%
Russell 2500 Index	-7.5%	-7.5%	-3.1%	1.8%	14.9%	8.0%
Russell 2500 Value Index	-5.8%	-5.8%	-1.5%	2.3%	16.7%	6.6%

*Inception: 12/31/2016

PORTFOLIO REVIEW

Post-election economic optimism that drove a year-end surge in equity markets continued into the new year but then faded as the first quarter wore on. The optimism built upon expectations of pro-business policies coming out of Washington D.C. eroded in the second half of the quarter as economic growth concerns materialized alongside stubbornly persistent inflation. The new administration's tough tariff posturing stoked additional inflationary concerns along with worries about their potential to dampen growth. Fast and furious federal agency downsizing actions elevated uncertainties about the eventual GDP impact of the cuts and will provide a test of labor market resiliency.

While upheaval in Washington was taking place on many fronts, investors were rattled and confused by the haphazard way in which tariff proposals were revealed, repealed, altered and ultimately implemented. Markets and corporate decision makers do not like uncertainty, and assumptions made in November's election afterglow have been quickly re-evaluated. Economic fears ultimately blew up with the White House's April 2 "Liberation Day" announcement of heavy and broad tariffs on most of our trade partners. Overnight, economists downgraded 2025 U.S. and global growth expectations and meaningfully increased the odds of a domestic recession this year. Markets were thrown into turmoil in early April, and soon after Liberation Day, most equity indexes reached 52-week lows. This included the Russell 2500 benchmark, down over -25% from its November high, driving it into bear market territory.

Placing the early April correction aside, small- and mid-cap stocks had a solid start in 2025, with the Russell 2500 rising 3.6% in January and every benchmark sector posting a positive January return. Sentiment flipped to risk off in mid-February when the January consumer and producer price index reports came in hotter than expected and other economic reports, particularly consumer indicators, were softer than forecasted. With the labor market remaining solid and inflation still persistent, it became apparent the Federal Reserve would pause its rate cutting trend. This backdrop caused equities to slide downward into the end of March.

The Tributary Small/Mid Cap Strategy posted a -7.4% return in the first quarter, a tick higher than the Russell 2500's -7.5% loss. The strategy trailed the benchmark's broad advance in the first half of the quarter but then gained ground and overtook the index as equities turned downward into quarter's end. As expected in a risk off environment, the defensive utilities (+8%) and staples (-1%) sectors were the best performing benchmark sectors, while the cyclically exposed technology (-17%) and consumer discretionary (-12%) areas suffered the largest declines.

The strategy's best relative performing sectors this quarter were the consumer discretionary (-6% vs. -12%) and consumer staples (+7% vs. -1%) sectors. Our defensive discount retail exposure in Ollie's Bargain Outlets (+6%) along with Casey's General Stores (+10%) aided consumer exposed returns. Relative performance trailed the benchmark in the technology (-20% vs. -17%) and energy (-13% vs. -2%) sectors. Semiconductor exposure (-26% average performance) was a headwind again this quarter with the industry's recovery timeframe continuing to be pushed out. Additionally, two of our oil and gas holdings suffered this quarter given downward global growth revisions and concerns about oil being oversupplied this year.

PORTFOLIO CHANGES

During the first quarter three companies were added to the strategy. *Lincoln Electric* is a global manufacturer of a wide array of welding equipment and related products. The company has a leading share in a fragmented end market. Their strong competitive position has helped the company generate a consistent track record of robust cash flow and profitability which has allowed the company to have a high degree of financial flexibility over time.

Domino's Pizza is the largest global player in the quick service pizza market. The company utilizes a franchisor model which is less cyclical, requires minimal growth investments and enables the company to generate generous free cash flow and high returns on invested capital. Domino's has taken market share through improved food quality, competitive pricing and fast delivery times. Its mobile app has been very successful, and the company has also recently expanded its relationships with aggregator food ordering apps.

TopBuild is the largest installer and distributor of insulation in the United States. Roughly 60% of sales are from residential homes and 40% are commercial as the company has shifted its sales emphasis to commercial, which has greater recurring revenue characteristics. In contrast to many companies exposed to home building, the company generates high levels of free cash flow and has a very conservatively managed balance sheet.

During the quarter three holdings were eliminated from the portfolio. We exited our position in *Oshkosh*, a designer and manufacturer of a broad range of specialty vehicles. The company's access equipment segment (aerial work platforms) generates half of the company's sales and has had strong demand tailwinds that are now abating with slowing commercial construction. Historically, access equipment segment performance has been the primary driver of the stock. Given access equipment headwinds we exited our position and used the proceeds to fund our initial position

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in Lincoln Electric. We also sold our position in *Gentex*, a supplier of auto-dimming mirrors to the auto industry, over light vehicle demand concerns. Lastly, we exited our *LGI Homes* position to fund the purchase of TopBuild, which we believe is a higher-quality company offering better prospective investment returns.

TOP CONTRIBUTORS

Brown & Brown, an insurance brokerage, has generated healthy organic revenue growth and continued margin expansion – trends that are expected to continue. The stock has benefited from a perception of being a safe haven amidst recent economic uncertainties.

Casey's General Stores, Inc., a convenience store company focusing on rural communities, beat on revenue, EBITDA and EPS, and management raised full year guidance for EBITDA. In-store food sales and customer loyalty continue to drive results.

Agree Realty, a REIT focused on triple-net lease retail properties, has raised significant amounts of capital which are being used to acquire additional properties at yields accretive to shareholders. The stock has also benefited from the company's high business visibility and steady cash flow streams amidst recent economic uncertainties.

Ollie's Bargain Outlet Holdings, an extreme value retailer with locations in the Eastern half of the U.S., beat on same-store sales, and management issued favorable commentary on the outlook for same-store sales growth for the full year, in part due to a direct competitor filing for Chapter 11 bankruptcy.

Nexstar Media Group, the largest local television company in the U.S., beat on revenue, EBITDA and EPS, and management provided favorable commentary on financial results and subscriber growth for its CW Network division.

TOP DETRACTORS

Tetra Tech, a water-focused engineering company, reported better-than-expected quarterly results. However, the stock price declined as management revised its full-year revenue projections downward, citing concerns over potential federal spending cuts & delays in funding, particularly within civilian agencies such as USAID.

ICF International, Inc., a technology services company with governmental and commercial clients, saw its shares buffeted by uncertainties surrounding federal government cost cuts. Management conservatively guided expectations for 2025, but investors may have little confidence in ICF's framework given how early we are in the restructuring of federal agencies.

Burlington Stores, Inc., an off-price retailer, under-performed due to the company's exposure to tariffs on merchandise sourced from China.

Ambarella, a developer of high resolution, low power video solutions, declined after the company lowered its guidance for the second half of fiscal year 2026 (ending January) and disclosed that it was unsuccessful in displacing an incumbent supplier on a contract with a major Western automotive manufacturer.

Onto Innovation, a semiconductor capital equipment provider, reported better-than-expected quarterly results. However, the stock price declined as management issued weaker-than-

expected forward guidance, citing slow equipment orders. These delays are expected to shift revenue to the second half of the year, resulting in more subdued revenues over the next quarter or two.

PORTFOLIO OUTLOOK

Since the beginning of the year, the U.S. economy and equity markets have navigated a complex landscape of challenges and opportunities, influenced by domestic policies, international trade tensions and monetary policy decisions. Tariffs have emerged as a key economic and foreign policy tool, with the U.S. imposing new trade barriers to address geopolitical and economic concerns. While these tariffs do not directly impact all industries, the indirect effects can be far reaching.

Concerns about slowing economic growth and a potential recession have recently intensified due to uncertainties regarding the implementation of new global trade policies. Corporate decision makers are frozen as policies change daily and consumer confidence has been shaken. Equity markets have reflected these concerns with increased volatility. It seems that small- and mid-cap stocks have been bracing for an economic slowdown for the past three years given low valuation metrics. If a recession were to materialize, it might be viewed by some as overdue, as it has been almost 16 years since the end of the last lengthy recession (excluding the three-month long COVID recession) and six months since the 10- and 2-year Treasury yield curve was last inverted.

Labor market dynamics have remained stable, with unemployment holding at historically low levels. However, signs of consumer weakness are becoming more apparent. Retail spending has softened, and consumer confidence has weakened, signaling potential headwinds to economic growth. Consumer spending drives almost 70% of U.S. GDP, so a sustained decline in confidence and spending will have meaningful domestic economic effects.

The Federal Reserve has responded to shifting economic conditions by tempering its 2025 GDP expectations, lowering growth projections from 2.1% to 1.7%. At the start of the year, many economic forecasters had projected moderate expansion, but recent economic indicators and trade policy uncertainties have prompted downward revisions. Persistent inflation and the potential for tariffs to slow domestic growth have complicated monetary policy decisions, leading the Fed to pause its interest rate cuts. Federal Reserve Chairman Powell has indicated that the Fed will not be providing a backstop to the markets. At least, not yet. Market data indicates that investors are now expecting the Fed to make four 25 basis point rate cuts this year¹. While the market would welcome further rate reductions, such moves may be less well received if they result from economic deterioration rather than easing inflation concerns.

Corporate earnings have also adjusted to evolving macroeconomic conditions. Earnings growth estimates for small-, mid-, and large-cap stocks have all declined since the beginning of the year. As of quarter end, the most current data available indicated small- and mid-cap earnings were expected to grow faster than large-cap earnings in the second half of the year, a quarter later than previously anticipated. Given the administration's wholehearted embrace of tariffs

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and the uncertainty this is causing business decision makers, forecasters and investors, earnings expectations are likely to be revised downward, possibly significantly.

Looking ahead, the interplay between trade policy, monetary policy, and the health of the economy will continue to shape market sentiment. What the tariff landscape looks like six months or a year from now may be the biggest wild card as trading partner responses evolve over the ensuing weeks and months. So, gauging the economic implications of the new trade regime will be difficult and this heightened level of uncertainty could be a source of consternation for investors.

While macroeconomic factors can influence market trends, we believe a company's fundamentals and profitability are the true drivers of long-term value. Through ongoing conversations with management teams and careful analysis of company filings, we aim to deepen our understanding of how

companies and industries will be impacted by trade policy shifts and how they may be able to mitigate potential risks. We will use this information to update investment theses for our holdings as needed.

At quarter end, holdings in the Tributary Small/Mid Cap Strategy were expected to grow earnings by 9% in 2025 and the portfolio was valued at 16.1x forward earnings. That level of earnings growth is in line with the average of the small- and mid-cap asset classes, yet the strategy is trading at a discount to the Russell 2500's 17.3x forward earnings multiple². In the short term, fads, fixations or fear may overshadow our holdings' high-quality characteristics and attractive valuation. However, our team has the perspective and patience to know that our investment philosophy and process have worked over extended periods of time and serve as the foundation for our solid long-term investment performance.

¹ CME FedWatch Tool, 4/8/2025

² Jefferies Research, Valuation Handbook, 4/4/2025

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 generally invested in the Small/Mid Cap Equity Strategy. The inception date of the Small/Mid Cap Equity Composite is December 31, 2016.

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. The Russell 2500 Growth Index is designed to measure the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Standard & Poor's 500 is a basket of 500 stocks that are considered to be widely held. The S&P 600 Index is a stock market index established by Standard & Poor's. It covers roughly the small-cap range of US stocks, using a capitalization-weighted index. The S&P MidCap 400 Index is a stock index that tracks the performance of 400 mid-sized U.S. companies. The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. It is not possible to invest directly in the Russell 2500 Index, Russell 2500 Value Index, Russell 2500 Growth Index, the Russell 2000 Index, the S&P 500 Index, S&P 600 Index, the S&P Mid Cap 400 Index or the S&P 500 EWI.

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, an SEC Registered Investment Adviser, is the combined entity of the prior Tributary (formed Jan. 1, 2005) and First Investment Group (formerly a department of First National Bank of Omaha) which merged in May 2010. Tributary is a wholly owned subsidiary of First National Bank, a wholly owned subsidiary of First National of Nebraska, Inc. and manages mutual funds and equity and balanced portfolios. Tributary Capital Management, LLC ("Tributary") claims compliance with the Global Investment Performance Standards (GIPS®). A fully compliant presentation can be requested by emailing clientservices@tributarycapital.com.

Comments are provided as general market commentary and should not be considered investment advice or predictive of any future market performance.

Past performance does not guarantee future results. Investments: Are Not FDIC Insured • May Go Down in Value • Are Not a Deposit