



Small Company Fund – Investor and Institutional Share Classes

Brown Capital's Small Company Fund (Investor shares) fell 19.78% during the first quarter of 2026, significantly behind the Russell 2000® Growth index's 2.81% decline. The majority of our underperformance occurred in the first two months of the year. Market conditions deteriorated sharply in late February with the onset of the Iran war, which drove a spike in oil prices and broadly increased volatility and risk aversion across equities. Higher oil prices driven by geopolitical conflict raise costs, fuel inflation and depress consumer demand, all while increasing discount rates. This disproportionately pressures smaller, domestically focused growth companies. Our relative performance stabilized as the quarter progressed, as the Fund's returns were more in line with the benchmark following the onset of the conflict, but early-quarter declines and weakness in several large positions drove our large shortfall this quarter.

More granularly, the Fund experienced meaningful share-price weakness in the quarter across a number of holdings, particularly those related to application software, which accounted for about 86% of our underperformance. The valuations of these companies are collapsing due to general fears that AI will undermine their business models. We explore that subject below.

Results vs. returns

Our Exceptional Growth Company (EGC) approach combines proprietary, bottom-up fundamental research and concentrated positions. Our deep investment research gives us confidence to take large positions that vary significantly from the benchmark. In fact, our benchmark-agnosticism has been key to our ability to outperform since the Small Company Fund's inception more than 30 years ago. As long as we believe a company's fundamentals remain intact, we remain patient. However, when markets move on factors outside fundamentals, we can look quite foolish. That was certainly the case this quarter.

In total, the first quarter of 2026 saw a continuation of the disappointing trend hampering the Small Company Fund—solid fundamental results by our Exceptional Growth Companies are going unrewarded in share prices. Looking deeper, nine of the top 10 detractors this quarter were affected by what might be called an AI derating. While fears of AI have affected many industries, software has been particularly hard hit. The iShares Expanded Tech-Software Sector ETF (IGV) plummeted more than 24% in the first quarter of 2026, largely due to AI-related disruption fears and valuation compression. By and large, these losses are not because of any actual deterioration of fundamentals. Instead, the selling stems from fears of these companies being displaced or replaced by AI altogether.

The fear is evident in the chart below, which illustrates the forward price/sales multiple of the 22 holdings in the Small Company Fund affected by the AI derating. Specifically, the table shows how the current multiple compares to the average multiple over the last five years, as of March 31, 2026. The bottom line: valuations for this basket of companies are currently about 56% below their historical average. Since these holdings represent 54% of the portfolio, the AI derating has been a major drag on our performance.

The Brown Capital Management Small Company Fund

Management Discussion of Fund Performance, First Quarter 2026

Small Company Fund AI Derated Holdings, as of March 31, 2026

Ticker	Company Name	Ave. Weight	Current Forward P/S	5-Year Ave. Forward P/S	Current (Discount)/Premium to 5-Year Ave.	1Q 2026 Total Return
XMTR	Xometry, Inc. Class A	4.6%	2.60	5.60	-54%	-31.33%
VEEV	Veeva Systems Inc Class A	4.3%	7.84	17.40	-55%	-21.31%
DDOG	Datadog, Inc. Class A	4.2%	10.18	26.40	-61%	-13.19%
APPF	AppFolio Inc Class A	3.9%	4.97	11.50	-57%	-32.16%
MANH	Manhattan Associates, Inc.	3.8%	6.44	13.70	-53%	-23.19%
GWRE	Guidewire Software, Inc.	3.8%	8.16	11.40	-28%	-25.60%
TYL	Tyler Technologies, Inc.	3.7%	5.66	11.40	-50%	-24.58%
CWAN	Clearwater Analytics Holdings, Inc. Class A	3.6%	7.07	28.90	-76%	-1.95%
ALRM	Alarm.com Holdings, Inc.	3.3%	2.03	4.20	-52%	-15.35%
QTWO	Q2 Holdings, Inc.	2.7%	3.37	6.40	-47%	-34.45%
PAYC	Paycom Software, Inc.	2.6%	3.00	12.90	-77%	-23.53%
AGYS	Agilysys, Inc.	2.5%	5.55	9.70	-43%	-40.14%
WK	Workiva Inc. Class A	2.0%	3.27	9.20	-64%	-30.86%
NCNO	nCino Inc	1.9%	2.96	11.40	-74%	-41.58%
VERX	Vertex, Inc. Class A	1.3%	2.34	7.10	-67%	-40.46%
DV	DoubleVerify Holdings, Inc.	1.2%	1.94	10.10	-81%	-16.96%
RDVT	Red Violet, Inc.	1.1%	4.85	7.00	-31%	-39.24%
SPSC	SPS Commerce, Inc.	1.0%	2.62	11.10	-76%	-37.54%
DUOL	Duolingo, Inc. Class A	0.8%	3.73	17.20	-78%	-43.83%
PDFS	PDF Solutions, Inc.	0.6%	5.08	7.60	-33%	14.65%
INTA	Intapp, Inc.	0.6%	3.29	7.10	-54%	-43.93%
AVPT	AvePoint, Inc. Class A	0.5%	4.07	5.90	-31%	-31.53%
Wtd. Average					-56.07%	

Deep dive into software

When a powerful and rapidly evolving technology like AI comes along, it can be difficult for investors to understand its impact across industries long-term. Often the market seems to take a shoot-first-and-ask-questions-later approach. That's what's behind the current derating of any business that AI could potentially touch, in our view. But a closer look into the software industry, for example, reminds us that business models vary. Not all software companies are actually at risk of displacement by AI. In fact, we remain excited by the potential upside these holdings have once the market starts to better differentiate the AI winners from losers.

The Small Company Team uses four key criteria to assess AI risk for software companies:

- *Horizontal vs. vertical*: Horizontal software serves broad use cases across industries and is more exposed to AI-driven disruption, while vertical software is tailored to specific industries and benefits from deeper domain expertise and embedded workflows.
- *Public data vs. proprietary data*: Companies relying on widely available data face greater competitive pressure from AI, whereas those built on proprietary, hard-to-replicate datasets have more defensible advantages.
- *Seat-based model vs. consumption model*: Seat-based pricing is vulnerable as AI reduces the need for human users, while consumption-based models can better align with AI-driven usage and scale.
- *System of engagement vs. system of record*: Systems of engagement focus on user interfaces and workflows that are easier to disrupt, whereas systems of record house critical, authoritative data and tend to be more durable.

The Brown Capital Management Small Company Fund

Management Discussion of Fund Performance, First Quarter 2026

To appreciate these criteria, consider **Veeva Systems**, which provides cloud-based software to the global life-sciences industry, including the fields of biotechnology and pharmaceuticals. Unlike horizontal platforms such as Salesforce or HubSpot, which serve broad customer use cases across industries and face increasing AI-driven competition, Veeva's solutions are deeply embedded in highly specialized regulatory, clinical and commercial workflows. Its platform is built on proprietary, highly structured data tied to drug development and compliance processes, making Veeva's offering far less susceptible to commoditization from AI trained on public data. While aspects of Veeva's model are seat-based, its software is mission-critical and aligned with regulated activities, limiting the risk that AI-driven efficiency will reduce demand. Finally, Veeva operates as a system of record, serving as the authoritative source for regulated content and data, in contrast to more interface-driven systems of engagement that are easier to disrupt. Taken together, these characteristics suggest that Veeva is relatively well insulated from the disruptive effects of AI. Nevertheless, the company is trading at a 55% discount to its historical price/sales ratio, largely due to this AI derating.

Progress report

We are committed to adding to the overall number of positions in the Small Company Fund to get us in the middle of our target range of 40 to 65 holdings. Even though takeouts have been working against that objective, we have managed to decrease our Top 10 concentration from 48% at the start of 2025 to 43% at the end of the first quarter of 2026. Our pace of adding new names has accelerated thanks in part to our proprietary AI-based investment-research tools. In fact, since we launched our proprietary investment-research bot back in the third quarter of 2025, the Small Company Team has produced Full Candidate Reports on 24 new ideas, with 12 new names entering the portfolio.

Finally, we are intentionally diversifying by finding new names outside two particular areas of focus for us: software and life science tools. Of the 12 companies added in the last three quarters, nine fall outside of these industries. We look forward to compounding these EGCs' growth over years to come.

Returns: Contributors and Detractors

Among the top contributors to performance in the first quarter of 2026 was Cognex (CGNX).

Cognex is a leading provider of machine-vision systems that capture and analyze visual information in order to automate tasks in manufacturing and logistics. As machine-vision systems improve in accuracy and get cheaper with the evolution of technology, they perform a broader range of tasks that previously were performed using manual labor. Additionally, Cognex has recently launched new products that leverage AI and further expand the use cases addressable with machine vision. We expect Cognex's growth to be driven by broadening applications for machine vision and increasing adoption of machine vision in existing use cases.

During the quarter, Cognex reported fourth quarter revenue of \$252 million, up 10% over the year-earlier period and above expectations. Profitability also increased, as the company generated \$35 million in operating income, up 14% year over year. The company announced that it is taking steps to optimize its product portfolio, exiting some non-core, lower-growth or lower-margin businesses, reducing up to \$40 million in costs in 2026 and increasing growth and profitability going forward. Cognex also noted growing interest from customers regarding its AI-driven machine-vision and industrial-automation capabilities. The company issued forward guidance that was above expectations in both revenue growth and profitability. It is our belief that these factors signaled strong underlying demand for the company's products and that growth was accelerating, which contributed to the company's stock price increasing 36% during the quarter.

Among the top detractors to performance in the first quarter of 2026 was Repligen (RGEN).

Repligen Corporation is a life-sciences company that develops and manufactures products used throughout the complex process of making biological drugs, helping its customers increase efficiency and reduce costs. Biological

The Brown Capital Management Small Company Fund

Management Discussion of Fund Performance, First Quarter 2026

drugs make up roughly a quarter of the overall pharmaceutical market, and biologics sales are growing in the high single-digits, at roughly double the rate of the overall pharmaceutical industry. Repligen's products are used in the process of manufacturing hundreds of biological drugs in various phases, helping customers increase efficiency and reduce costs. Given its diverse customer base, we believe Repligen is well-positioned to benefit from the growing number of biological drugs being developed and commercialized, regardless of which specific drugs wind up being successful. In addition to serving a growing market, Repligen offers differentiated products in markets where the larger vendors have failed to innovate. The company is also expanding its portfolio with strategic M&A and organic innovation.

During the first quarter of 2026, Repligen's stock price declined steadily and then dropped sharply following the Feb. 24 earnings release. The market reacted poorly to Repligen's initial 2026 financial guidance. Management guided for 10% to 14% reported revenue growth and 9% to 13% organic growth for the full year 2026. This outlook signaled a growth deceleration compared to the 14% organic growth achieved in the fourth quarter, prompting further price weakness. Given the company's long-term opportunities, we see this as an overreaction and still view Repligen as an EGC.

Additions and Deletions

We added four companies to the Small Company Fund in the first quarter of 2026—Credo Technology (CRDO), Krystal Biotech (KRYS), SiTime (SITM) and Xpel (XPEL).

Credo Technology is positioned at the center of the buildout for AI data centers. The company provides critical high-speed connectivity solutions—effectively the plumbing of AI and cloud infrastructure—through its leadership in Active Electrical Cables (AECs), which enable high-bandwidth, low-latency and energy-efficient data transfer within hyperscale environments. As AI workloads accelerate, connectivity demand is growing even faster than compute, directly tying Credo's revenue opportunity to the rapid expansion of hyperscaler infrastructure spending. With approximately 80% share in the AEC market it pioneered, Credo benefits from a strong competitive position, reinforced by its fully integrated, end-to-end solution spanning silicon through finished cable. This model drives faster time-to-market, lower system complexity and superior reliability versus more fragmented competitor offerings.

Our investment thesis is supported by multiple durable growth drivers, including a structural AI tailwind, expanding product optionality and operating leverage. Credo is a key beneficiary of the ongoing AI arms race and infrastructure build out among hyperscalers such as Amazon, Microsoft and Meta. Beyond AECs, Credo is expanding into other connectors, significantly increasing its total addressable market. In fiscal year 2025 (ended April 30), Credo generated \$437 million in revenue. Over the next few years, we expect revenue growth of 30% to 50% a year. Financially, Credo demonstrates unit economics that we find attractive, with gross margins above 65% and improving operating efficiency as scale increases. Credo achieved 8.5% GAAP operating margin in fiscal year 2025 which we think should rise to 29% GAAP fiscal year 2026. While customer concentration—particularly with Amazon and Microsoft—and emerging competition from players like Astera Labs present risks, Credo's advantages in integration, cost and performance are expected to sustain its leadership. In conclusion, the company represents a compelling way to gain exposure to the foundational layer of AI infrastructure with substantial long-term growth potential.

Krystal Biotech is a commercial-stage gene therapy company that makes treatments patients can apply and reapply to the skin, using its own technology to deliver them. Specifically, that technology is the use of a certain virus as a delivery vehicle, one that is engineered to safely carry healthy genes into skin cells. This allows for localized, repeat dosing with non-invasive administration, creating both clinical and commercial advantages over traditional gene therapies. Krystal's lead product, VYJUVEK, is the first topical, re-dosable gene therapy to receive FDA approval for dystrophic epidermolysis bullosa (DEB), a rare and debilitating genetic skin disorder. Early commercialization of VYJUVEK has exceeded expectations, with rapid patient adoption, strong payer acceptance and high levels of patient compliance. This has driven meaningful revenue scale and profitability. With a near-monopolistic position in DEB and demand driven by medical necessity rather than economic cycles, Krystal offers

The Brown Capital Management Small Company Fund

Management Discussion of Fund Performance, First Quarter 2026

a durable and recession-resistant revenue stream supported by unit economics that we find attractive, including gross margins near 94% and strong free-cash-flow generation. The company's model of doing its own manufacturing and drug-delivery technology differentiates it from many gene-therapy peers, giving Krystal the advantages of scalability and patient-friendly treatments. The company is expanding into other dermatologic and respiratory indications, positioning the company as a platform-driven growth engine rather than a single-product story.

Our investment thesis is based on further penetration of the U.S. market, expansion into Europe and Japan, and Krystal's broad pipeline. Krystal had revenue of \$389 million in 2025 and we expect around 30% in annual revenue growth in the next few years. Krystal is highly profitable with 42% GAAP operating margin in 2025, which we expect to rise to 50% in the next few years. While risks include pipeline execution and emerging competition, we believe Krystal's first-mover advantage, strong balance sheet and scalable platform position it to sustain leadership in rare-disease gene therapy while expanding into new therapeutic areas.

SiTime makes silicon-based timekeeping components that tell electronic devices when to perform critical functions at precise times. The company makes advanced silicon chips that replace old quartz crystals and keep modern electronics running in perfect rhythm, ensuring that computers, phones and wireless devices operate accurately and reliably. Almost every major chip inside modern electronics depends on accurate timing from companies like SiTime. The firm's products are higher performing, smaller in size and more resilient to environmental stressors than quartz, positioning SiTime as a single-source provider of all the timing components required in modern electronics. This holistic approach differentiates SiTime from traditional timing suppliers who typically focus on specific components.

For fiscal year 2025, SiTime generated total revenue of \$362 million, up 61% vs. a year earlier. The company is still on the path to profitability, with a GAAP EBIT margin of -21%, up from -56.9% in 2024. We are comfortable with the company's progress to profitability, given improving margins.

Xpel develops surface-protection products and services used primarily in the automotive industry. The company's core business is paint protection film (PPF)—a transparent, self-healing urethane film applied to cars to protect against scratches, chips and other surface damage. Xpel also produces window films, ceramic coatings and windshield-protection films that are complementary to its flagship PPF offering. The PPF market is estimated to be less than 10% penetrated on cars in the U.S. and globally, and Xpel has been instrumental over the last several years in increasing awareness about the product in order to grow the market. Initially embraced by car enthusiasts for high-end sports cars, PPF is now increasingly used on luxury and mainstream sedans and SUVs. Xpel pursues a multi-channel strategy that is unique in the market, selling its products globally through automotive aftermarket shops, car dealerships and auto manufacturers. Xpel stands out because it has software that helps installers apply its products (like paint protection film) more quickly and with better precision. The software provides exact cut patterns for each vehicle, so installers don't have to measure and trim everything by hand—saving time, money and headaches.

The company has been profitable and growing for many years. With \$476 million in revenue in 2025 (up 13% vs. 2024) and an addressable market of more than \$7 billion, Xpel has a long runway for growth, in our view.

We made no deletions from the Fund.

Firm Update

Over the past several years, Brown Capital Management has been evolving. As we shared in our [communication](#) in July, our vision is to become a data-enabled, people-centered investment firm. We've embraced AI as a tool to help us scale thoughtfully while preserving the values, culture and human expertise that define our approach. More specifically, our work to date has included enhancing our data infrastructure, developing proprietary AI-based tools and expanding how we source and analyze investment ideas. We discussed above the positive impact our AI tools are having on the productivity of our investment teams. To accelerate our AI transformation, this quarter we welcomed AI Architect and System Engineer **Leyth Gorgeis** to the firm.

The Brown Capital Management Small Company Fund

Management Discussion of Fund Performance, First Quarter 2026

Amid this evolution, **Daman Blakeney**, a member of the Small Company Team, resigned from the firm, effective Feb. 28, 2026, to take his career in a new direction. Daman has been a valuable member of the team and we wish him well. While we are sad to see Daman go, we have full confidence in the five remaining members of the Team, who average more than 18 years of experience with the firm. The efficiency gains we are seeing with our AI tools leave us confident that the Small Company Team is adequately resourced. We do not know when the market headwinds the Small Company Fund has faced will reverse, but we are confident that the portfolio will be poised to benefit when the time comes.

BCM-26-038

BRN002356

Company Name	Percentage Held in Portfolio
Datadog, Inc. Class-A	4.61%
Cognex Corp.	4.47%
Repligen Corp	4.43%
Veeva Systems Inc	4.42%
Guidewire Software Inc	4.27%
Tyler Technologies Inc.	3.94%
Manhattan Associates Inc.	3.93%
Xometry Inc.	3.82%
AppFolio Inc.	3.77%
Alarm.com Holdings Inc.	3.42%
Paycom Software Inc.	2.75%
Q2 Holdings Inc	2.62%
Agilysys Inc	2.36%
Workiva Inc.	2.01%
nCino Inc.	1.72%
DoubleVerify Holdings Inc.	1.23%
Vertex Inc.	1.12%
Red Violet Inc.	1.02%
SPS Commerce Inc.	0.87%
Duolingo	0.78%
PDF Solutions Inc	0.77%
Intapp Inc.	0.66%
Krystal Biotech Inc.	0.53%
AvePoint Inc	0.51%
XPEL Inc.	0.51%
Sitime Corp.	0.36%
Credo Technology Group Holdings	0.33%
Clearwater Analytics	0.00%

Top 10 holdings may be accessed on Brown Capital Management's website.

This is not a recommendation to buy or sell a particular security. Holdings are subject to change.

The Brown Capital Management Small Company Fund

Management Discussion of Fund Performance, First Quarter 2026

The table below shows the performance of the Fund versus several market indices:

As of 03/31/2026

	Annualized								
	Since Inception	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	3 Months
Small Company Fund Inst. Class	9.42%	7.78%	6.62%	4.43%	-10.00%	-5.14%	-15.20%	-19.71%	-19.71%
Small Company Fund Inv. Class	9.33%	7.63%	6.42%	4.22%	-10.17%	-5.34%	-15.41%	-19.78%	-19.78%
Russell 2000® Growth Index	10.73%	7.88%	9.09%	9.79%	1.62%	12.27%	23.58%	-2.81%	-2.81%
Morningstar Category: US Fund Small Growth	N/A	N/A	N/A	10.52%	1.24%	9.83%	18.45%	-2.07%	-2.07%
Excess Return Over Benchmark	-1.31%	-0.10%	-2.47%	-5.36%	-11.62%	-17.41%	-38.78%	-16.90%	-16.90%

Excess Return Over Benchmark is the difference between the return of the Strategy and the Index.

Source: CFS.

*Inception date for the Institutional Share Class is 12/15/2011. Performance of the Institutional Share Class prior to 12/15/2011 is based on the performance of the Investor Share Class. Performance of the Investor Share Class started on 12/31/1992.

The Fund's Total Operating Expense Ratio: Investor Class 1.32% and Institutional Class 1.12%.

The performance data quoted represent past performance. Past performance is no guarantee of future results and investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance current to the most recent month-end may be found at www.browncapital.com or by calling 1-877-892-4226. Please see disclosures.

The **Russell 2000® Growth Index** measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

Morningstar Small Growth Category: Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value and cash flow) and high valuations (high price ratios and low dividend yields). The volatility (beta) of an account may be greater or less than its respective benchmark. One may not invest directly into an index.

Brown Capital Management, LLC ("BCM") is an investment advisor registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about BCM, including its investment strategies, fees and objectives, can be obtained by visiting www.browncapital.com. BCM's Form ADV contains information regarding our business practices and background of our key personnel. Form CRS contains key considerations for retail clients. A copy of BCM's Forms ADV Part 2 and Form CRS is available, without charge, upon request or by calling (800) 809-3863.

Past performance does not guarantee future results. Returns are presented net of fees. All investments involve risk, including loss of principal and there is no guarantee that investment objectives will be met. All holdings information is provided for informational purposes only and should not be interpreted as a recommendation to buy or sell any of the securities/sectors represented. Sector exposure represents nontraditional classifications as determined by the Fund's managers. This same objective, non-performance based criteria is consistently used to select portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed herein were or will prove to be profitable,

The Brown Capital Management Small Company Fund

Management Discussion of Fund Performance, First Quarter 2026

or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. BCM reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. Diversification does not eliminate the risk of experiencing investment losses.

The opinions expressed are those of BCM. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Forward looking statements cannot be guaranteed. This document may contain certain information that constitutes “forward-looking statements” which can be identified by the use of forward-looking terminology such as “may,” “expect,” “will,” “hope,” “forecast,” “intend,” “target,” “believe,” and/or comparable terminology. No assurance, representation, or warranty is made by any person that any of BCM’s assumptions, expectations, objectives, and/or goals will be achieved. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.

An investor should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. A copy of the prospectus is available at www.browncapital.com or by calling Shareholder Services at 1-877-892-4226. The prospectus should be read carefully before investing.

Principal Risks of Investing in the Fund: As with all mutual funds, an investment in the Fund is subject to investment risks, including the possible loss of the principal amount invested. There can be no assurances that the Fund will be successful in meeting its objectives. Investment in the Fund is also subject to market risk, investment style risk, investment adviser risk, market sector risk, equity securities risk, portfolio turnover risk, small companies risk, and other risks as set forth in the Fund’s prospectus. Funds that emphasize investments in smaller companies generally experience greater price volatility.

DISTRIBUTOR: ALPS Distributors, Inc. | Member FINRA/SIPC | 1290 Broadway Ste. 1000 | Denver, CO 80203 | There is no affiliation between Brown Capital Management, including its principals and ALPS Distributors, Inc.