

# Management Commentary: October 2025

Dear Investors,

The latest quarter marked another chapter in the market’s ongoing recovery, with several major equity indexes repeatedly making new all-time highs. After a period of uncertainty surrounding trade policy, most major tariffs were finalized during this period, and their economic impact was more limited than initially expected. This development created a stable backdrop for markets and allowed investors to refocus on economic fundamentals. Growth came in above consensus, inflation reports were generally benign, and although signs are emerging of a softening in the labor market, overall conditions indicated an economy that remains stable. The Federal Reserve has signaled a shift toward a more neutral monetary policy stance, including the possibility of more rate cuts, which is somewhat unusual given that almost all asset prices are at record highs, but the job data has the Fed concerned about a potential future slowdown. Looking ahead, we believe the economy may be entering a new productivity cycle that could result in a period where labor markets remain subdued while profit margins and earnings growth for businesses improve. Clearly the development and emerging use of artificial intelligence is at least partially to credit for this possibility, a technological cycle that is still very nascent despite the hype and historically high valuations we are seeing in the markets. We believe asset prices could continue to rise in the near-term, and we will maintain our focus on companies that we expect to deliver not only earnings growth but also benefit from an expansion in valuation multiples.

The Jacob Internet Fund added two new positions in the quarter, Circle Internet Group and Bed Bath & Beyond. Circle provides digital financial infrastructure and issues the popular USDC stablecoin. USDC is the second-largest issued stablecoin and has seen continued growth and increasing market share. Around the world, stablecoins are being used for a growing number of transactions across digital finance, including payments and settlement, which will likely expand the total addressable market for these coins over time. Circle operates under a regulatory framework and provides transparent financial disclosures, which differentiates it from most of its competitors, including the largest stablecoin, Tether. The company also has partnerships with established industry participants, including Coinbase, which we believe supports future growth in this market.

Bed Bath & Beyond may appear to be an unlikely addition to this fund, but the key attraction here is the growing interest in tokenization and the company’s stake in the tZERO exchange, which provides exposure to the development of alternative trading platforms. The company has recently appointed new management, which has begun implementing restructuring efforts aimed at improving operations and exploring strategic options. There is also the potential for asset sales or spinoffs that could unlock value. We believe the market may not fully reflect these factors in the current share price. While not a core part of our investment thesis, the company’s retail operations have been appropriately re-sized, which includes a small experiment with reopening a few offline locations of its well-known flagship brand, with a tighter focus on core categories and private-label brands. Most of the retail business will remain online, which should improve operational efficiency and stabilize profitability.

The Jacob Discovery Fund added three new positions in the quarter, Inogen, Omeros and Bed Bath & Beyond.

Inogen develops portable oxygen concentrators for patients with chronic respiratory conditions. The company has struggled through years of mismanagement and share losses, as lower-priced, often foreign, competitors flooded the markets. However, the business has stabilized lately and Inogen retains a dominant market share and leading brand, which sustains a price premium. New management has done an excellent job guiding the company over the past couple of years, improving profitability and reaccelerating innovation in a market that should have years and years of secular growth ahead due to the country’s aging population.

Omeros is a biotechnology company with a pipeline focused on complement-related diseases and immunology. The company’s latest-stage product is a monoclonal antibody called Narsoplimab, which is facing a key approval decision from the FDA later this year for the treatment of a condition called hematopoietic stem cell transplant-associated thrombotic microangiopathy, a clotting disorder that is quite difficult to treat with current drugs and often deadly for patients. After a roller coaster of a development process, we feel the chances of approval are strong, and the risk/reward ratio is quite favorable. Omeros, which has in the past pursued almost entirely a go-it-alone strategy, is also in late-stage discussions for a possible partnership that if successfully completed would address balance sheet concerns that we believe are also leading to a discount in the market.

The Jacob Small Cap Growth Fund added one new positions in the quarter, Bed Bath & Beyond.

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**Jacob Internet Fund, Small Cap Growth Fund and Discovery Fund Risk Disclosures:**

**Mutual fund investing involves risk. Principal loss is possible. There are specific risks inherent in investing in the Internet area, particularly with respect to smaller capitalized companies and the high volatility of internet stocks. All three funds may invest in foreign securities, which involve greater volatility and political, economic and currency risks, and differences in accounting methods. These risks are greater in emerging markets. All three funds also invest in smaller companies, which involve additional risks, such as limited liquidity and greater volatility.**

**The Internet Fund may invest in fixed income and convertible securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. The market value of convertible securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline. In addition, convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality.**

**Investments in micro capitalization companies may involve greater risks, as these companies tend to have limited product lines, markets and financial or managerial resources. Micro cap stocks often also have a more limited trading market, such that the Adviser may not be able to sell stocks at an optimal time or price. In addition, less frequently-traded securities may be subject to more abrupt price movements than securities of larger capitalized companies.**

**Investing involves risk; Principal loss is possible. Please see the prospectus for the risks associated with investing in the Fund.**

Click [here](#) to view the Jacob Funds prospectus.

The information provided herein represents the opinion of Jacob Mutual Funds and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Click [here](#) to view the holdings for the Jacob Internet Fund, as of August 31, 2025.

Click [here](#) to view the holdings for the Jacob Small Cap Growth Fund, as of August 31, 2025.

Click [here](#) to view the holdings for the Jacob Discovery Fund, as of August 31, 2025.

*Please note that these fund holdings are subject to change and should not be considered a recommendation to buy or sell any security.*

**Earnings growth is not representative of the Fund’s future performance.**

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*Effective 12/31/20 the Jacob Micro Cap Growth Fund was renamed as the Jacob Discovery Fund.*

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