



Small Company Fund – Investor and Institutional Share Classes

The fourth quarter of 2025 proved a fitting end to a frustrating year, with the Small Company Fund (Investor shares) down 1.50%, lagging the Russell 2000® Growth index's return of 1.22%. Leading the benchmark's returns in the quarter were real estate and telecommunications companies, among other industries. This quarter, the market even threw us a head fake during earnings season, when fundamentals seemed to return to the fore. From Oct. 31 through Nov. 15, we saw strong earnings reports from key holdings including **Datadog**, **Repligen**, **Glaukos**, **Vericel**, **Inspire Medical Systems**, **TransMedics Group**, **Agilysys**, **UFP Technologies**, **Workiva** and **Xometry**. During this brief period, the market once again rewarded strong execution and improving fundamentals, and the Small Company Fund (Investor shares) outperformed the benchmark by approximately 750 basis points. That return to normalcy proved short lived. Later strong results and guidance from companies such as **Guidewire Software**, **Veeva Systems** and **nCino** were largely ignored in stock prices. In fact, for the quarter, 10 out of our top 10 holdings beat consensus revenue guidance for the quarter, nine out of 10 provided fiscal year guidance that beat or was in line with consensus revenue estimates—yet six out of 10 underperformed the Russell 2000® Growth index.

Year in review

For the year 2025, the Small Company Fund was down double 11.46%, far behind the Russell 2000® Growth index's 13.01% return. Those are unequivocally ugly results. But before we get into the details of what drove performance, it is important to remember that as investors we are driven by company fundamentals. Our Exceptional Growth Company (EGC) approach combines proprietary, bottom-up research and concentrated positions. We manage a portfolio of EGCs using a benchmark-independent approach in which we do not structure the portfolio to match up with index sectors or weightings. Our deep investment research gives us confidence to take large positions that vary significantly from the benchmark. This benchmark-independence has been key to the Small Company strategy's outperformance over the Russell 2000® Growth index since our inception more than 30 years ago. (For more on this subject, please see our recent article "[Why Our Investable Universe is Not the Benchmark.](#)") As long as we believe the fundamentals remain intact, we stay patient. However, our EGC approach also means that when investor sentiment turns negative on the kinds of EGCs we invest in, our relative returns can really suffer.

All things considered, the Small Company holdings performed well fundamentally in 2025 in terms of revenue and earnings growth. Unfortunately, the market didn't seem to care about those operating results, a recurring reaction we have seen since 2021.

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Top 10 Holdings in Small Company Fund

Ticker	Company	Ave. Portfolio Weight in 2025	2025 Estimated Growth Rate, 12/31/24	2025 Estimated Growth Rate, 12/31/25	Change in 2025 Estimated Growth Rate	2025 Total Return (green= outperformance vs Russell 2000® Growth Index)
VEEV	Veeva Systems Inc Class A	5.4%	11%	15%	4%	6.17%
GWRE	Guidewire Software, Inc.	5.2%	10%	18%	7%	19.24%
DDOG	Datadog, Inc. Class A	5.2%	21%	26%	5%	-4.83%
APPF	AppFolio Inc Class A	4.8%	17%	20%	2%	-5.70%
RGEN	Repligen Corporation	4.7%	10%	16%	5%	13.84%
MANH	Manhattan Associates, Inc.	4.5%	9%	3%	-6%	-35.87%
VCEL	Vericel Corporation	4.4%	24%	16%	-7%	-34.42%
TYL	Tyler Technologies, Inc.	4.4%	10%	10%	-0%	-21.28%
GKOS	Glaukos Corp	4.3%	24%	29%	4%	-24.70%
XMTR	Xometry, Inc. Class A	3.8%	19%	24%	5%	39.40%

Source: FactSet

The chart above shows the fundamental performance this year of the Small Company Fund’s top 10 holdings as of Dec. 31, 2025. We looked at the change in fiscal year 2025 consensus revenue growth expectations as one measure of fundamental performance. For seven of our top 10 holdings, sell side analysts raised their estimates for 2025 revenue growth during the year, yet four of those seven underperformed the index in 2025. While this is just one measure, it demonstrates that despite these companies improving fundamentals, stock prices went nowhere for many of our EGCs. Poor investor sentiment around some of the areas we invest in—particularly software—overwhelmed strong fundamental performance during the year. This sentiment is amplified by our concentration in these companies.

AI, software and life sciences

This year, the narrative that AI will disrupt the business models of software companies has driven down multiples and share prices. We disagree with this blanket narrative and believe our software EGCs will be able to capitalize on the AI opportunity and emerge stronger. The very attributes that make our vertical software holdings EGCs also position these companies to win the next wave of innovation. Such attributes include high customer loyalty and trust, unique insights on operations in regulated industries, high switching costs and process-centric data that informs product development. All told, we estimate that software comprised about one-third of the Small Company Fund’s underperformance in 2025 and 125% of our fourth quarter underperformance.

Life sciences services companies have had to operate in a challenging environment following the post-COVID reset in industry funding. Pharmaceutical and biotechnology customers have been more deliberate in committing capital, leading to deferred clinical activity, elongated decision-making cycles and uneven demand for outsourced research and development services. These conditions have weighed on near-term growth expectations and investor sentiment, despite generally solid operational execution across much of the industry. We view the current period as the bottom of a funding cycle rather than a deterioration in our EGCs’ underlying business models. The scientific and regulatory complexity of modern drug development continues to increase, reinforcing the need for specialized third-party partners. We expected funding levels and development activity to recover in

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2025, positioning well-capitalized providers with differentiated capabilities and embedded customer relationships to resume durable growth. That hasn't happened yet.

Takeouts and upgrades

Last quarter, we [announced](#) the launch of our new, proprietary, generative-AI research bots that help our portfolio managers create investment research reports in a fraction of the time it used to take. From a portfolio management perspective, our goal is to increase diversification in the portfolio by increasing the number of holdings. While we remain committed to our EGCs, we are specifically looking to add exposure to new industries. We are actively looking for EGCs across sectors, including such innovative areas such as AI infrastructure, quantum computing and drones, as well as more mature industries.

We added four companies to the Small Company Fund during the fourth quarter of 2025, bringing the total for the year to 11. On the other hand, we removed two companies from the portfolio in the fourth quarter of 2025, bringing the total deletions to 11 for 2025. Six companies were acquired out of the portfolio and we sold five more. Of the 11 deletions, five were software companies and one was in life sciences tools. Of course, these takeouts work against our goal to increase the number of names in the portfolio. As a result, the top 10 concentration is still high at an average of 47% for the year, although slightly lower than a year ago.

As portfolio managers, we know that the key to navigating the times when your style is out of favor is to focus on what you can control. Our research pipeline has never been fuller with exciting companies, and we continue to upgrade the portfolio. We don't know when the market headwinds we face will abate and then reverse, but we know that we will be poised to benefit when the time comes.

Returns: Contributors and Detractors

Among the contributors to performance in the fourth quarter of 2025 was Glaukos (GKOS).

Glaukos is a medical-device company that specializes in the treatment of glaucoma. The company offers a suite of products such as iStent, Infinite, iDose and others. iStent is a permanent stent designed to treat glaucoma by opening the drainage canal and lowering intraocular pressure. The most recent iStent product, Infinite, allows multiple stents to be used to treat glaucoma as a standalone procedure. iDose is a tiny implant that allows for the continuous delivery of drugs to treat glaucoma. iDose was approved by the FDA in December 2023 and has proven to be a true paradigm shift in glaucoma treatment.

Glaukos shares outperformed in the fourth quarter of 2025. The company reported strong third quarter results with 38.1% revenue growth. The U.S. glaucoma franchise had strong sales of \$80.8 million (up 57% year over year) driven by strong iDose adoption, which comprised about half the revenue. iDose has been a key part of our Glaukos investment thesis as it is changing the paradigm of glaucoma treatment and still has a strong runway for growth. Glaukos also raised its full year 2025 net sales guidance again, indicating 28% to 29% growth. Additionally, management introduced preliminary guidance for 2026 revenue growth of 24%. Finally, Glaukos received FDA approval of Epioxa, a first-of-its-kind, incision-free treatment for keratoconus, a vision-impairing condition. Glaukos is also developing iDose TRIO which surgeons can implant in the office vs. at a surgery center. We remain excited about Glaukos' robust pipeline and see strong long-term revenue growth.

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Among the detractors from performance in the fourth quarter of 2025 was Veeva Systems (VEEV).

Veeva Systems provides cloud-based software to the global life-sciences industry, including the fields of biotechnology and pharmaceuticals. The company's products include the core Veeva Customer Relationship Management (CRM) solution, and Veeva Vault, the regulated content-management and collaboration solution. Veeva's cloud CRM solution offers superior functionality and integration relative to competitors and has garnered a dominant market position. The company's Vault content management platform offers an open-ended opportunity to sell into the clinical side of life sciences companies. Veeva has been successful in launching innovative solutions like eTMF (electronic Trial Master File), CTMS (Clinical Trial Management System) and CDMS (Clinical Data Management System), regulatory, quality and safety management solutions. Veeva's clients include many of the largest global pharmaceutical companies, including GlaxoSmithKline, AstraZeneca, Eli Lilly, Merck, Novartis and others.

Despite reporting impressive results in which all financial metrics came in ahead of guidance and consensus, the company underperformed for the quarter. Veeva announced it expects to retain about 14 of the top 20 pharma clients as they transition to the next generation CRM product. We view any loss of a top customer as a negative, but we view the stock price reaction to the announcement as overdone. We think Veeva remains an EGC with strong long-term revenue and earnings growth potential.

Additions and Deletions

In the quarter, we added four companies to the Fund—AvePoint Inc. (AVPT), Loar Holdings (LOAR), PDF Solutions (PDFS) and Veracyte (VCYT).

AvePoint Inc. provides cloud-native data management software that helps organizations secure, govern and ensure business continuity for critical information across platforms like Microsoft 365, Google and Salesforce. Its key products include Cloud Backup, Cloud Governance for access and lifecycle control, and tools for migrating data from on-premise to the cloud. AvePoint generated \$330 million in revenue for 2024, and strong 23% revenue annualized growth over the past five years. The company's 2029 revenue target of \$1 billion implies continued 20%-plus growth over the near term in a large and growing market. The company is innovative and has a solid pipeline of new products including AI Pulse, which will allow companies to monitor and govern their AI agents. AvePoint's Control Suite products should also benefit from the expanding use of AI, as companies must secure data so that AI agents do not inadvertently expose sensitive data to unauthorized users. AvePoint is GAAP profitable, with 2.2% EBIT margin during 2024, and the company expects to improve profitability. AvePoint has a solid balance sheet with \$470 million in cash and no debt.

Loar Holdings is a niche aerospace and defense components manufacturer with a differentiated focus on the aftermarket, which accounted for more than 50% of revenue in fiscal year 2024. About 85% of Loar's product portfolio is proprietarily designed, providing meaningful pricing power and supporting strong profitability, with 22% GAAP operating margin and a clear path for further expansion. The company benefits from attractive industry tailwinds. Commercial aerospace is still supply-constrained at the OEM level, while global air traffic is growing at or above global GDP over the long term. This drives higher aircraft utilization and sustained demand for aftermarket parts, an area where Loar is particularly well positioned. Loar's business also shows high durability. Once its components are qualified on an aircraft platform, they typically remain sole or preferred sources for the multi-decade life of the aircraft, generating recurring, high-margin aftermarket revenue. Loar's broad portfolio of more than 15,000 components, with no single product or platform representing a material

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share of revenue, further enhances resilience. Loar's growth has been supported by a disciplined M&A strategy. Since 2012, Loar has completed 19 acquisitions, assembling a diversified portfolio of niche brands. Management has demonstrated a strong ability to integrate acquisitions and improve profitability, and we believe there is still ample runway for continued consolidation. Overall, Loar combines aftermarket exposure, proprietary products, diversified end markets and experienced management, positioning it as a growth compounder within the aerospace and defense ecosystem.

PDF Solutions provides end-to-end data analytics, machine learning and equipment connectivity solutions for the semiconductor supply chain. This industry serves several critical end markets, including foundries, integrated device manufacturers (IDMs), fabless semiconductor companies, outsourced semiconductor assembly and test providers (OSATs), equipment manufacturers, and increasingly system companies that integrate semiconductors. We believe that PDF Solutions is an EGC that provides exposure to the AI infrastructure buildout. The company saves time, money and headaches by turning petabytes of manufacturing data into usable information to improve productivity. We expect 20%-plus revenue growth and continued operating margin expansion over the next three to five years.

Veracyte is a genomic diagnostics company that develops and delivers tests that help physicians diagnose and treat cancer more accurately and less invasively. Veracyte holds a dominant market position with more than 50% market share in each of its core products: Decipher (genomic classifier for prostate cancer) and Afirma (genomic classifier for thyroid cancer). These two products contributed more than 90% of revenue during 2024. Decipher's market is only 40% penetrated and can continue to deliver double-digit growth for several years. Afirma is more penetrated but offers stability. We think both products are well positioned competitively, given extensive clinical validation, medical guideline inclusion and broad reimbursement coverage. The company's pipeline—including Prosigna LDT (U.S. breast cancer), Decipher IVD (international prostate), Percepta Nasal swab (lung cancer)—could expand its market opportunity by more than \$3 billion. Veracyte turned profitable in 2024 and has shown meaningful margin expansion year to date, and we expect further expansion from here. Veracyte features a solid balance sheet with more than \$400 million in cash and has been free cash flow positive since 2023.

In the fourth quarter of 2025, we deleted two companies from the portfolio—PROS Holdings (PRO) and Tandem Diabetes Care (TNDM).

PROS Holdings provides SaaS solutions that optimize pricing, omnichannel shopping and selling experiences, powering intelligent commerce. On Sept. 22, 2025, PROS agreed to be acquired by Thoma Bravo, a private equity firm. The deal closed during the fourth quarter of 2025. As a result of the acquisition, PROS shareholders received \$23.25 per share in cash, representing a premium of approximately 42% over PROS's closing share price on Sept. 19, 2025, the last full trading day prior to the transaction announcement.

Tandem Diabetes Care develops and manufactures insulin pumps that help patients manage their diabetes. The company's insulin pumps have a more modern user interface, broader capabilities, and easier path to software upgrades compared to most other insulin pumps on the market. Tandem, in partnership with Continuous Glucose Monitoring (CGMs) providers, has one of the most advanced Automated Insulin Delivery (AID) systems on the market. Tandem's revenue growth has not been as strong as we had expected in 2025, due to increasing competition and greater saturation of insulin pump usage among Type 1 diabetes patients. The company remained unprofitable during 2025 and has not followed our expected path towards profitability. Given the poorer revenue and profitability picture, we consider Tandem a mistake and sold it out of the portfolio.

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Firm Update

No question about it, 2025 was a tough year for Brown Capital’s EGC approach, with all three strategies significantly trailing the benchmarks. Nevertheless, we are unwavering in our dedication to our clients and our investment process, and we are optimistic about the prospects of our portfolios. Our firm remains profitable and vibrant, and we continue to invest in our firm’s future, particularly our proprietary AI tools. This quarter, we already saw a significant productivity boost from our recently deployed investment research bots, which our portfolio managers use to create the preliminary and full reports needed for team discussion of new ideas. In fact, this quarter, our investment teams were able to evaluate the highest number of new ideas in recent memory. As we refine these tools and build bots for other functions in the firm, we expect to see further gains in productivity and quality.

A prolonged period of being out of favor can test everyone’s patience and tolerance. But we have been here before. We know that the headwinds we have faced will come to an end. We do not know when that will happen, but we do know that we are taking every step we can to make sure our clients benefit when it does. Thank you for your continued support of Brown Capital.

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Company Name	Percentage Held in Portfolio
Repligen Corp	5.68%
Xometry Inc.	4.97%
Glaukos Corp	4.47%
Guidewire Software Inc	4.46%
Veeva Systems Inc	4.37%
AppFolio Inc.	4.32%
Datadog, Inc. Class-A	4.14%
Tyler Technologies Inc.	4.07%
Manhattan Associates Inc.	3.98%
Vericel Corp	3.67%
Agilysys Inc	3.06%
nCino Inc.	2.28%
Workiva Inc.	2.26%
TransMedics Group Inc.	2.25%
UFP Technologies Inc	2.24%
Inspire Medical Systems Inc.	1.28%
Loar Holdings Inc.	0.81%
Veracyte Inc	0.61%
AvePoint Inc	0.48%
PDF Solutions Inc	0.44%
PROS Holdings	0.00%
Tandem Diabetes Care Inc.	0.00%

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

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

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

As of 12/31/2025

	Annualized								
	Since Inception	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	3 Months
Small Company Fund Inst. Class	10.22%	9.58%	8.85%	6.15%	-7.13%	5.03%	-11.28%	-11.28%	-1.44%
Small Company Fund Inv. Class	10.13%	9.43%	8.65%	5.95%	-7.30%	4.82%	-11.46%	-11.46%	-1.50%
Russell 2000® Growth Index	7.90%	8.76%	9.94%	9.57%	3.18%	15.59%	13.01%	13.01%	1.22%
Morningstar Category: US Fund Small Growth	N/A	N/A	N/A	10.31%	2.93%	13.01%	8.07%	8.07%	1.46%
Excess Return Over Benchmark	2.32%	0.82%	-1.09%	-3.42%	-10.31%	-10.56%	-24.29%	-24.29%	-2.66%

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.

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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, 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.

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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.

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