



Investment Team

James McBride, CFA
Lead Portfolio Manager

Tim Miller, CFA
Portfolio Co-Manager

Characteristics

Total Net Assets
(millions): \$277.7

Number of holdings: 76

Top 10 Holdings

Chart Industries
AMN Healthcare Services
Halozyme Therapeutics
Insperty
Omniceil
HealthEquity
Medpace Holdings
Qualys
Box
Balchem

Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Call 800.421.4184 or your financial professional for a prospectus, which contains this and other important information about the funds. Read the prospectus carefully before you invest or send money.

Market Overview

Equity markets tumbled into bear market territory as investors reacted negatively to decades-high inflation levels and concerns that aggressive U.S. Federal Reserve (Fed) action could result in a recession. In addition, the war in Ukraine continues to impact oil supply and prices. Facing these strong headwinds, small-cap growth stocks, represented by the Russell 2000® Growth Index, continued to decline and ended the second quarter down significantly. Over that time, small-cap stocks with market capitalizations greater than \$1 billion, higher returns on equity, higher stock prices, and lower leverage outperformed their counterparts, while lower-quality non-earners underperformed. Finally, investors continued to favor value stocks over growth stocks as small-cap value outperformed small-cap growth by nearly 4 percentage points during the quarter.

The U.S. economy contracted during the second quarter of 2022 with gross domestic product declining at a 1.6% annualized rate. With inflation reaching levels last seen in the early 1980s, the Federal Reserve increased its target rate by 0.75% and indicated another 75-basis point increase was on the table for July. Crude oil prices continued to rise, increasing more than 11% during the quarter, while gold, which some view as a hedge against inflation, declined more than 6%.

Portfolio Review

Best Securities	Average Weight (%)	Contribution to Return (%)
Halozyme Therapeutics	2.11	0.21
AdaptHealth	1.09	0.18
AMN Healthcare Services	2.27	0.14
U.S. Physical Therapy	1.61	0.14
Global Industrial	1.30	0.07
Worst Securities		
Vericel	1.72	-0.66
II-VI	1.96	-0.66
Ambarella	1.44	-0.62
Cohen & Steers	1.91	-0.52
Coherus BioSciences	0.87	-0.49

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Halozyme Therapeutics is a biopharma technology platform company focused on facilitating the delivery of injected drugs and fluids. The company has an attractive model and recently completed its acquisition of Antares Pharma for its auto-injector business.

AdaptHealth provides home medical equipment, medical supplies, including diabetic supplies, and related services for sleep apnea. The company continues to consolidate the industry and completed six acquisitions during the quarter.

AMN Healthcare Services operates as a temporary healthcare staffing company that includes the placement of travel nurses. The company announced continued strong results during the quarter, but the results may have potentially reached their peak. Current business levels are surpassing pre-pandemic highs.

U.S. Physical Therapy operates in two business segments: outpatient physical therapy and industrial injury prevention services. A highly fragmented market creates an opportunity for the company to continuing consolidating operators into its business operations.

Global Industrial is a value-added distributor of industrial equipment and maintenance, repair and operations (MRO) products to a broad range of customers throughout North America. The company reported healthy results as it met strong customer demand, fulfilled back orders, and successfully passed through rising costs.

Vericel develops products for tissue replacement including the MACI cartilage and Epicel skin replacement products. The stock was down after management provided soft second-quarter guidance for the MACI product on the first-quarter earnings call.

II-VI designs and manufactures optical and optoelectronic devices for a variety of electronic, communication, and industrial end markets. The company continues to face headwinds within its supply chain but is maintaining a strong outlook and backlog growth for the year ahead. Additionally, the stock remains under some pressure from uncertainty related to its recent acquisition of a global provider of lasers and related technology.

Ambarella is a leading supplier of video processing and computer vision chips used in the security and automotive markets. The company continues to face supply headwinds as well as some disruptions among its customers in China related to COVID lockdowns.

Cohen & Steers manages real estate investments for investors. The stock traded down in the quarter despite reporting good quarterly results and gathering additional assets. The broader universe of investment management firms was weak in the quarter as global stock markets declined.

Coherus Biosciences produces biosimilar therapies. The stock struggled in a market where biotech stocks underperformed. The company continues to work toward approval of several important new biosimilars.

Outlook

Heading into the summer months, the ongoing war in Ukraine, inflation, economic slowdown, monetary tightening, and supply chain issues continue to provide high levels of uncertainty for the markets. Domestically, the economy is trying to absorb the large pandemic stimulus while a divided Congress enters the mid-term election season. Facing this backdrop, the Fund's management team will continue to invest in companies that exhibit higher-quality characteristics and stand to benefit from long-term secular growth trends. Sector allocations remain a byproduct of the investment process as the management team primarily evaluates companies on their own merit.

During the quarter, the management team added three new holdings and eliminated four positions from the Fund portfolio. With very little cash, the portfolio remains fully invested.

Risk considerations: Due to the limited focus, the Fund is more susceptible to market volatility because smaller companies may not have the management experience, financial resources, product diversification and competitive strengths of larger companies. Additionally, smaller company stocks tend to be sold less often and in smaller amounts than larger company stocks.

Investments in mid-cap and small-cap companies generally involve greater risks than investing in larger capitalization companies. Mid-cap companies often have narrower commercial markets, more limited managerial and financial resources, and more volatile trading than larger, more established companies.

Real Estate Investment Trusts (REITs) may be affected by economic conditions including credit risk, interest rate risk, and other factors that affect property values, rents, or occupancies of real estate.

Foreign investments present additional risks due to currency fluctuations, economic and political factors, government regulations, differences in accounting standards, and other factors.

Investments in emerging markets involve even greater risks.

Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds.

Because the fund normally will hold a focused portfolio of stocks of fewer companies than many other diversified funds, the increase or decrease of the value of a single stock may have a greater impact on the fund's net asset value and total return.

Investments in the securities of other investment companies, including money market funds and exchange-traded funds ("ETFs") (which may, in turn, invest in equities, bonds, and other financial vehicles), may involve duplication of advisory fees and certain other expenses.

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Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

Growth investing is a stock-buying strategy that focuses on companies expected to grow at an above-average rate compared to their industry or the market.

Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

Basis points (bps) are measurements used in discussions of interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

Secular stocks are characterized by having consistent earnings over the long term constant regardless of other trends in the market. Secular companies often have a primary business related to consumer staples most households consistently use whether the larger economy is good or bad.

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Benchmark Index:

The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

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