THB MID CAP STRATEGY
QUARTERLY COMMENTARY

THB Asset Management®
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of December 31, 2024

EXECUTIVE SUMMARY

The THB Mid Cap Strategy (the “Strategy”) seeks long-term capital appreciation over full market cycles by investing in a concentrated group of companies within the Russell Midcap® Index that THB believes are undervalued, display lower volatility, and have strong operating metrics. The Strategy holds exactly 30 securities from the 800 securities within the Russell Midcap® Index and has a high active share. THB believes that the mid-cap universe is relatively inefficient and that a focused portfolio of high-quality securities in the space can offer strong risk-adjusted returns. THB Mid Cap Strategy underperformed the benchmark by 6.20% in the fourth quarter and was behind by 8.70% in the trailing one-year period (net of fees).

MARKET REVIEW

The U.S. presidential election had a significant impact on equity returns during the quarter. President-elect Trump’s victory caused notable market movements, including short covering, strong performance in high-risk stocks, and a shift in investor focus toward areas expected to benefit from the incoming administration.

Across all market cap ranges, value stocks underperformed compared to growth stocks, as more speculative sectors—typically a larger part of growth-style benchmarks—outperformed. The Russell Midcap® Growth Index posted a return of 8.14%, while the Russell Midcap® Value Index declined by 1.75%; the Russell 2000® Growth Index delivered a gain of 1.70%, compared to a negative return of 1.06% for the Russell 2000® Value Index; and the Russell Microcap® Growth Index gained 11.55% compared to the Russell Microcap® Value Index, which returned 2.67%.

Returns in the Russell Midcap® Index were highly concentrated, **as approximately 400% of the benchmark return came from five securities.** All five of the top performers exhibited high levels of risk inconsistent with our investment approach.

Mega-cap technology (as measured by the NYSE FANG Index) led the markets and was up 15% during the quarter compared to 2.41% for the S&P 500® Index, 0.62% for the Russell Midcap® Index, and 0.33% for the Russell 2000® Index.

U.S. Presidential Election

Donald J. Trump won the U.S. presidential election in a decisive manner, securing 312 Electoral College votes and 77.3 million (49.9%) of the popular vote. Alongside his victory, Republicans also gained control of the Senate and maintained their majority in the House of Representatives. This Republican sweep of two branches of government was considered a possibility but not widely anticipated.

The scope of President-elect Trump’s victory is expected to significantly influence both the type and timing of initiatives under the Trump 2.0 administration. Compared to his first term, Trump 2.0 is likely to move more swiftly in implementing policies. The combination of the Republican sweep, the breadth of electoral success, and lessons learned during his first administration will likely expedite planned changes starting on Inauguration Day (January 20, 2025).

However, narrow majorities in both the Senate and the House may pose challenges to executing the administration’s agenda. President-elect Trump has acknowledged that during his first term, he was not fully acquainted with the operational dynamics of Washington, D.C. and retained too many managers from the prior administration within government agencies.

News reports and comments from his advisors suggest that the incoming Trump administration is now better prepared and ready to act decisively post-inauguration. As a result, we anticipate policy shifts to occur at a significantly faster pace.

Broader Acceptance

President-elect Trump’s unexpected victory in 2016 surprised many individuals, businesses, and institutions, leading to strong and often reflexive reactions toward the outspoken Washington, D.C., outsider. While Trump’s approach remains largely unchanged, reactions to his anticipated second term are more positive and supportive, particularly among leaders in the business community.

Following the election, executives from major U.S. corporations have expressed their support for the new administration and its policies. Here are some notable statements:

> **Jamie Dimon, CEO of JPMorgan Chase:** “A lot of bankers, they’re dancing in the streets because they’ve had successive years of regulations, a lot of which stymied credit. I applaud any government that says, ‘I’m going to make government more efficient.’” *– quoted by Forbes, Nov. 24, 2024*

> **Jeff Bezos, Founder of Amazon and CEO of Blue Origin:** “I’m actually very optimistic this time around,” Bezos said onstage during a wide-ranging interview at *The New York Times’* DealBook Summit in New York. “He [Trump] seems to have a lot of energy around reducing regulation. If I can help do that, I’m going to help him… We do have too many regulations in this country.” *–quoted by the Associated Press, Dec. 4, 2024*

> **Arvind Krishna, CEO of IBM:** “Business does a lot better when uncertainty goes away. We are hopeful that there is going to be a lot more innovation and less regulation.” *– quoted by Yahoo Finance, Nov. 24, 2024*

> **David Solomon, CEO of Goldman Sachs:** The Trump administration “appears to be one that’s going to be running a growth-y playbook, which will be good for Goldman Sachs. I am quite optimistic that this administration is going to run a very, very pro-growth agenda.” *–quoted by Bloomberg, Dec. 10, 2024*

Small Business Optimism Surges Higher

Small business optimism spiked higher in the first post-election measurement, which we believe reflects support for the Trump administration’s policies and people appointed to key positions within the administration. The NFIB (National Federation of Independent Businesses) survey represents approximately 600K small businesses that employ approximately 7 million people.

“The election results signal a major shift in economic policy, leading to a surge in optimism among small business owners….Owners are particularly hopeful for tax and regulation policies that favor strong economic growth as well as relief from inflationary pressures. In addition, small business owners are eager to expand their operations,” NFIB Chief Economist Bill Dunkelberg said in a Dec. 10, 2024, press release published by the NFIB.

NFIB Small Business Optimism Index

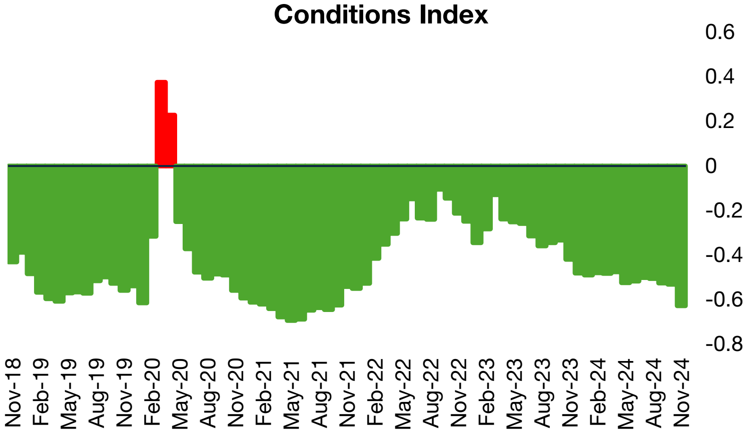
Source: NFIB

In addition to rising optimism, surveys revealed easing uncertainty, improving hiring plans, and increased sales expectations.

Credit Conditions Support Business Expansion

As shown in the illustration below, credit conditions have steadily improved (become more accommodative) during the past two years. Current levels highlight the strength of U.S. banks and their willingness and ability to provide the credit needed for business expansion. We believe rising optimism levels combined with accommodative credit conditions provide a positive backdrop for the U.S. economy.

Chicago Fed National Financial Conditions Index



Source: Federal Reserve Bank of Chicago

Trump 2.0: Risks and Opportunities

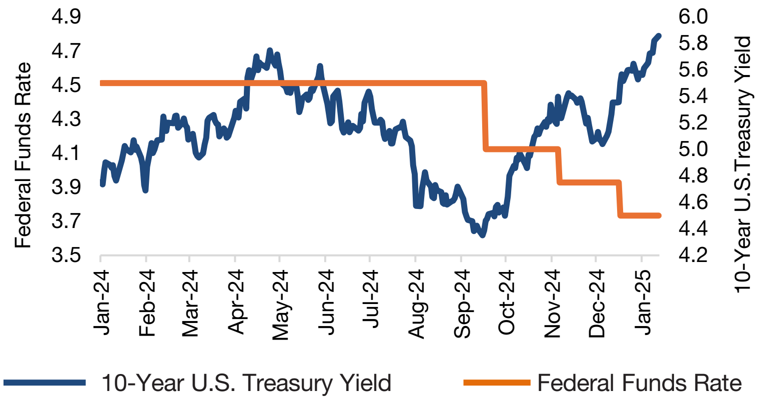
The Trump administration's mandate emphasizes disrupting the status quo in Washington, geopolitics, and the business community. As mentioned earlier, this approach seems to have broad support. Disruption inherently carries risks, creating both winners and losers in the evolving landscape. Although it is impossible to predict all outcomes and unintended consequences, there is some clarity regarding some of the risks and opportunities within the equity markets.

RISKS

Interest Rates

Interest rates (as measured by the 10-year U.S. Treasury note) have continued to move higher even as the Federal Reserve has begun easing monetary policy and cutting the federal funds rate. Interest rates may be moving higher due to a confluence of factors. U.S. deficits remain elevated, and President-elect Trump's policies may increase economic growth and concerns over future inflation expectations.

Federal Funds Target Rate vs. 10-Year U.S. Treasury Yield



Source: Federal Reserve

Government Spending

Changes to U.S. federal government spending, which accounts for approximately 23% of the country's GDP, could have long-term benefits for reducing the national deficit. However, these shifts also pose risks for companies that rely heavily on government contracts. As the administration seeks to curb excessive spending, affected companies may face declines in revenue or profit margins.

- Defense contractors: While overall defense spending may rise, certain companies could be at risk if their products are viewed as unnecessary or if they are perceived as overcharging the government.
- Consultants: The federal government outsources a significant amount of work in areas like IT, cybersecurity, and logistics. Companies in these sectors may face risks if it is determined that these activities could be handled more cost-effectively in-house or if they are deemed unnecessary altogether.

Healthcare and Related Industries: President-Elect Donald Trump's Nomination of Robert Kennedy Jr. for HHS

Donald Trump has nominated Robert Kennedy Jr. to lead the Department of Health and Human Services (HHS), a large agency overseeing key sub-agencies like the Food and Drug Administration (FDA), National Institutes of Health (NIH), Centers for Disease Control and Prevention (CDC), Medicare and Medicaid, and the Office of the Surgeon General.

Kennedy's views on healthcare may pose challenges to various industries, including healthcare, pharmaceuticals, and food production.

- **Pharmaceuticals / Biotechnology:** Kennedy, a vocal critic of industry practices and FDA compensation methods, has expressed concerns about direct-to-consumer pharmaceutical advertising, which he notes is allowed only in the U.S. and New Zealand. Restricting such ads—currently a significant driver of industry revenue—could negatively impact pharmaceutical companies. He has also discussed policies like drug price caps, increased vaccine testing, and removing the liability shield for vaccine producers, all of which could disrupt the industry.

- **Nutrition, Chemicals, Additives:** Kennedy believes that many chronic illnesses in the U.S. result from harmful chemicals in food and poor dietary habits. He may push for stricter standards on pesticides, chemicals, and food additives. For instance, he has highlighted that the U.S. permits additives like Red Dye 3, Titanium Dioxide, Potassium Bromate, Propylparaben, and Brominated Vegetable Oil, which are banned in Europe. Stricter labeling or restrictions on these substances could harm producers of certain additives and increase costs for food manufacturers.

Immigration Enforcement

Trump campaigned on stricter enforcement of immigration laws and to stop the flow of migrants illegally crossing the U.S. borders. While it is technically illegal to do so, certain industries do employ a significant number of illegal immigrants. The construction, agriculture and hospitality industries are the largest employers of illegal immigrants and may experience worker shortages and higher wages under the new administration.

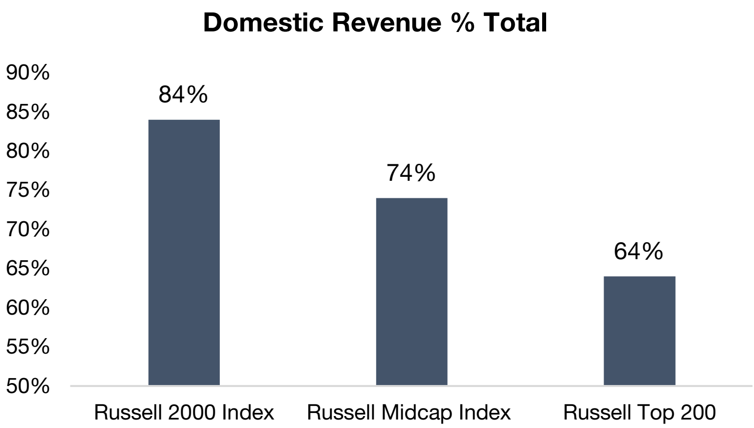
OPPORTUNITIES

Corporate Tax Reform

President-elect Donald Trump has proposed lowering the corporate tax rate from the current 21% to 15% ***for companies that produce domestically***. This reduction would place the United States at the lower end of corporate tax rates among G7 countries.

Small and mid-sized companies, which typically have a higher proportion of domestic production compared to large-cap companies, are likely to experience the most immediate benefits from this change.

- Reduced tax expenses
- Increased discretionary cash flows



Source: FactSet

Deregulation

During his first term, President-elect Donald Trump introduced a policy requiring the removal of two existing regulations for every new regulation implemented. Coupled with the recent Supreme Court decision overturning the Chevron Doctrine, these measures are expected to significantly curtail the regulatory authority of federal agencies.

Smaller companies, in particular, stand to benefit from deregulation. Increased regulatory requirements impose both hard costs, such as expenses for lawyers and consultants, and soft costs, including the time that management must dedicate to compliance—burdens that are often more challenging for smaller businesses to absorb.

Championing Innovation

President-elect Trump has also stated he wants to "champion innovation" and specifically mentioned cryptocurrencies, artificial intelligence, and space. These areas of the economy are already experiencing powerful secular tailwinds, and it appears they receive strong support from the incoming Trump administration. Each of the industries has sizable ecosystems supporting it which may provide attractive investment opportunities.

- Cryptocurrencies: software, power generation
- Artificial intelligence: power generation, implementation
- Space: logistics, rockets, fuel

Energy Dominance

President-elect Trump has stated he intends to make the U.S. the world's dominant energy producer. Currently it is second to China in energy production, but the U.S. is the largest oil and gas producer in the world and a net exporter. How much further production can grow will likely be determined by market dynamics. Rising power demands driven by artificial intelligence (AI) could amplify pressure for cheap, reliable sources of energy. Large technology companies are investing in nuclear power (Trump supports nuclear) to satisfy surging power demand. Supplying rising domestic energy needs plus increasing exports should lead to higher capital spending and investment opportunities.

Geopolitics and Energy

China and Russia continue to deepen their diplomatic ties despite a history of strained relations. Their partnership is largely motivated by a shared objective: challenging the U.S.-led global order that has prevailed since the end of World War II. This rivalry is expected to manifest through ongoing proxy wars, espionage, and cyberattacks as both sides seek strategic advantages.

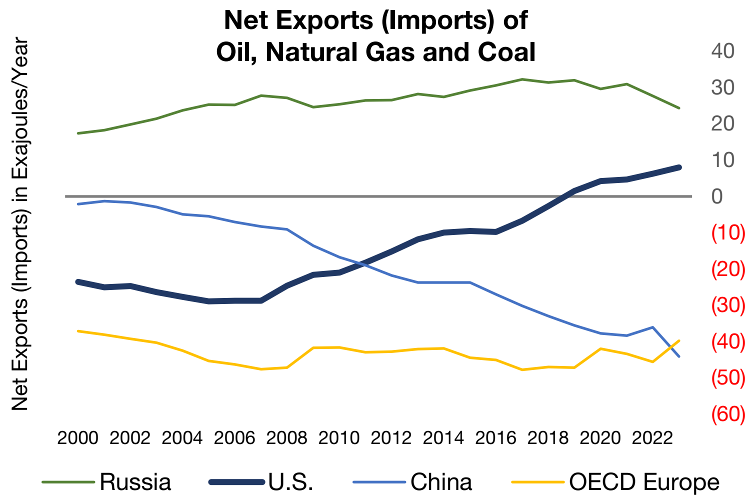
China holds a dominant position in this alliance, with trade dynamics reflecting the imbalance. China accounts for approximately 27% of all goods traded by Russia, while Russia represents only about 3% of China's total trade. A significant factor in this relationship is hydrocarbons.

Russia's vast energy resources have enabled it to sustain its economy and fund the Ukraine conflict. With ample domestic production, Russia avoids dependence on imports while selling surplus hydrocarbons to support its economy despite challenges arising from the Ukraine war. Additionally, selling these resources, often traded in U.S. dollars, helps mitigate the effects of currency weakness.

The chart below illustrates energy production and consumption trends across various global regions. Positive values indicate energy self-sufficiency, enabling countries to export surplus hydrocarbons.

- The U.S. and Russia have excess supplies.
- The U.S. shale revolution enabled the U.S. to grow the economy without needing to import products.
- Both China and Europe are energy short and will need to continue importing.

As Europe and other countries look to replace Russian energy supplies, opportunities will arise for U.S. energy producers, service companies, and transport vessels. Energy security will become an increasingly critical issue in a world that is becoming more polarized.



Source: Energy Institute

BENCHMARK PERFORMANCE

The Russell Midcap® Index (the "Index") returned +0.62% (USD) in 4Q 2024. Information Technology (+10.36%) was the best performing sector in Q4, followed by Energy (+10.35%) and Financials (+7.03%). Materials (-10.49%) was the worst performing sector, followed by Health Care (-7.57%) and Financials (+7.03%).

PORTFOLIO PERFORMANCE & POSITIONING

The THB Mid Cap Strategy returned -5.58% in USD (net of fees) in 4Q, underperforming the Index by 620 bps.

The portfolio saw positive contribution from underallocation to Real Estate (+0.60%) as well as stock selection in Materials (+0.49%) and Consumer Staples (+0.35%). Negative contribution mainly came from overallocation to Industrials (-1.91%) as well as stock selection in Consumer Discretionary (-1.85%) and Industrials (-1.17%).

THB's top five performing stocks (from a contribution standpoint) were Houlihan Lokey, Inc. (Financials, +0.38%); West Pharmaceutical Services, Inc. (Health Care, +0.24%); Teledyne Technologies, Inc. (Information Technology, +0.20%); EMCOR Group, Inc. (Industrials, +0.16%); and Casey's General Stores, Inc. (Consumer Staples, +0.15%).

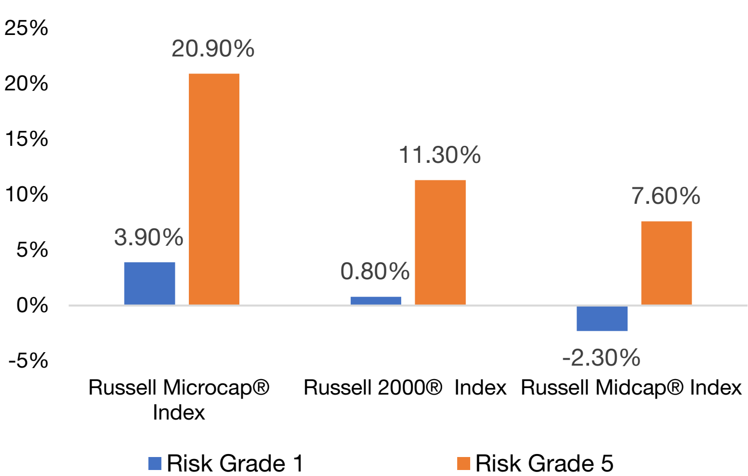
The bottom five performing stocks (from a contribution standpoint) were D.R. Horton, Inc. (Consumer Discretionary, -1.17%); NVR, Inc. (Consumer Discretionary, -0.75%); Carlisle Companies, Inc. (Industrials, -0.70%); CACI International, Inc. (Industrials, -0.58%); and Chemed Corp. (Health Care, -0.42%).

The Strategy's companies continue to deploy capital with the goal of increasing shareholder value. They announced seven share repurchase authorizations and twenty acquisitions in the fourth quarter.

A significant detractor from the strategy's performance relative to the benchmark this quarter was outsized performance by high-risk, speculative companies within the benchmark. Our investment approach intentionally avoids these stocks within our investment universe.

Our proprietary risk management tool, THB Risk Grade, allows us to both manage risk and also track how risk cohorts are performing within the benchmark. During the quarter, the highest-risk stocks (Risk Grade 5) outperformed all other Risk Grades by a sizable margin across all market capitalization ranges, as indicated in the chart below. Risk Grade 1 is the lowest risk and Risk Grade 5 is the highest risk.

Risk Grade Performance (Q4 2024)



Source: THB

Our strategy is underweight and has little to no exposure to the riskiest stocks in the benchmark (see table below). When high-risk stocks outperform, it creates a significant headwind for relative strategy performance.

THB RISK GRADE

	1	2	3	4	5
THB Mid Cap Strategy	**49%**	**24%**	**24%**	**3%**	**–**
Russell Midcap® Index	26%	24%	20%	16%	14%

Source: THB

Curtiss-Wright Corp.

A new addition to the strategy this quarter is Curtiss-Wright Corp. Curtiss-Wright designs, manufactures, and overhauls mission-critical components for aerospace, defense, industrial, and power generation markets. With a long history as a publicly traded company (since 1929), the company has strong revenue visibility through long-term contracts with presence across all major defense, commercial aerospace, and nuclear reactor platforms, with its offerings being sole-sourced on many programs. Benefiting from increased defense and decarbonization spending in NATO countries, Curtiss-Wright is leveraged to the highest-priority U.S. naval platforms and is also increasing its content on such platforms. Nuclear presents a long-term opportunity where the company is the sole supplier of reactor coolant pumps for Westinghouse reactors, which are among the most widely used reactor designs in the U.S. nuclear fleet. The company is well positioned to capitalize on life extensions of existing nuclear plants, new utility-scale reactors, and the growing market for small modular reactors, with plans to double its current $300 million nuclear business by 2028.

OUTLOOK

Our focus on smaller U.S. companies provides unique insights into how a broad range of American entrepreneurs perceive the economy and political landscape, and how they anticipate changes in a post-election world. Through pre- and post-election conversations with management teams, two key topics consistently arise: regulation and taxation. There is a clear sense of increased optimism as corporations expect a pro-growth, less-regulated business environment.

While some benefits of these policy changes can be directly quantified, there are also likely secondary effects that will contribute positively. For example, merger and acquisition activity is expected to rise as companies look to deploy excess cash, and U.S. corporations may become more attractive from both a tax and growth perspective.

However, there are concerns worth monitoring, such as higher interest rates and potential geopolitical issues that could arise.

We believe Trump 2.0 will provide a durable, positive backdrop for smaller and mid-size U.S. companies. We will remain watchful of current policies and the administration's plans as we seek to position the strategy efficiently.

Top 10 Holdings (%)
as of December 31, 2024

Holding	Rep. Account
Houlihan Lokey, Inc. Class A	4.61
Keysight Technologies Inc	4.31
Westinghouse Air Brake Technologies Corporation	4.22
NVR, Inc.	4.19
Brown & Brown, Inc.	4.09
Ingredion Incorporated	4.02
Teledyne Technologies Incorporated	3.98
Fastenal Company	3.80
PTC Inc.	3.78
CF Industries Holdings, Inc.	3.76

Sector Diversification (%)
as of December 31, 2024

Sector	Rep. Account
Communication Services	–
Consumer Discretionary	11.45
Consumer Staples	7.60
Energy	–
Financials	11.93
Health Care	9.68
Industrials	39.88
Information Technology	12.08
Materials	7.19
Real Estate	–
Utilities	–
Cash	0.21

Performance
Average Annual Returns (%) as of December 31, 2024

THB Mid Cap Composite	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception (February 2014)
Gross of Fees	-5.46	7.17	7.17	1.74	10.84	11.29	11.82
Net of Fees	-5.58	6.64	6.64	1.24	10.34	10.87	11.41
Russell Midcap® Index	0.62	15.34	15.34	3.79	9.92	9.63	10.23

Past performance cannot guarantee future results. Returns for periods greater than one year are annualized. Returns are expressed in U.S. dollars and reflect the reinvestment of dividends and other earnings. Composite and benchmark returns are presented net of non-reclaimable withholding taxes, if any. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns reflect gross performance less investment management fees. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV.

All investments carry a certain degree of risk including the possible loss of principal, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice from qualified tax and financial experts regarding the best options for your particular circumstances.

The information in this article is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in this report are subject to change without notice and are not intended as individual investment advice. The securities highlighted, if any, were not intended as individual investment advice. A complete list of all holdings for the previous 12 months, each holding's contribution to the strategy's performance, and the calculation methodology used to determine the holdings' contribution to performance is available on request. Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

The THB Mid Cap Composite contains fully discretionary mid-cap equity accounts and for comparison purposes is measured against the Russell Midcap® Index. Effective July 1, 2018, the minimum account size is $75,000. From June 1, 2016, to June 30, 2018, there was no minimum account size. Prior to June 1, 2016, the minimum account size for this composite was $100,000. The objective of the THB Mid Cap Strategy is to capture multi-investment themes across five broad sectors in a risk-averse portfolio. The Strategy implements a disciplined long-term approach, with an average portfolio turnover of 40%. The focus of the Strategy is on mid-capitalization companies in the US market that are under-researched and overlooked.

The Russell Midcap® Index is a market-capitalization-weighted index that measures the performance of the 800 smallest U.S. stocks in the Russell 1000® Index.

Index returns are provided to represent the investment environment during the periods shown. Index performance does not reflect management fees, transaction costs or expenses that would be incurred with an investment. One cannot invest directly in an index. **Past performance does not guarantee future results.**

Victory Capital Management Inc. (VCM) is a diversified global investment advisor registered under the Investment Advisers Act of 1940 and comprised of multiple investment franchises: Integrity Asset Management, Munder Capital Management, NewBridge Asset Management, RS Investments, Sophus Capital, Sycamore Capital, Trivalent Investments, Victory Income Investors (formerly USAA Investments, a Victory Capital Investment Franchise); the VictoryShares & Solutions Platform, THB Asset Management and New Energy Capital Partners. Munder Capital Management and Integrity Asset Management became part of the Victory Capital GIPS firm effective November 1, 2014; RS Investments and Sophus Capital effective January 1, 2017; Victory Income Investors, effective July 1, 2019; THB Asset Management, effective March 1, 2021, and New Energy Capital effective November 1, 2021. Effective September 1, 2023, INCORE Capital Management is no longer part of the firm definition.

Request a GIPS® Report from your Institutional Relationship Manager or visit www.vcm.com.

Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®).

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