NewBridge Large Cap Growth Equity Quarterly Commentary

NEWBRIDGE ASSET MANAGEMENT

A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of December 31, 2023

Executive Summary

- Equity markets rebounded in the fourth quarter, as Treasury yields fell after reaching a peak in late October.
- After losing some momentum during the third quarter, the trade in the "Magnificent Seven" (mega-cap growth/technology/AI-beneficiary stocks) contributed positively to market returns in the fourth quarter.
- The portfolio posted a positive return and outperformed its benchmark, the Russell 1000® Growth Index, in the fourth quarter.
- We believe that investors may continue to favor growth stocks as the business cycle enters a slowing economic phase that has been accelerated by inflationary pressure, Fed policy, credit tightening in the banking system, higher interest rates, the wars in Ukraine and Gaza, strained U.S.-Sino relations, student loan repayments, and other factors. Overall, however, it is our contention that the opportunities should outweigh the risks and be supportive for our diversified growth portfolio.
- As always, our focus is on company fundamentals. We will continue to manage the portfolio by investing in companies with market leadership, solid financial bases, responsible management teams, and sustainable revenue and earnings growth.

Market Review

From a macro perspective, investors continued to focus on inflationary trends and the direction of the monetary policy of the Federal Reserve (the Fed). On the micro front, company fundamentals were also a focal point for investors as they pored through company financial results and management guidance for economic cues during earnings season. Equity markets continued to be pressured in October following the Fed's September meeting, in which Chairman Powell expressed a more hawkish tone than in the July meeting. Investors remained concerned about persistent inflation and "higher for longer" interest rates, which tightened financial conditions and compressed equity valuations in October. On October 23, the 10-year Treasury note's yield reached 5.02%, its highest level since 2007. Recession drumbeats from Wall Street economists seemed to grow louder in October. They supported this thesis by pointing primarily to the risks of still high inflation, higher interest rates, the energy production transition, deglobalization, war, tight labor markets, and housing shortages. In addition to lingering concerns about inflation and higher interest rates, geopolitical risks intensified in October beyond the Ukraine/Russia war and the United States' sour relationship with China. The brutal slaughter of Israelis by Hamas terrorists led to an aggressive response by the Israeli Defense Force (IDF) in Gaza. Many feared that the war could spread beyond its current states, with U.S. enemies like Iran (and its proxies) taking on a larger role. Apart from the devastating human tragedy related to the war, some investors feared that oil could rise, leading to a potential pullback in consumer spending. In hindsight, but for Yemen's Iran-backed Houthi terrorist group attacks on commercial ships in the Red Sea, we now know that those trepidations did not fully materialize (yet remain a risk). Separately, in late October the House of Representatives was finally able to elect a Speaker of the House after three weeks without one. Subsequently, in November, Congress passed a tiered Continuing Resolution that allowed the federal government to stay open through January 19. The risk of a government shutdown remains and could weigh on investor sentiment early next year.

After a challenging stretch for equities following the Federal Reserve's hawkish September meeting, markets rebounded significantly in November. The 10-year Treasury note's yield fell to 4.36% at the end of November after reaching its October high. The lower yield provided a boost to equity valuations, which had contracted in September and October. October's readings on inflation came in slightly lower than expectations, which prompted a rally in equities. The Federal Reserve kept the federal funds target rate at 5.25% to 5.50% – i.e., no hike – in their November meeting. In commentary, the Fed recognized strong economic activity and tighter financial conditions while acknowledging that the latter could weigh on the former over time. Though many market observers believe the Fed was done (or at least should be finished) raising its target rate range, it was likely that members would continue to retain a hawkish-leaning posture and remain focused on upcoming economic data releases to direct future policy decisions without signifying any policy absolutes. After all, inflation remained (and remains) above the Fed's target of 2.0%. However, it should be noted that Fed Governor Christopher Waller, when speaking to the American Enterprise Institute at the end of November, posited that the Fed could deliver a "soft landing" and could begin cutting rates as early as the first quarter of 2024. His statement on potential cuts was a departure from Chair Powell's view from prior communications when he said that the Fed was not contemplating interest rate cuts. Waller's remarks led to a rally in bonds. While risks of a recession, as outlined above, remained, equity market returns indicated that recession worries may have ebbed – at least for the time being.

Interest rates continued to move lower in December and provided extra fuel to the rally in equities. The Fed held its target rate range of 5.25%–5.50% following its December meeting, which was the consensus view heading into the session and therefore not surprising, especially since November's Consumer Price Index (CPI) showed progress. However, what was surprising was the more dovish tone from Chair Powell and a change to the FOMC's "dot plot," in which they added two more rate cuts for next year, for a total of three or ~75 bps as its baseline – the bond futures market was pricing in 150 bps of rate cuts for 2024. Powell stated that inflation is "still too high" but acknowledged the progress in its reduction over the last several months and recognized the strong but "moderating" economy and tight labor markets with "supply and demand conditions [that] continue to come into better balance." They now expect core prices, which exclude food and energy products, to rise by 3.2% year-over-year by the end of 2023; in September they predicted this metric to be up 3.7% by the year-end. Stocks rallied on the news as investors believed the Fed was likely done raising interest rates, despite commentary from Powell suggesting that "it is still too early to declare victory" – implying that the Fed remains data dependent in determining future policy action and could alter its current estimates. In the near term, the "risk-on" rally drove outperformance in stocks that were speculative, had lagged during the year, had high short interest, and/or were of generally lower quality. Defensive stocks generally underperformed during the rally. The outperformance of lower-quality stocks immediately following the Fed meeting was not a surprise and we understand that the rotation negatively affected our portfolio's relative return in the very near term, but we did not, nor will we, deviate from our high-quality growth investment mandate in order to chase lower-quality stocks.

The Fed does not currently forecast a recession next year (more of a "Goldilocks"/soft landing scenario with so-called "immaculate disinflation"), but Powell said a recession is possible while several Wall Street economists believe one is probable next year. The 10-year Treasury yield finished the year at 3.88%. At this point, we believe the fall in yield reflects lower inflation rather than recession risk. We will continue to watch the data but were heartened by the Fed's more dovish stance and constructive economic outlook. The CBOE Volatility Index (the VIX) fell 29% during the quarter – an indication, for bulls, of greater investor comfort with economic and company financial results prospects or, for bears, a sign of complacency at best or unjustified exuberance at worst. Regardless, its lower level was positive for stocks during the quarter (and the entire year). However, we believe the market could be subjected to periods of volatility as further economic data are reported and future Fed policy decisions are evaluated, but we remain confident that the portfolio's underlying company-specific growth drivers remain intact.

Portfolio Review

During the fourth quarter, the NewBridge Large Cap Growth Strategy posted a positive return and outperformed its benchmark, the Russell 1000® Growth Index. The equity markets and the portfolio rebounded strongly from a challenging span in September and October. The decline in Treasury yields from

October highs generally led to valuation expansion in risk assets. This trend marked a reversal from September and October and contributed to many stocks reaching all-time highs during the fourth quarter. The trade in the "Magnificent Seven" (mega-growth and technology stocks) lost some momentum during the third quarter but most within the group rebounded in the fourth quarter, driving the Russell 1000® Growth Index's positive return and its outperformance versus the Russell 1000® Value Index. As yields fell, stocks rose and the portfolio outperformed, expanding its return spread over the benchmark throughout most of the quarter. The portfolio's holdings generally suffered from valuation contraction in October but saw multiple expansion in November and December. Beyond style tailwinds, we were encouraged, in aggregate, by the resiliency in growth of the portfolio's companies' financial results. Save a few companies in the portfolio, earnings revisions moved higher throughout the year and drove the portfolio's absolute and relative returns. We took advantage of what we believed were dislocations in a few stocks and opportunistically added to them during the quarter. Separately and encouragingly, the Russell 2000® Index was up 9% in November and another 12% in December. While small-caps underperformed for most of 2023, the more recent "risk-on" trade indicated that fears over recession were muted compared to October. We believe a broadening of the equity markets is a positive development as we enter 2024 given our lower concentration in the "Magnificent Seven" versus the benchmark.

With much discussion regarding the contribution from the "Magnificent Seven" to the returns of the S&P 500® Index and the Russell 1000® Growth Index, it is important to note that the portfolio's contribution from its "Magnificent Six" (no Apple, Inc.) represented 41.2% of the overall return, whereas the percentage of the total return for the indexes' "Magnificent Seven" was 62.1% for the S&P 500® Index and 65.4% for the Russell 1000® Growth Index. The portfolio's smaller return contribution percentage from this group showed greater diversification among winners and strong stock selection.

While we were disappointed with the portfolio's performance last year (in 2022), we were not dissuaded and remained steadfast in our adherence to our investment philosophy and process. We believed the portfolio was well-positioned to benefit from an upswing for growth stocks and understand why the portfolio's best relative performers last year were among the portfolio's largest relative detractors this year. As we moved through the year, we believed the portfolio would continue to benefit from a combination of high secular growth stocks and more defensive growth compounders. 2023 was a remarkable year of absolute and relative returns. Nevertheless, we believe the market could be subjected to periods of volatility and equity style rotation, as further economic data are reported – pointing to potential Fed policy decisions – but remain confident that the portfolio's underlying company-specific growth drivers remain intact. We believe that lower interest rates have been the principal driver of equities in the near term but believe investors may once again focus on company earnings in the new year. As always, we will focus on the fundamentals of the portfolio's companies and look for opportunities to improve the portfolio's composition of growth and quality.

The best relative performing quantitative factors during the fourth quarter were mixed by type, but Risk was the top category, as investors grew more confident as interest rates fell. Beta, Volatility, and Inverse of Market Cap Value rounded out the top three factors during the quarter. The Quality factors Low Capex/ Depreciation and Earnings Quality also performed well, along with Estimated Long-Term Growth, a Growth factor. The portfolio was overweight each of the top returning factors (save Earnings Quality) and, therefore, they acted as tailwinds to the portfolio's return in aggregate. The worst performing quantitative factors in the fourth quarter were also mixed, but Quality factors represented three of the worst performing factors. They included ROIC, Operating Margin, and Sales Stability. The portfolio was marginally underweight these factors. EBITDA/EV and E/P Trailing were Value factors that also underperformed. The portfolio was underweight these factors. Lastly, Momentum (6-Month) , a Momentum factor, also was a trailing factor, and the portfolio was overweight that factor. Overall, the distribution of factor leadership and factor detraction served as a tailwind for the portfolio.

We maintained our high-growth, high-quality mandate throughout the quarter. The portfolio is composed mostly of Emerging Growth and Established Growth cycle* companies, along with a smaller allocation to Mature Growth companies. At the end of the quarter, two growth cycle categories made up 90% of the portfolio. Established Growth, at 50%, was the portfolio's largest growth cycle constituent versus the Russell 1000® Growth Index's allocation of 60%. The portfolio's Emerging Growth holdings represented 40% of the portfolio, whereas the benchmark had 20%. The Mature Growth category represented 7% of the portfolio and 15% of the benchmark. For the portfolio, the Emerging Growth category stocks contributed the highest relative return during the quarter, followed by the portfolio's Mature Growth holdings. The benchmark holds 5% in Traditional Value stocks. Traditional Value underperformed during the quarter.

As of December 31, 2023, the portfolio consisted of 29 companies, with the top ten representing 49.3%. Sector (GICS) weights at quarter-end: Information Technology (38.1% vs. 43.5% for the Index weight); Consumer Discretionary (17.0% vs. 15.8%); Health Care (12.7% vs. 11.3%); Communication Services (12.6% vs. 11.4%); Health Care (11.7% vs. 10.6%); Financials (8.5% vs. 6.4%); Industrials (6.6% vs. 5.9%); Real Estate (2.4% vs. 1.0%); Consumer Staples (0.0% vs. 4.1%); Energy (0.0% vs. 0.5%); Materials (0.0% vs. 0.7%). Active share was 65%.

Return Attribution

The portfolio posted a positive return and outperformed its benchmark in the fourth quarter. The portfolio's companies reported financial results during the fourth quarter that were encouraging in aggregate. Throughout the year, most of the portfolio's companies posted "beat and raise" quarters, while just a few portfolio companies were subjected to negative earnings revisions. We believe these "positive surprises" meaningfully contributed to the portfolio's outperformance during the quarter and for the year.

In the fourth quarter, the portfolio's Technology sector holdings showed the greatest outperformance relative to the benchmark. Broadcom, Inc. (+35.0%) was the portfolio's best performing Technology stock. The company reported strong quarterly financial results and issued guidance in December that continued to drive shares higher. Strong returns from Arista Networks, Inc. (+28.0%) and Palo Alto Networks, Inc. (+25.8%) also contributed to the portfolio's outperformance during the quarter. Owning less than a benchmark weight in Microsoft Corporation (19.3%) detracted from the portfolio's relative return within the Technology sector. The portfolio's Industrials sector holdings also outperformed the benchmark. Uber Technologies, Inc. (+33.9%) and Quanta Services, Inc. (+15.4%) bested the benchmark during the quarter. Uber was one of the portfolio's top performers for the year and was driven primarily by strong financial results, including better- than-expected profitability and free cash flow. Quanta Services rebounded from a challenging period from the end of August through October after the company reported third quarter results and Treasury yields fell. The stock hit an all-time high in December. The portfolio's Health Care sector stocks were also a bright spot during the quarter. DexCom, Inc. (+33.0%), which earlier in the year had been subjected to speculation that sales of its continuous glucose monitors would soften as GLP-1 drugs became more widely used, rebounded significantly and represented one of the portfolio's top performers during the fourth quarter. We believed the stock's reaction to the GLP-1 risk to DXCM was overdone, and we were encouraged to see the stock's rally. Intuitive Surgical, Inc. (+15.4%), which, too, was subjected to the perceived risk of GLP-1 drugs, also outperformed the sector during the quarter. Veeva Systems, Inc. (-5.4%) lagged the sector after issuing lower-than-expected guidance. However, we viewed the drawdown as an opportunity to add to the position as we believe the company's growth prospects remain robust. Led by Blackstone, Inc. (+22.2%), the portfolio's Financials sector holdings outperformed those of the benchmark and posted a positive absolute return during the quarter. Blackstone had been on a strong run since early November, as investors have grown more comfortable with the potential risks associated with its flagship commercial real estate fund and interest rates fell from October highs. The portfolio's sole Real Estate holding, CoStar Group, Inc. (+13.8%), underperformed the sector, but rebounded markedly from late October as interest rates fell. We remain confident in the company's core businesses and in its new and growing residential real estate platform, which should start to contribute to financial results in 2024. The portfolio's Communication Services sector stocks also underperformed the benchmark's holdings, which saw positive returns from Meta Platforms, Inc. (+17.9%) and Alphabet, Inc. (+6.9%), but Trade Desk, Inc. (-7.9%) posted a negative return. On Trade Desk's third quarter financial results call, management was cautious on slowing near-term trends in digital ads in such verticals as auto, consumer electronics, and media and entertainment. We viewed the slowdown as likely temporary and added to the position following the earnings call. We believe that secular trends and share gain opportunities will continue to benefit Trade Desk. The portfolio's Consumer Discretionary sector holdings underperformed those of the benchmark. On Holding AG (-3.1%) was one of the portfolio's worst performing stocks in the fourth quarter. The company delivered another solid quarter of financial results beating revenue, adjusted EBITDA, and gross margin estimates. However, investor expectations for the stock remained very high going into the print and the stock fell. We added to the position during the quarter, as we believe On's fundamentals remain very much intact. The portfolio's defensive growth retailers underperformed during the quarter, as investors became more emboldened by lower interest rates, lower inflation, and still firm economic data. O'Reilly Automotive, Inc. (+4.5%) and Tractor Supply Company (-2.2%, no longer in the portfolio) were members of this underperforming group. On a positive note, Lululemon Athletica, Inc. (+32.6%) outperformed the group. Lululemon denied bears a feast by reporting solid fiscal third quarter financial results in early December. While brand momentum clearly continues given their strong results

and management's commentary on holiday sales, we trimmed the position after its large run. The portfolio benefited by not owning Consumer Staples and Energy, as those sectors underperformed during the quarter.

Overall, we were encouraged with the portfolio's company-specific fundamentals during the fourth quarter and remain confident that its constituents should be able to show solid financial results in the future. The portfolio's fourth quarter return punctuated a positive end to an exceptional year.

Portfolio Actions

We made several changes to the portfolio in keeping with our long-term, "bottom-up" investment approach. During the quarter, we sold Thermo Fisher Scientific, Inc. and Tractor Supply Company. We also opportunistically increased and trimmed several existing positions. We continue to be diligent in our search for investment opportunities and expect to continue our efforts to upgrade the portfolio while maintaining our investment discipline.

Eliminated Positions:

Thermo Fisher Scientific, Inc. (TMO) – Following second quarter results where TMO missed EPS expectations for the first time in 20+ quarters and lowered their full-year outlook for industry growth (from 4%–6% to 0%–2%) and TMO's revenue (+2%–4% vs. +7%), there was hope that a bottoming in order growth and an improvement in China's economy would set the stage for improving fundamentals in 2024. However, since that time, several industry participants including TMO have offered more cautious outlooks with little to no improvement in sight for the next two to three quarters. These developments, particularly the lack of improvement in China, exhausted our patience with our position in TMO and led us to sell our remaining 1.8% position before they reported third quarter results.

Tractor Supply Company (TSCO) – TSCO had been a significant underperformer during the year. Sales of seasonal goods and big-ticket items have remained challenged and have detracted from the company's same-store sales comparisons. While we believe TSCO is a quality company with good management and opportunities to grow, it is difficult to determine a near- to intermediate-term catalyst to drive the stock higher. We used the sale of TSCO to opportunistically add to other portfolio holdings that had sold off but have better growth prospects heading into 2024. These holdings include Quanta Services, Inc., Trade Desk, Inc., and Veeva Systems, Inc., and each outperformed TSCO and the benchmark since purchase.

Strategy & Outlook

As outlined above, the market environment was decidedly more positive in the fourth quarter than in the third. We were encouraged by the portfolio's performance during the quarter and the year. As we have written in previous commentaries, we believe we have identified the areas of the portfolio with the greatest risks and have trimmed those holdings or eliminated them. We continue to own several high-growth, longer duration stocks and are confident in their ability to grow over time; common to them all are rapidly growing, disruptive product and services offerings, which we believe warrant a premium. We have also initiated or added to positions in historically less volatile, high-quality growth compounders. While the more defensive end of the growth spectrum did not perform as well as the highest growth end during the quarter and year, we remain confident in their underlying fundamentals. We continue to own secular growth stocks that in our estimation deserve premium valuations and will look for opportunities to add others.

As the business cycle enters a slowing economic phase that may have been accelerated by tightening monetary policy and credit conditions within the banking industry, it is our view that investors may continue to be more attracted to growth stocks next year. We maintained our investment discipline, philosophy, and process by focusing on company fundamentals in our search for investment opportunities. We believe our portfolio is comprised of industry-leading growth companies that should continue to post attractive financial results in what may continue to be a volatile period for stocks.

We live in a dynamic world where economic data, corporate news, and geopolitical shocks can rapidly shift investor sentiment. As we exit 2023, we recognize several risks to the portfolio and to the equity market in general. Some of those potential headwinds include: economic slowdown or recession, bank credit tightening, continued inflationary pressures, geopolitical risks, and equity valuations and equity style rotations. However, we remain optimistic for the future, as employment remains resilient, supply chain disruptions continue to ease, corporate profits still appear supportive for our companies, business digitization continues, and liquidity, albeit lower, remains in the system. Overall, it is our contention that the opportunities should outweigh the risks and be supportive for our diversified growth portfolio.

Top 5 Contributors (% Contribution to Return)	
Broadcom Inc.	1.27
Amazon.com, Inc.	1.23
Uber Technologies, Inc.	1.18
NVIDIA Corporation	1.13
Arista Networks, Inc.	1.08

Top 5 Detractors (% Contribution to Return)	
Trade Desk, Inc. Class A	-0.12
Tesla, Inc.	-0.10
Veeva Systems Inc Class A	-0.09
On Holding AG Class A	-0.07
Tractor Supply Company	-0.06

Source: FactSet.

Top 10 Holdings (% of Portfolio)	
NVIDIA Corporation	7.66
Amazon.com, Inc.	5.95
Alphabet Inc. Class C	5.48
Meta Platforms Inc. Class A	4.81
Visa Inc. Class A	4.78
Broadcom Inc.	4.35
Cadence Design Systems, Inc.	4.25
Microsoft Corporation	4.13
ServiceNow, Inc.	4.02
Adobe Incorporated	3.85

Source: FactSet.

				ANNUALIZED RETURNS			
Composite Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception
NewBridge Large Cap Growth Equity (gross of fees)	15.49	52.67	52.67	2.75	14.72	11.18	6.21
NewBridge Large Cap Growth Equity (net of fees)	15.30	51.68	51.68	2.08	13.98	10.46	5.49
Russell 1000® Growth Index	14.16	42.68	42.68	8.86	19.50	14.86	7.61

Source: Zephyr. Since Inception date of 4/1/99.

Past performance does not 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. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. 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. 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. Returns are expressed in U.S. dollars and reflect the reinvestment of dividends and other earnings. The NewBridge Large Cap Growth Equity Composite includes all accounts, except wrap fee paying accounts, that invest in high-quality companies with growing earnings, strong financial foundations, market leadership, and superb management teams for long-term growth of capital with a minimum equity commitment goal of 80%-90%. The benchmark is the Russell 1000® Growth Index. The composite creation date is 2Q99.

The Russell 1000® Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 1000® Index (which consists of the 1,000 largest companies in the Russell 3000® Index) with higher price-to-book ratios and higher forecasted growth values.

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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.

*Growth Cycles: A growth and value score is calculated for each company, which is utilized to assign companies into five baskets. Growth score components include: long-term forward growth, 1-year forward EPS growth rate, 5-year earnings growth trend, and 5-year sales growth trend. Value score components include: price to book, dividends, and forward price to earnings.

Glossary of Quantitative Factors (in order of appearance):

Beta: Trailing 36-month regression beta relative to the Russell 1000® Index

Volatility: Standard deviation of trailing 36 monthly total returns

Inverse of Market Cap : Long the lowest market cap quintile ("most risky"), short the highest market cap quintile

Low Capex/Depreciation: Capex / depreciation, sorted from low (good) to high (bad)

Earnings Quality: Difference between free cashflow and reported earnings scaled by total assets (a higher number in this case indicates higher earnings quality – this is the Sloan "Accruals" factor)

Estimated Long-Term Growth: IBES consensus analyst forecast of 3-5 year earnings growth rate

ROIC: Trailing 12-month net income divided by average invested capital

Operating Margin: Trailing 12-month operating income divided by sales

Sales Stability: Negative of the standard deviation of sales over the past 5 years scaled by the absolute value of the average (so higher value = more stable)

EBITDA/EV: Trailing 12-month EBITDA divided by Enterprise Value

E/P Trailing: Most recently reported EPS divided by price

Momentum (6-Month): Total return over prior 7 months excluding the most recent month

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