AMI Small Cap Growth Equity Quarterly Update

Growth Through Stability

Q4 ▪ 2024

Strategy Overview

The AMI Small Cap Growth strategy returned 5.74% (5.49% on a net basis) in Q4 versus 1.70% for the Russell 2000 Growth index. Stock selection was the driver of relative performance, with asset allocation a headwind. Outperforming stock picks in Health Care and Consumer Staples were partially offset by underperforming picks in Information Technology and Consumer Discretionary. Being overweight Health Care and Industrials was a drag, while being overweight Information Technology and underweight Materials was a modest offset.

As seen in the table below, the top contributors to Q4 performance were Arcutis Biotherapeutics, Verona Pharma, Vita Coco, Madrigal Pharmaceuticals, and Primoris Services. The bottom contributors to Q4 performance were GXO Logistics, Bright Horizons, Kiniksa Pharmaceuticals, Halozyme, and Neogen.

Top Contributors in Q4		
Company	**Avg. Weight**	**Contribution**
Arcutis	4.73%	1.97%
Verona Pharma	3.32%	1.74%
Vita Coco	4.34%	1.21%
Madrigal Pharma	2.77%	1.08%
Primoris	2.77%	0.76%

**Please see last page for important disclosures.

Bottom Contributors in Q4		
Company	**Avg. Weight**	**Contribution**
GXO Logistics	3.30%	-0.45%
Bright Horizons	2.04%	-0.52%
Kiniksa Pharma	2.82%	-0.68%
Halozyme	4.01%	-0.84%
Neogen	2.31%	-0.96%

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Top Contributors

Arcutis continues to gain traction with Zoryve, its new treatment for plaque psoriasis, seborrheic dermatitis, and the newly launched atopic dermatitis (eczema) formulation. We continue to believe that these new topical treatments will continue to gain share in a large market that has seen few new advances in recent years.

Verona launched its new inhaled drug for COPD in July and reported good initial results for Q3. In addition, doctor surveys into Q4 showed strong adoption, which was verified in early 2025 with a pre-announcement showing huge growth in Q4. Verona's Ohtruvayre is also a new drug in a large patient population that hasn't seen much innovation in some years and where 50% of patients are not satisfied with current treatments. As an add-on therapy to existing treatments, Verona doesn't need to supplant the competition, and we therefore see substantial upside.

Vita Coco reported an in-line Q3, but the stock was helped by the quick resolution of the East Coast port strike, which could have had a negative impact on the company's imported coconut water. In addition, accelerating Nielsen sales data suggested that Vita Coco's inventory levels had improved throughout the fourth quarter, signaling strong growth heading into 2025.

Madrigal reported good growth in just its second quarter since launch of Resmeriton for fatty liver disease. In addition, Novo Nordisk reported trial results for Zepbound in fatty liver disease that wasn't as threatening to Madrigal as some had feared. While Zepbound will likely be used in less severe patients, the key benefit to Madrigal will likely come from Novo's large marketing capability and the likelihood the patient population will expand through enhanced awareness.

Primoris benefited from the increased demand for electric infrastructure to feed data centers. Investors have also finally begun to appreciate the redesign of Primoris' business. The company was predominantly an oil & gas contractor until 2016, when they entered the renewable energy and communication infrastructure space, two of the fastest growing infrastructure verticals in the US. The renewable vertical is fully booked for 2025 and is now booking 2026 & 2027, adding stability to earnings despite any potential upcoming changes to the regulatory environment and helping the company to expand margins. Higher margin storm work was an additional boost in the second half 2024.

Bottom Contributors

GXO's stock pulled back after the CEO announced his retirement and ended the buyout rumor that sent the stock higher in October. After experiencing softness in volume in 2023 when customers opted for a price-over-volume strategy, 2024 appeared to be a recovery year for GXO before rumors of a buyout picked up in October. Despite the lack of a buyout, the sales trend is looking up with data showing this holiday sales season as the highest on record. We remain bullish on the operator of retail warehouse logistics.

Bright Horizons' Q3 results beat estimates, and the company raised its 2024 guidance. But the company's full-service day-care business missed estimates in terms of both growth and profitability and the company signaled that 2025 would see more subdued price increases relative to the past couple years. We believe Bright Horizons remains well-positioned for growth as childcare will continue to be in demand from working parents, especially if businesses begin to enforce a return-to-office policy.

Kiniksa reported good Q3 results with 67% revenue growth and raised guidance for the full year. However, the beat wasn't as big as some investors had hoped and the stock sold off. We remain bullish on the name as it is the only approved treatment for recurrent pericarditis, a debilitating condition that has few options.

Halozyme stock fell after the company made a bid for a German bioprocessing company. Investors became concerned that Halozyme's attractive business model of enabling intravenous drugs to be administered in a fraction of the time subcutaneously would be diluted by the acquisition of a completely different business model that is more opaque. The deal ultimately didn't go through and the stock recovered somewhat before management raised guidance for 2025 in early January.

Neogen made progress in integrating its purchase of the relatively large food safety business from 3M, however, the food end markets remain somewhat weak following inflation driven price hikes. With uncertain end markets and better opportunities elsewhere, we sold the position in Q4.

Portfolio Additions & Deletions

In Q4, we added Stevanato, Genius Sports, SpringWorks Therapeutics, and Inari Medical. We exited Neogen.

Stevanato is one of the leading suppliers of glass vials and containers to the drug industry. Similar to West Pharmaceutical Services in our Large Cap Growth strategy, it has been hurt in 2024 by drug companies reducing excess inventory now that supply has caught up to demand. The stock has been depressed due to this in our view and we believe with the end of the inventory correction around the corner, the stock is attractive.

Genius Sports provides pick and shovel support to the sports betting industry in the form of official data that is used to develop betting lines for both pre-game and in-game gambling. Genius Sports has an exclusive relationship with the NFL, as well as the English Premier League. As sports betting grows in the U.S. and worldwide, Genius's exclusive data should grow in value, allowing the company to extract better compensation arrangements with its sportsbook customers. Genius also has an advertising business, as well as an in-game tracking technology that are both proprietary and should drive significant revenue and earnings growth over time.

SpringWorks Therapeutics supplies the only approved treatment for desmoid tumors, a type of soft tissue tumor that is painful and unsightly. In addition, its second drug should be approved in February for a type of nerve tumor that is also very painful. This would be the second drug on the market for this condition and one that has a better efficacy/risk profile in our view. Each of the drugs has the potential to reach $1 billion in sales within 5-7 years, making the stock attractive.

Inari Medical is a supplier of a catheter suction system for removing blood clots from veins. The company's solution is superior to drug-based therapies that require extensive hospital stays, in our view. Early in January, Inari accepted a buyout from Stryker for $80 per share in cash, a 60% premium.

Disclosures

*Performance Disclosures: AMI Asset Management (AMI) is an independent investment management firm registered with the Securities and Exchange Commission since 1994. Registration does not imply a certain level of skill or training. AMI provides discretionary asset management services to institutional and individual clients through separately managed accounts using seven equity and fixed income strategies. The Domestic Small Cap Growth Composite includes all fully discretionary, fee-paying and non-fee-paying, taxable and nontaxable accounts with at least $100,000 in small cap equities on the last day of each previous quarter. The composite was created on October 1, 2008. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns are presented before management fees but after all trading expenses. Net returns are calculated by deducting 1/4th of the highest applicable annual fee of 1.00% from the gross composite returns on a quarterly basis. Prior to July 1, 2019, net returns were calculated by deducting 1/4th of the highest applicable fee of 1.50% from the gross composite returns on a quarterly basis. Clients should not assume that managed accounts will attain similar investment performance in the future. All accounts are individually managed; therefore, returns for separate accounts may be higher or lower than the average performance stated above. The benchmark we use is the Russell 2000® Growth Index which 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 and includes the reinvestment of dividends. Index performance is provided as a point of reference only and does not imply that a Strategy will achieve returns, volatility, or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns. Indices are unmanaged, and one cannot invest directly in an index.

**Source: AMI and Bloomberg. The top five and bottom five contributors information is based on a representative account taken from the AMI Small Cap Growth composite. The representative account was selected because it closely reflects the AMI Small Cap Growth investment strategy. Due to factors such as portfolio size, specific investment guidelines and inception dates of individual accounts, there will be dispersion between the weight, returns, and contributions of this account and other accounts in the composite. The Contribution is calculated by multiplying the weight (i.e., percentage of the total account) invested in each holding times the rate of return for that holding during the measurement period. The holdings identified do not represent all of the securities purchased, sold or recommended for AMI's clients. Actual client holdings and characteristics may vary and holdings are subject to change. The reader should not assume that (1) an investment in the securities identified was or will be profitable or (2) that the AMI Small Cap Growth Strategy will hold these stocks in the future. References to specific securities are not intended as representative of past recommendations by AMI. The securities shown should not be considered recommendations or solicitations and may not have been, or in the future be, profitable. Nothing presented herein is or is intended to constitute investment advice, and no investment decision should be made based on any information provided herein. Past performance is not an indication of future returns. There is a risk of loss from an investment in securities, including the risk of loss of principal.

To obtain free of charge (1) a complete list of composite descriptions, (2) the calculation's methodology and a list showing every holding's contribution to the overall account's performance during the measurement period, and/or (3) a complete list of all buy and sell recommendations for this strategy within the last 12 months, please contact Katharine Kim at (424) 320-4003 or katharine@amiassetmanagement.com.