



Eastern Shore exploits a market phenomenon known as the **Quality Anomaly** which refers to the consistent mispricing of quality companies that leads to their outperformance over time. The strategy focuses on higher quality stocks which tend to have lower volatility and lower risk of capital loss. The strategy also invests in companies experiencing positive change in quality drivers and prefers those with long runways for future growth. Valuation discipline is used to enhance returns.

Seaworthy

**Small Cap Equity Net Performance Statistics Since Inception
(3/1/2007 – 12/31/2025)***

| | Annualized Alpha (%) | Upside Capture (%) | Downside Capture (%) | Sharpe Ratio | Information Ratio |
|---------|----------------------|--------------------|----------------------|--------------|-------------------|
| 1 Year | 6.1 | 106.1 | 83.2 | 1.0 | 1.2 |
| 3 Year | 3.4 | 91.6 | 85.0 | 0.6 | 0.4 |
| 5 Year | -0.1 | 88.0 | 92.9 | 0.1 | -0.1 |
| 10 Year | 0.5 | 88.0 | 91.4 | 0.4 | -0.1 |
| SI* | 2.3 | 92.0 | 89.2 | 0.4 | 0.3 |

**This information is presented as supplemental to the GIPS Report, which is available [here](#). Statistics are calculated using net of fee performance. Net of fee performance was calculated by retroactively applying the highest model fee for the composite (.90%). Performance Statistics are calculated using the Russell 2000 index. The risk-free rate used to calculate the Sharpe ratio is the FTSE 3-month T-Bill. Contains performance from predecessor firm. See important notes at the end of this document. Inception date is 03/01/07. 2007's return represents a partial year beginning at the inception of the fund on 3/01/2007 and is not annualized. Performance from March 1, 2007 through October 26, 2012 occurred while Robert Barringer was the strategy's sole Portfolio Manager at FBR Asset Management.*

Markets/Economy

US equity market action during 2025 was heavily influenced by significant policy shifts announced by the Trump administration that drove extreme fluctuations throughout the year. These moves were based on announced or implemented policies that remain fluid at the start of 2026, including the “Liberation Day” tariff announcements and the One Big Beautiful Bill Act (OBBBA). Recent actions and announcements from the White House continue to fuel headline risk across markets every week.

The underlying drivers of performance in the small cap market gyrated along with the reversals in the market. While the Russell 2000 Value and Growth indexes performed roughly in line with each other for the full year, Value strongly outperformed in the first and fourth quarters, while growth outperformed value by approximately 7% in the second quarter as the market rebounded off the April lows. Higher quality, more profitable companies outperformed during the first quarter, while non-earners and companies with lower returns on equity (ROE) and returns on invested capital (ROIC) dominated throughout the remainder of the year.

This was the fifth year in a row that large caps have outperformed small caps in the US equity market – historically, large cap has never dominated small for six or more years. Current consensus estimates indicate that small caps will grow earnings at a higher rate than large caps for the first time since 2021, a catalyst which could cause small caps to outperform large in 2026. Additional potential catalysts include the valuation discrepancy between large and small cap, the relatively benign interest rate environment, and the recent increase in mergers and acquisitions.



Performance Summary (through 12/31/2025)*

| | 4Q 2025 | 1 Year | 3 Year (Annualized) | 5 Year (Annualized) | 10 Year (Annualized) | Since Inception 3/1/2007 (Annualized) |
|---|---------|--------|------------------------|------------------------|-------------------------|--|
| | (%) | (%) | (%) | (%) | (%) | (%) |
| Small Cap Equity (Gross) | 3.9 | 19.1 | 16.9 | 6.4 | 10.1 | 10.3 |
| Small Cap Equity (Net) | 3.7 | 18.0 | 15.9 | 5.5 | 9.1 | 9.3 |
| Russell 2000 | 2.2 | 12.8 | 13.7 | 6.1 | 9.6 | 7.7 |
| Strategy Excess Return (Gross) | 1.7 | 6.3 | 3.2 | 0.3 | 0.5 | 2.6 |
| Strategy Excess Return (Net) | 1.4 | 5.2 | 2.2 | -0.6 | -0.5 | 1.6 |

**This information is presented as supplemental to the GIPS Report, which is available [here](#). Statistics are calculated using net of fee performance. Net of fee performance was calculated by retroactively applying the highest model fee for the composite (.90%). Performance Statistics are calculated using the Russell 2000 index. The risk-free rate used to calculate the Sharpe ratio is the FTSE 3-month T-Bill. Contains performance from predecessor firm. See important notes at the end of this document. Inception date is 03/01/07. 2007's return represents a partial year beginning at the inception of the fund on 3/01/2007 and is not annualized. Performance from March 1, 2007 through October 26, 2012 occurred while Robert Barringer was the strategy's sole Portfolio Manager at FBR Asset Management.*

Fourth Quarter 2025 Results:

During the fourth quarter of 2025, the Eastern Shore Small Cap Equity Composite delivered a return of 3.93%/3.69% gross and net of fees, outperforming the Russell 2000's 2.19% return for the quarter.

Companies with lower returns on equity (ROE) and returns on invested capital (ROIC) significantly outperformed the rest of the small cap market during the fourth quarter, as they did during much of 2025. Non-earners also outperformed, as did smaller cap Russell 2000 constituents. While these conditions might not seem favorable for our approach given our emphasis on higher quality stocks, the flexibility of our process and the recent uptick in M&A activity within the small cap universe helped the strategy to outperform net of fees for an eighth consecutive quarter. Both our Established and Improving Quality segments outperformed the benchmark during the quarter, though most of the outperformance for the quarter was driven by Improving Quality holdings within areas such as biotechnology. The strategy also benefitted from having three of its holdings announce that they were being acquired during the quarter.

The most significant positive sector contributors to the Small Cap Equity strategy's relative performance during the fourth quarter were Health Care and Consumer Discretionary. Biotechnology holdings were the largest contributor to the strategy's outperformance within Health Care, while outliers in specialty retail contributed to outperformance within the Consumer Discretionary sector. Sector detractors for the quarter included Real Estate and Materials. The strategy's underperformance in the Real Estate sector was largely driven by the negative return of the strategy's one office REIT. Within the Materials sector, the strategy's positioning among metals and mining companies detracted meaningfully from relative performance for the quarter.

The team made four meaningful changes to sector allocation in the fourth quarter – increasing exposure to the Health Care and Industrials sectors by 7.38% and 2.32% respectively and decreasing exposure to the Information Technology and Consumer Discretionary sectors by 5.09% and 2.55% respectively. No other sector adjustments equaled or exceeded 2% during the quarter. At the individual company level, the two most significant contributors to the strategy's performance for the quarter were Praxis Precision Medicines (PRAX) and Protagonist Therapeutics (PTGX). We added Praxis to the strategy following the release of its full Phase 3 readout in mid-October and were rewarded when the company's stock price increased sharply on news that its pre-New Drug Application (NDA) meetings with the FDA had gone well. Protagonist's share price rose throughout the quarter on positive reports from clinical testing of its therapies for psoriasis and Crohn's Disease.



Additional notable contributors during the quarter included three additional biotechnology holdings: central nervous system therapy developer Axsome Therapeutics, obesity drug innovator Wave Life Sciences (WVE), and genetic disease-focused BridgeBio Pharma (BBIO). We maintained exposure to all five of these top contributors at the end of the quarter as we felt that they offered additional upside given their therapies' large total addressable markets and increasing probabilities of FDA approval.

The two most impactful detractors from the strategy's performance for the quarter were security software firm Varonis Systems (VRNS) and cryptocurrency mining computing provider Riot Platforms (RIOT). Varonis experienced a sharp share price decline following disappointing earnings report in late October, while Riot's high correlation to cryptocurrency valuations caused its stock price to fall during the month of November. Other significant detractors included office REIT SL Green Realty (SLG), data engineering company Innodata (INOD), and commercial real estate and finance services firm Walker & Dunlop (WD). We maintained exposure to all five of these holdings at quarter-end given their promising fundamentals and potential for share price recovery.

From a positioning standpoint, the balance of Improving and Established Quality holdings ended the quarter unchanged at roughly 48% and 52% respectively. This more balanced positioning has helped the strategy to outperform the Russell 2000 during the past two years, and we believe that it will continue to serve it well going forward in this uncertain environment.

| Q4 2025 Top 5 Contributors [†] | | | Q4 2025 Top 5 Detractors [†] | | |
|---|--------|-----------------|---------------------------------------|--------|-----------------|
| Security | Ticker | Avg. Weight (%) | Security | Ticker | Avg. Weight (%) |
| Praxis Precision Medicines, Inc. | PRAX | 1.5 | Varonis Systems, Inc. | VRNS | 1.01 |
| Protagonist Therapeutics, Inc. | PTGX | 2.2 | Riot Platforms, Inc. | RIOT | 1.22 |
| Axsome Therapeutics, Inc. | AXSM | 1.5 | SL Green Realty Corp. | SLG | 1.08 |
| Wave Life Sciences Ltd. | WVE | 0.7 | Innodata Inc. | INOD | 0.71 |
| BridgeBio Pharma, Inc. | BBIO | 1.7 | Walker & Dunlop, Inc. | WD | 0.85 |

[†]The information provided above should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this presentation or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed 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. A complete list of all securities recommended during the preceding year is available upon request. Past performance is not indicative of future results. The information is presented as supplemental to the GIPS Report available [here](#). Top Contributors and Detractors are considered Extracted. Attribution total return for portfolio differs from composite results due to attribution methodology not taking intraday trading into account. Return data presented gross of fees. Past performance is not indicative of future returns.

Full Year 2025 Results

During 2025, the Eastern Shore Small Cap Equity Composite delivered a return of 19.11%/18.03% gross and net of fees, outperforming the Russell 2000's 12.79% return for the year.

Keeping the strategy's exposure to earlier-stage Improving Quality holdings above our historical average throughout the year contributed meaningfully to the strategy's outperformance of over 5%. Although the Established Quality component outperformed Improving Quality when the Russell 2000 declined nearly 9.5% during the first quarter, the Improving Quality segment delivered significant outperformance throughout the remainder of the year. Heightened M&A activity contributed meaningfully to this outperformance: of the ten strategy holdings that announced that they were being acquired during the year, eight were Improving Quality stocks. We are encouraged that the strategy has returned to its historical pattern of keeping up with the Russell 2000 in up markets while outperforming during down markets, which has allowed it to deliver positive relative returns net of fees in ten out of the past twelve quarters.



The most significant sector contributor to the Small Cap Equity strategy's outperformance in 2025 was the Health Care sector. The strategy's biotechnology holdings were the primary driver of this outperformance: our focus on firms with therapies in the later stages of clinical trials fueled outsized stock-specific returns as these companies met key trial endpoints. M&A activity in this area contributed as well, as four of the strategy's biotechnology holdings were acquired by larger pharmaceutical firms during the year. The Financials sector was another significant positive contributor to the strategy's relative return, as our regional bank and financial services holdings significantly exceeded investor expectations. Two of the strategy's Financials holdings were acquired during the year, a mortgage servicing company and a bank.

The two largest sector detractors for the year were Materials and Energy. Much of the strategy's underperformance in the Materials sector came from the strategy's underexposure to precious metals and its overexposure to construction materials. Although the strategy's active weights in these industries were small (roughly 1%), the substantial performance differential between these industries resulted in the strategy losing roughly 115 basis points of relative performance within this sector. In the Energy sector, the underperformance of two outliers weighed on relative returns for the year.

The top two largest individual stock contributors to the strategy's performance were biotechnology firms Protagonist Therapeutics (PTGX) and BridgeBio Pharma (BBIO). The stock of each of these companies continued to climb as they cleared key clinical trial hurdles and the likelihood of their therapies' regulatory approvals increased, de-risking their business models. Additional notable contributors during the year included biotechnology firms Verona Pharma (VRNA) and Merus N.V. (MRUS), both of which were acquired, and aerospace and defense firm Kratos Defense & Security Solutions (KTOS). We sold Verona and Merus given that we did not expect them to receive higher offers, but we maintain exposure to the other three holdings because we believe that their unique competitive advantages and large addressable markets provide them with additional upside potential.

The two most impactful detractors from the strategy's performance for the quarter were oil and gas exploration and production firm SM Energy (SM) and cloud-based supply chain management service company SPS Commerce (SPSC). SM Energy and its peers declined along with falling oil prices during the year, while SPS Commerce has faced challenges in integrating recent acquisitions while transitioning its business model to meet the needs of a broader customer base. Other significant detractors for the year included vaccine developer Vaxcyte (PCVX), web-based investment portfolio services provider Clearwater Analytics Holdings (CWAN), and high-protein snack firm Simply Good Foods (SMPL). We sold four of these holdings due to the relative attractiveness of other opportunities, but we maintained exposure to SM Energy given our belief that its strategic focus on high-quality acreage could position it for stronger performance going forward.

2025 presented a challenging environment for quality-oriented investors, particularly given the outperformance of stocks of companies with lower profitability and higher betas. We would not typically expect to outperform under conditions such as these, and we attribute the strategy's strong relative performance to three key drivers: 1) the flexibility of our approach, which allowed us to have exposure to areas such as biotechnology; 2) the strategy's exposure to themes in areas such as artificial intelligence infrastructure and aerospace/defense; 3) the increase in M&A activity and the higher premiums being paid for small cap acquisition targets. We are cautiously optimistic as we enter 2026, as prospects for small cap stocks appear strong given the interest rate outlook, the health of the consumer, and improving earnings growth expectations. We remain mindful of the risks that this environment presents and will continue to take advantage of the flexibility of our process to capture returns on the upside and to preserve capital on the downside in the quarters to come.



2025 Top 5 Contributors[†]

| Security | Ticker | Avg. Weight (%) |
|---|--------|-----------------|
| Protagonist Therapeutics, Inc. | PTGX | 1.68 |
| BridgeBio Pharma, Inc. | BBIO | 0.99 |
| Verona Pharma plc Sponsored ADR | VRNA | 0.59 |
| Kratos Defense & Security Solutions, Inc. | KTOS | 0.79 |
| Merus N.V. | MRUS | 0.84 |

2025 Top 5 Detractors[†]

| Security | Ticker | Avg. Weight (%) |
|-------------------------------------|--------|-----------------|
| SM Energy Company | SM | 0.79 |
| SPS Commerce, Inc. | SPSC | 0.93 |
| Vaxcyte, Inc. | PCVX | 0.29 |
| Clearwater Analytics Holdings, Inc. | CWAN | 1.82 |
| Simply Good Foods Co | SMPL | 0.74 |

[†]The information provided above should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this presentation or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed 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. A complete list of all securities recommended during the preceding year is available upon request. Past performance is not indicative of future results. The information is presented as supplemental to the GIPS Report available [here](#). Top Contributors and Detractors are considered Extracted. Attribution total return for portfolio differs from composite results due to attribution methodology not taking intraday trading into account. Return data presented gross of fees. Past performance is not indicative of future returns.

Outlook

Our overall outlook for the U.S. economy in 2026 is cautiously optimistic. The effects of tariffs on the economy and on small cap companies have been less severe than expected since the "Liberation Day" tariff announcement in April of 2025 due to numerous carve-outs and exemptions. Some industries are being affected more significantly than others, and we are seeing some of those costs being passed on to the consumer. Despite these price increases, we see inflation trending downwards in 2026 as energy prices have fallen and housing costs are gradually declining as well. The labor market is more balanced, and the Fed's more dovish stance appears likely to become even more accommodative after a new Fed Chair is sworn in this May.

Fiscal tailwinds should benefit the U.S. economy as well. The accelerated depreciation provisions and retroactive tax cuts in the OBBB Act passed last July should translate into higher tax refunds for consumers and more capital investment from companies. While the economy is not the stock market, this economic backdrop should support strong sales and earnings growth for U.S. companies.

The current consensus earnings growth forecasts anticipate that the S&P 600 Small Cap Index's earnings will grow by 15.7% in 2026, while the S&P 500's will grow by 14.8%. This would be the first time since 2021 that small cap earnings growth exceeded that of large cap. Small cap stocks are also much less expensive with a forward P/E of 15.4x vs 22.4x for the S&P 500.

Risks

While this environment presents many reasons for optimism going into 2026, we remain aware of the many potential risks to our positive outlook. Our primary concern is that inflation could re-accelerate, given that the U.S. is actively easing monetary policy and increasing fiscal stimulus in a strong economy and job market. This could push up inflation, which would likely increase longer term interest rates. This could result in multiple compression for stocks and potentially a reduction in economic growth. The market assumption regarding interest rates is for several short-term rate cuts by the Fed and a well-behaved longer-term rate structure that would be positive for mortgage rates and housing. If this assumption proves wrong, the broader economy and the stock market could experience significant disruption.



EASTERN SHORE
CAPITAL MANAGEMENT
A Division of Moody Aldrich Partners

Small Cap Equity

Fourth Quarter 2025

COMMENTARY

Political risk is also rising, both domestically and globally. We are experiencing increasing political uncertainty in the U.S. given the unpredictable actions being taken by the White House. The potential loss of Fed independence, tension between the U.S. and Europe over Greenland, and the ongoing conflicts in Russia/Ukraine and in the Middle East could have meaningful long-term consequences. Any unanticipated military action in Taiwan, or Cuba would certainly increase global equity risk premiums, as would an escalation of unrest in Venezuela.

In summary, we maintain an overall positive view of the U.S. economy and markets but are cognizant of the risks that could alter our outlook. We appreciate your interest in Eastern Shore, and we wish you health, success, and happiness in 2026.



Robert Barringer,
CFA
CIO, Partner, &
Portfolio Manager



James O'Brien,
CFA
Partner &
Portfolio Manager



Sarah Westwood,
CFA, CMT
Partner &
Portfolio Manager

OFFICE CONTACT



18 Sewall Street
Marblehead, MA 01945



Phone
(781) 639-2750



Fax
(781) 639-2751



Disclosures

†The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed 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. A complete list of all securities recommended during the preceding year is available upon request. The information is presented as supplemental to the GIPS Report, which is available [here](#).

The information contained in this document is subject to updating and verification and may be subject to amendment. No representation or warranty is expressed as to the accuracy of the information contained and no liability is given by Eastern Shore Capital Management as to the accuracy of the information contained in this document and no liability is accepted for any such information. This document and the information contained within it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you are not named addressee, you should not disseminate, distribute, or copy this document or any of the information contained within it.

Past performance is not necessarily indicative of future results. This document includes returns for the Russell 2000 index. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. This index is not intended to be a direct benchmark for a particular strategy, nor is intended to be indicative of the type of assets in which a particular strategy may invest. The assets invested in on behalf of a client will likely be materially different from the assets underlying this index and will likely have a significantly different risk profile. Performance statistics, portfolio characteristics, portfolio holdings and other information included in this presentation are targets only and may change without notice to the client. The value of investments can go down as well as up. A client may not get back the amount invested.

Strategy Performance, Strategy Characteristics, Strategy Sector Weights, and Top Holdings, Strategy Statistics are reflecting the aggregate composite for the strategy. As such, individual accounts performance, weights, statistics, and characteristics may vary. †Inception date is 03/01/07. For the period of March 1, 2007 through October 26, 2012, the performance presented occurred while the Portfolio Manager was at a prior firm. Performance for this period has been calculated using custodial transactions for the fund while it was managed as a mutual fund (FBRYX) at FBR Asset Management. Eastern Shore Capital Management has met the requirements for claiming performance record portability and keeps the appropriate books and records as well as a portability memo on file. The Eastern Shore Capital Management Small Cap Equity Composite has undergone a portability examination for the period of March 1, 2007 through October 26, 2012. A client's return will be reduced by the advisory fees as described in Form ADV Part 2A and other expenses incurred by the account. For example, an annual advisory fee of .90% compounded quarterly over 3 years will reduce a gross 28.92% annual return to a net 28.1% annual return. Actual returns may vary from the performance information presented.

If you are not the named addressee you should not disseminate, distribute or copy this document or any of the information contained within it. If you are not the intended recipient you are notified that disclosing, copying, distributing or taking any action in reliance on the contents of this information is strictly prohibited.