



Small Cap Observations

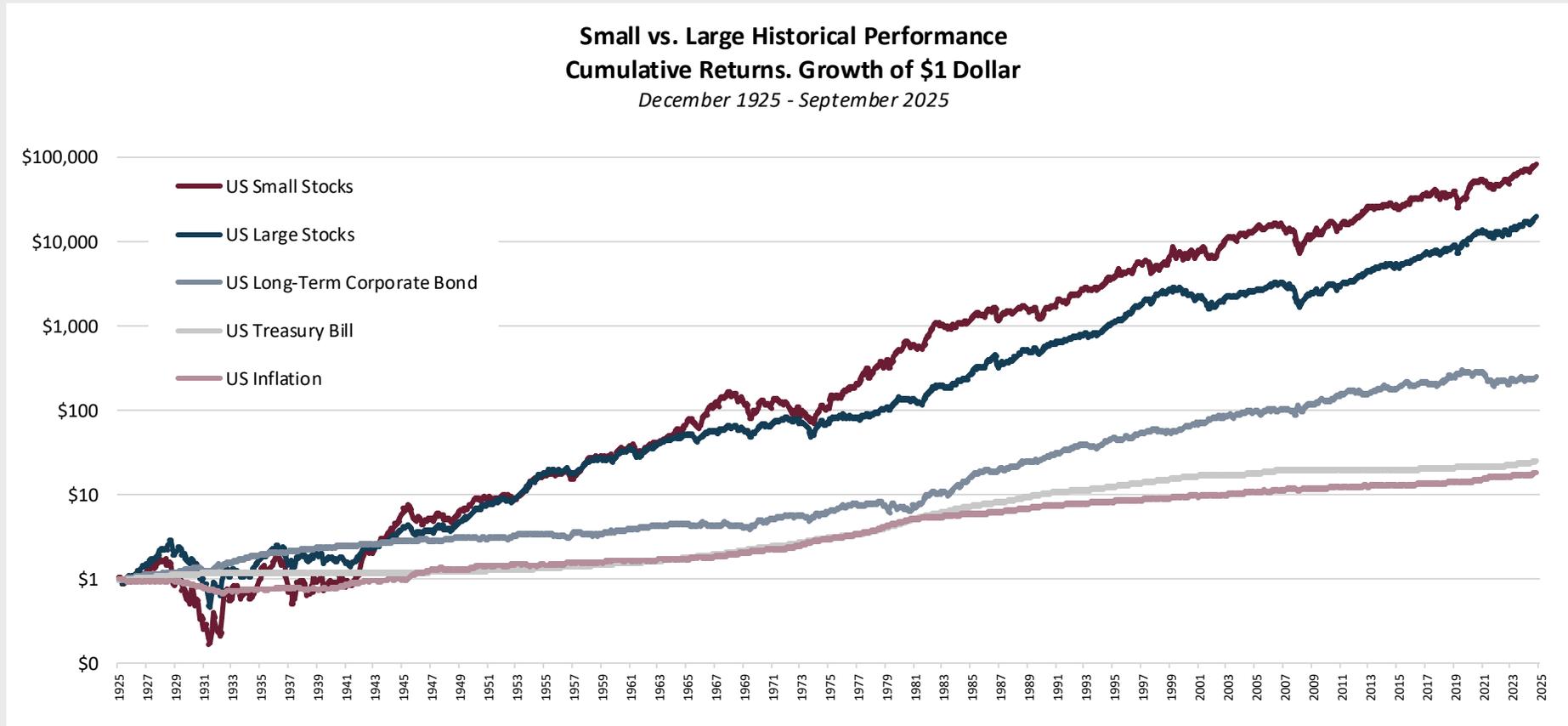
September 30, 2025



The Long-Term Case for Investing in Small Caps

As of September 30, 2025

Historically, Small Capitalization stocks have outperformed Large Capitalization stocks.



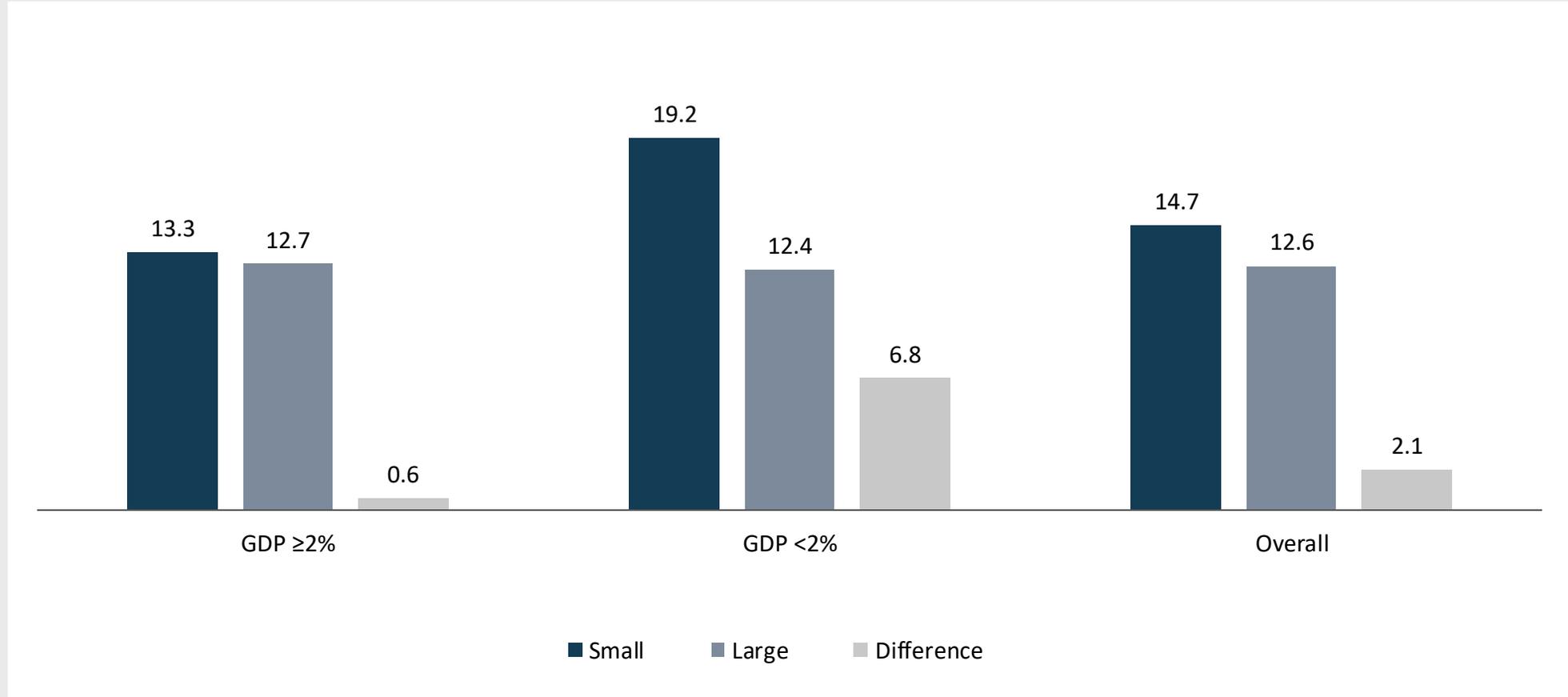


Behavior of Small Caps in Various Macroeconomic Environments



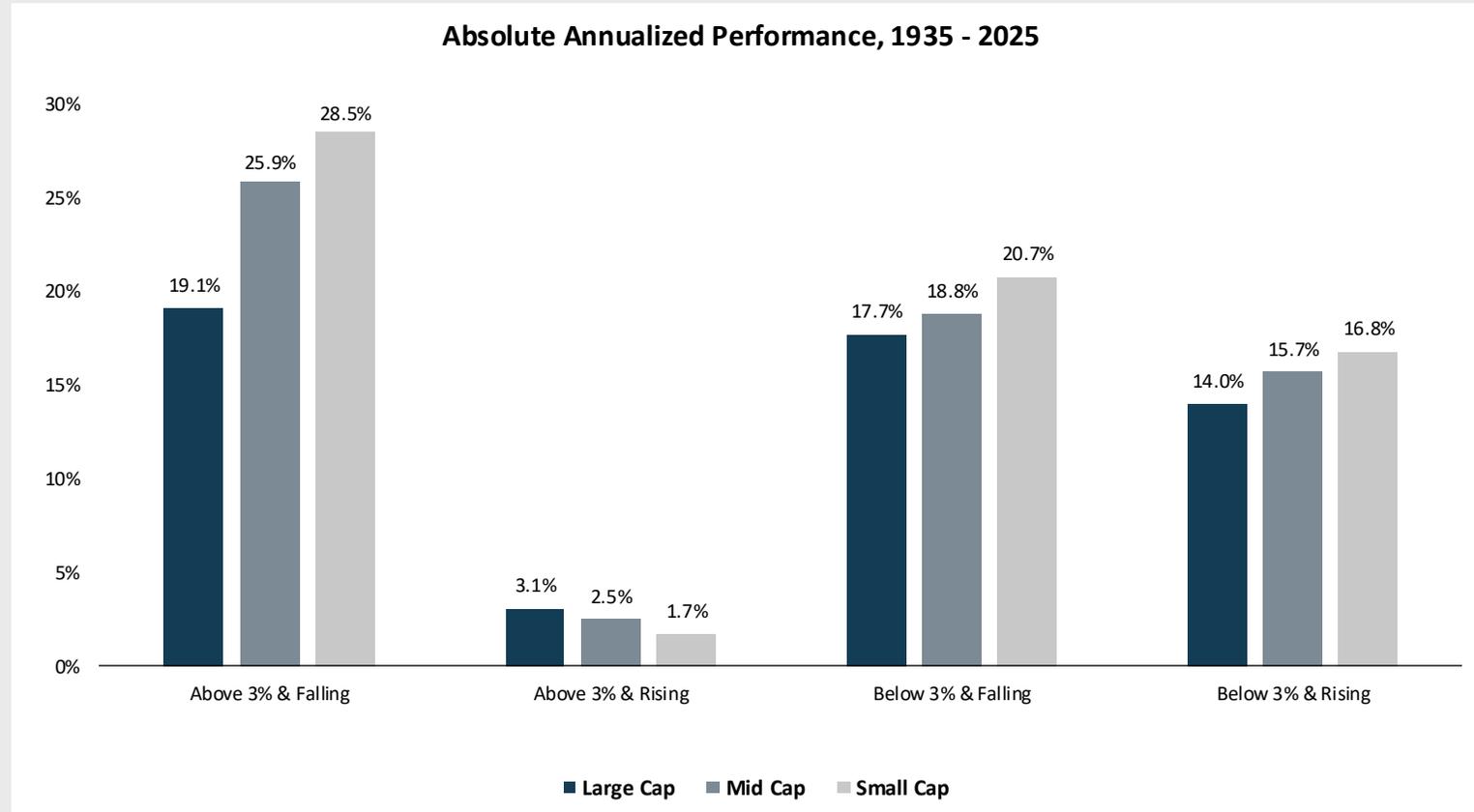
Small Caps in Various GDP Environments

1925 - 2025





Historical Analysis of Small Caps in Differing Inflationary Environments





Small Cap Factor Performance During Stages of the Economic Cycle



Small Cap Factor Performance Across Cycles

As of September 30, 2025

High-Quality stocks have led both the Russell 2000 Index and Low-Quality peers in 100% late cycle regimes and 67% of recessionary regimes since 1990 while High-Risk stocks have generally underperformed.

Small cap factor group performance during phases of the economic cycle (Jan. 1990-Present)

Hit rate = % of periods in which style outperformed the equal-weighted Russell 2000 Index.

Quintile 1 vs. Index

		Valuation	Quality	Liquidity	Growth	Risk	Momentum	Leverage	Cash Deployment	Size
Early Cycle	Median	13%	2%	-1%	2%	1%	-2%	-2%	2%	-1%
	Hit Rate	89%	56%	44%	67%	56%	44%	44%	78%	33%
Mid Cycle	Median	7%	2%	2%	4%	7%	3%	1%	-5%	-4%
	Hit Rate	67%	78%	67%	78%	78%	78%	89%	22%	44%
Late Cycle	Median	0%	7%	0%	0%	-10%	0%	1%	6%	3%
	Hit Rate	44%	100%	56%	56%	11%	78%	67%	78%	89%
Recession	Median	2%	3%	1%	0%	-5%	0%	-2%	1%	3%
	Hit Rate	56%	67%	56%	44%	44%	56%	44%	56%	67%



Recent History and Internal Analysis

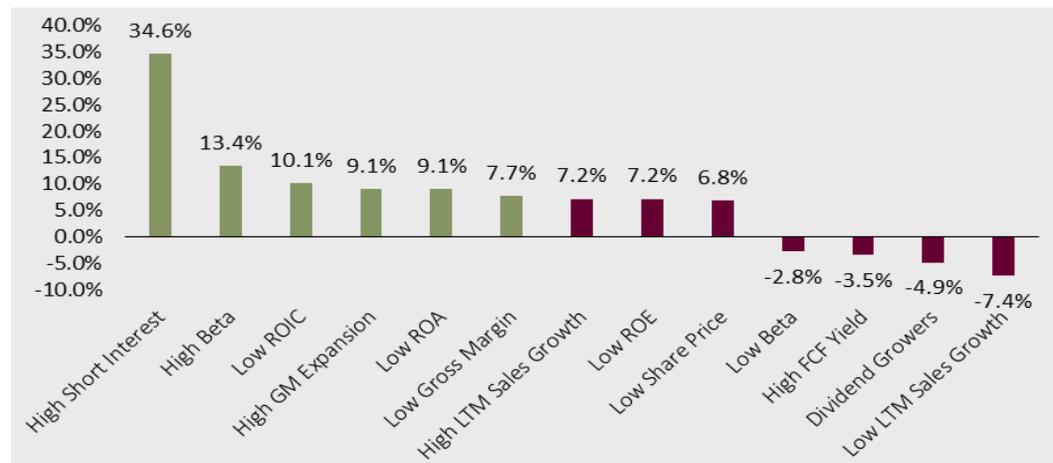


Low Quality Factors Led in 3 out of 4 Quarters

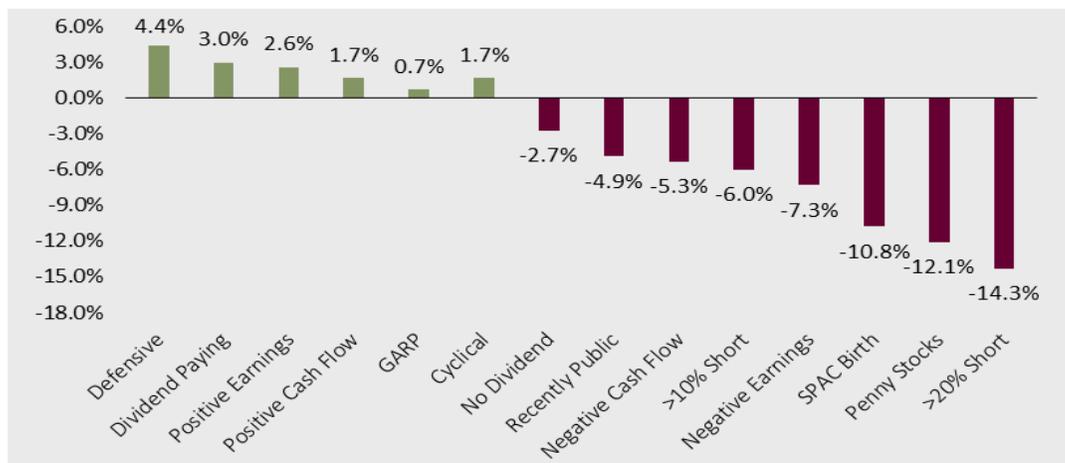
Low quality factors led in 3Q25



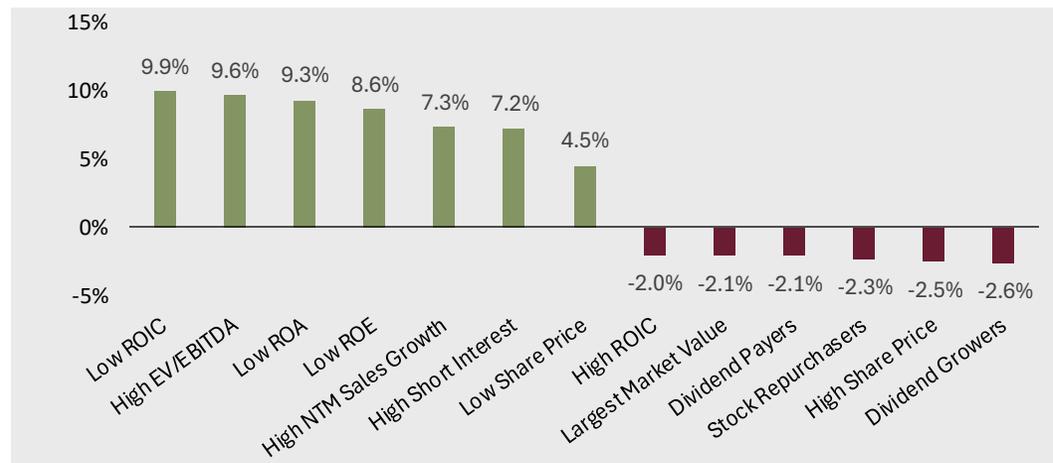
Low quality factors led in 2Q25



Quality factors led in 1Q25



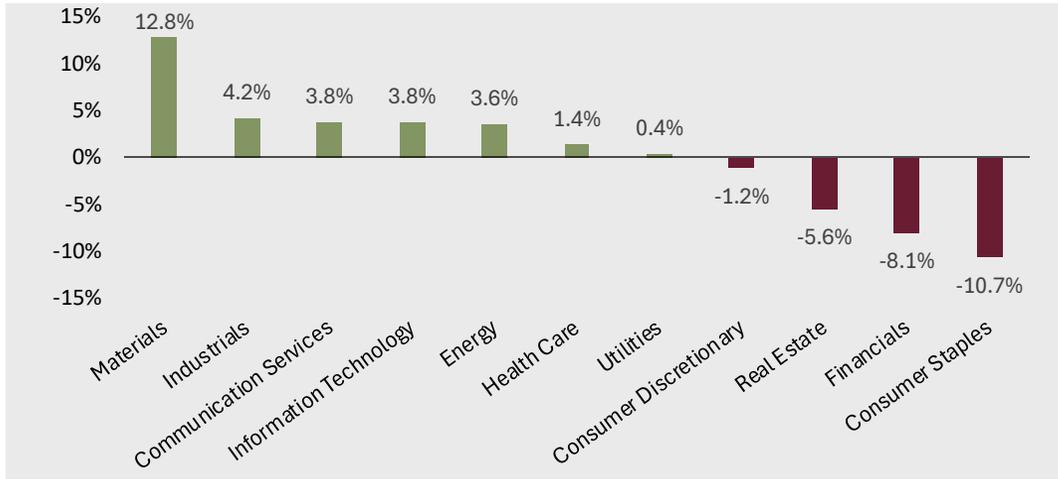
Low quality factors led in 4Q24



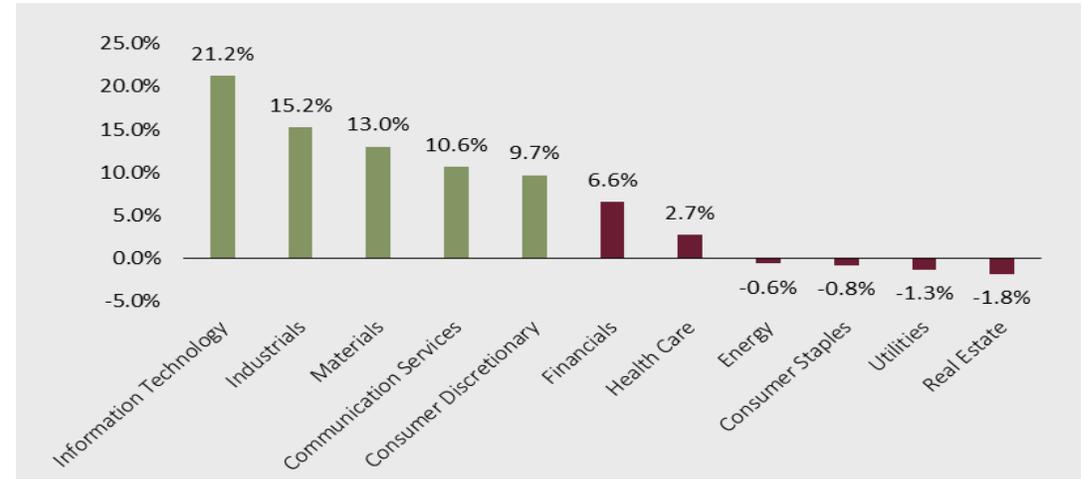


Cyclical Sectors Led Over Defensive in 3 out of 4 Quarters

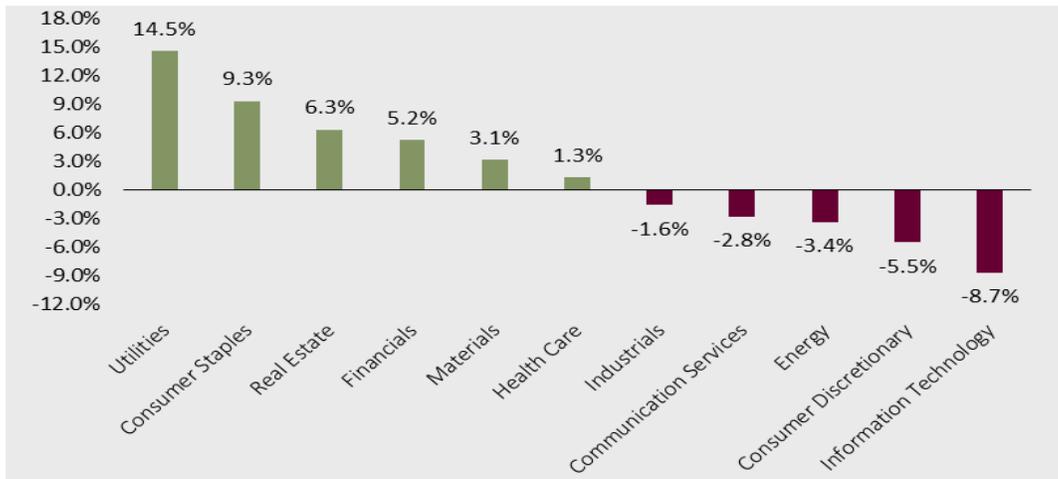
Cyclical over Defensive Sectors in 3Q25



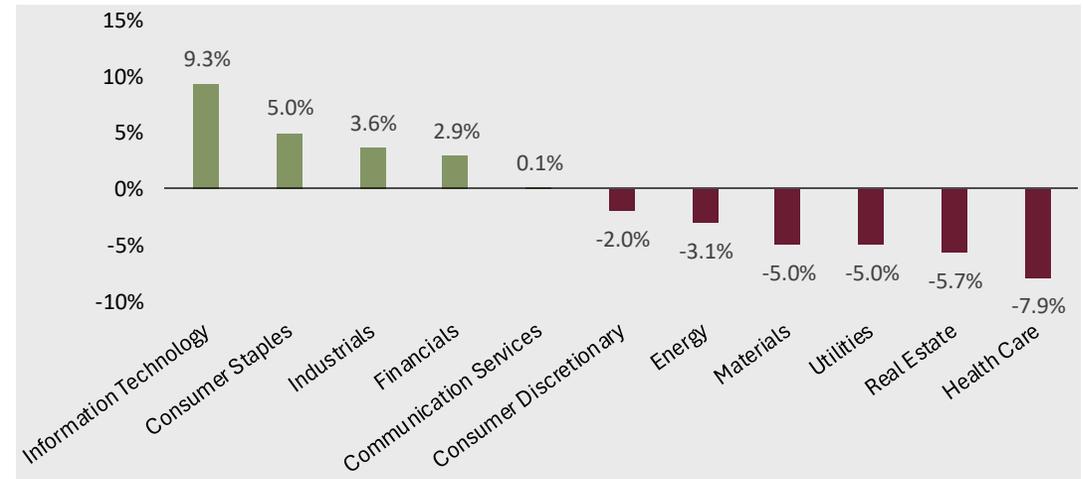
Cyclical over Defensive Sectors in 2Q25



Defensive over Cyclical Sectors in 1Q25



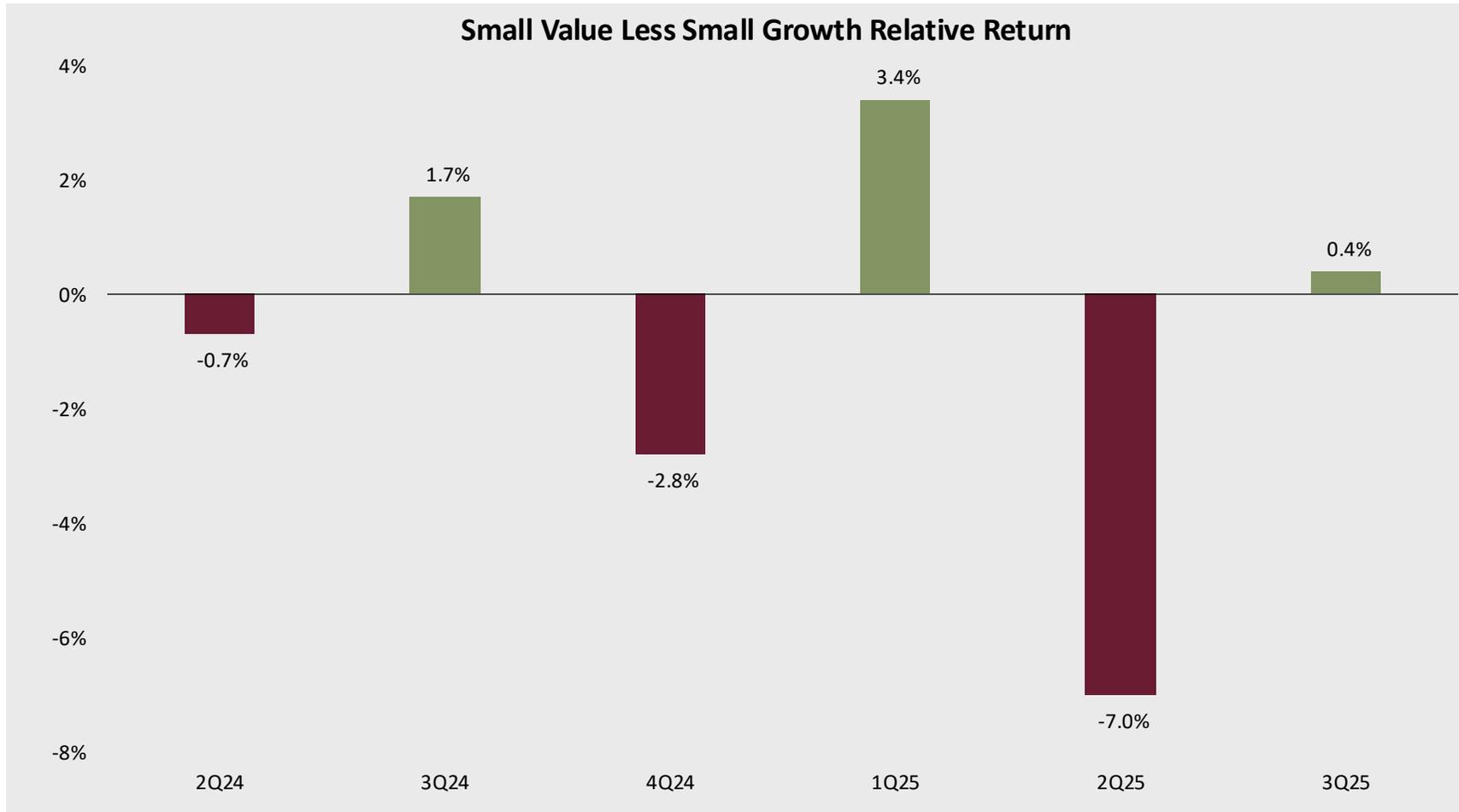
Cyclical over Defensive Sectors in 4Q24





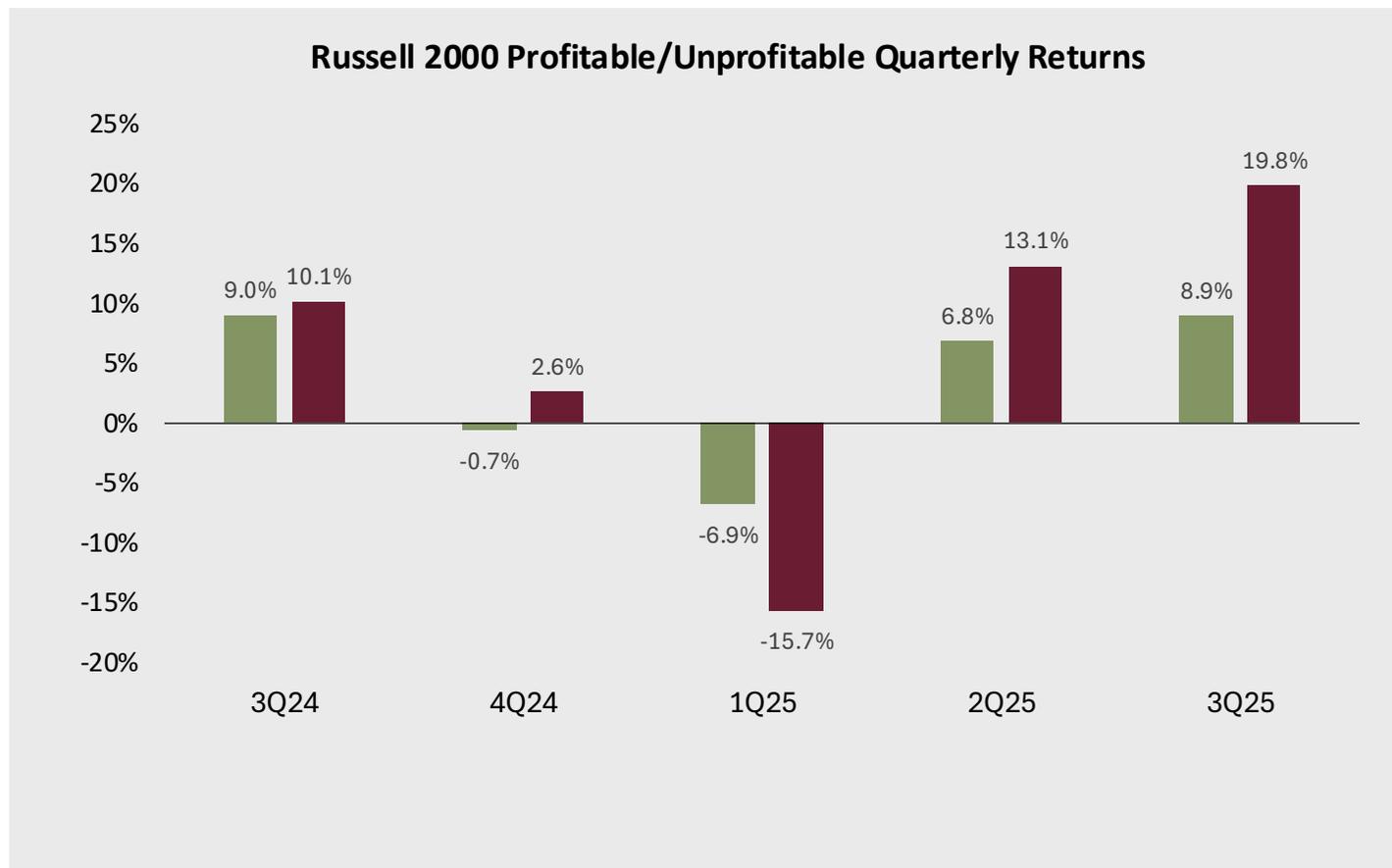
Value and Growth Have Flip-Flopped Leadership in Six Consecutive Quarters

As of September 30, 2025





Profitable vs. Unprofitable Companies

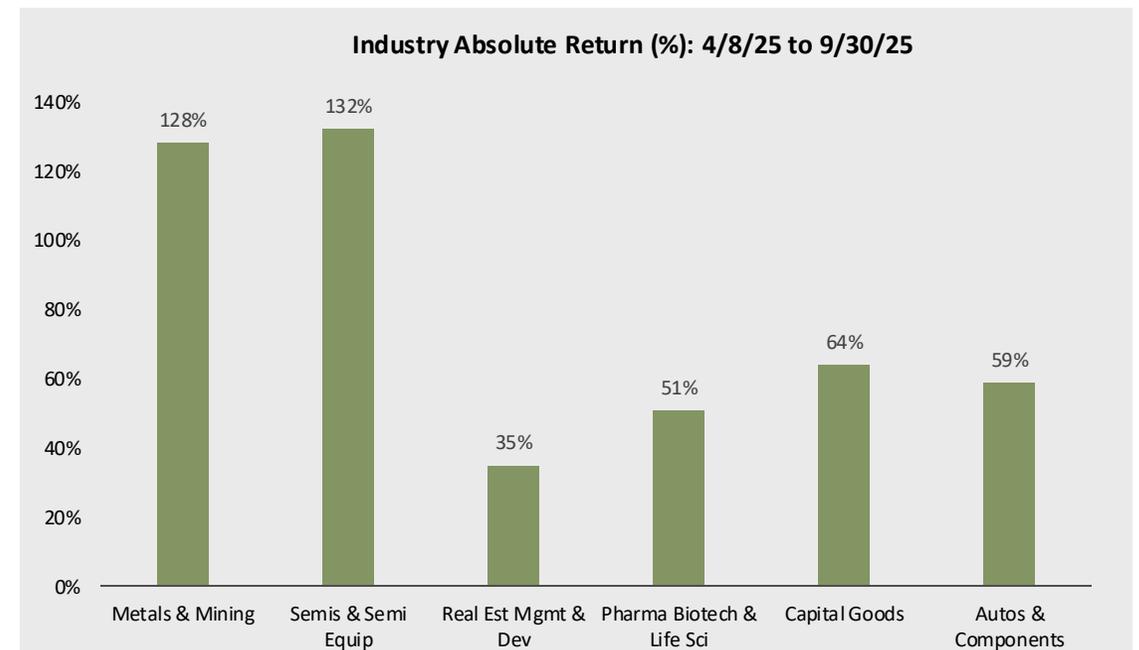
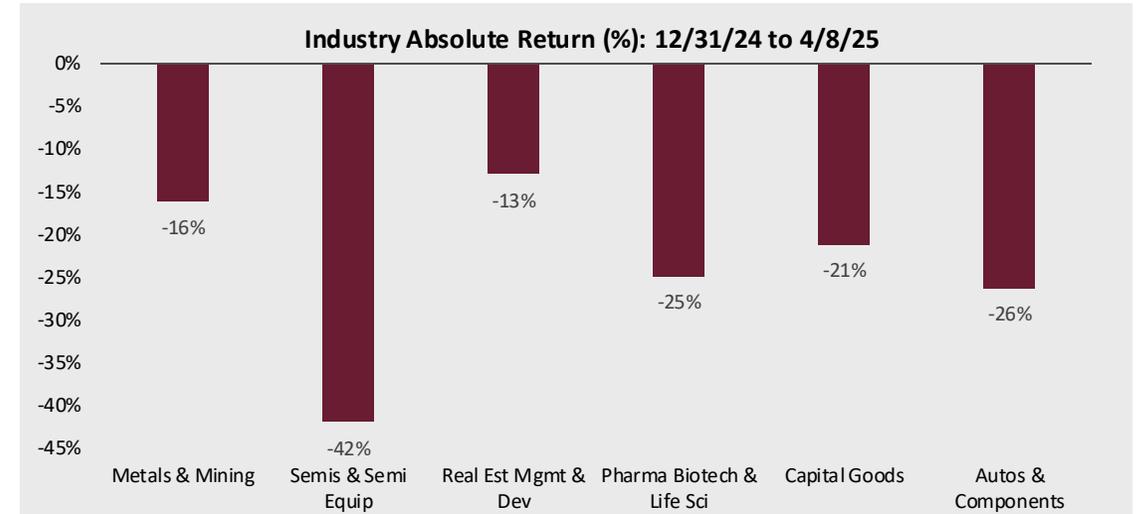
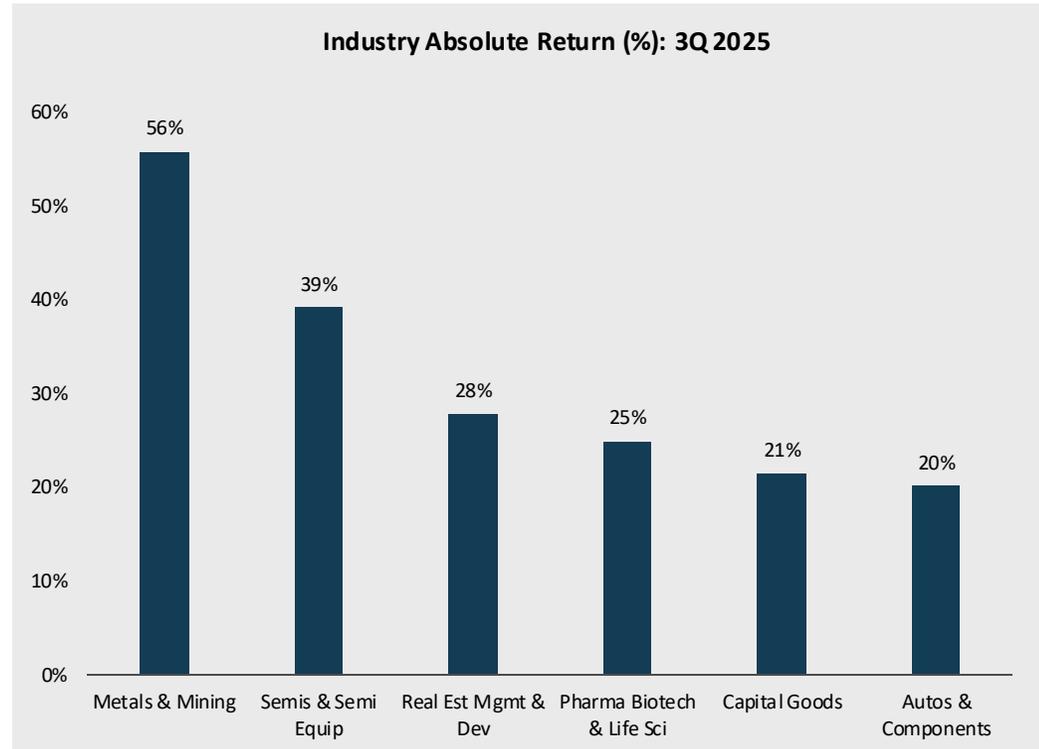




Two Industries Have Posted Outsized Gains Since the Bottom

As of September 30, 2025

Metals & Mining and Semis dominated 3Q25 returns

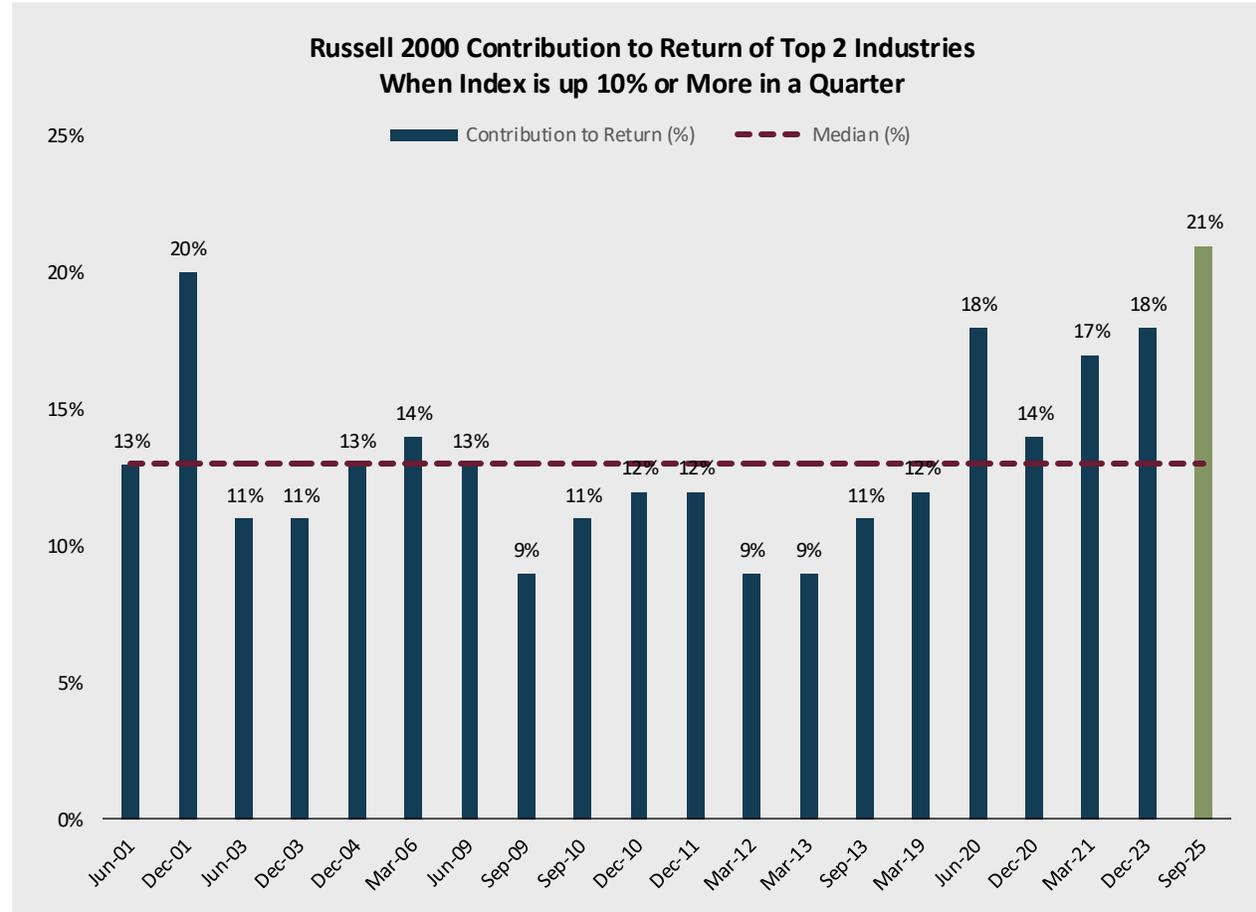


Source: Furey Research Partners, FactSet as of 9/30/2025. Returns are for the Russell 2000 Index.



Two of 29 Industries Contributed 21% of the 3Q25 Return

As of September 30, 2025

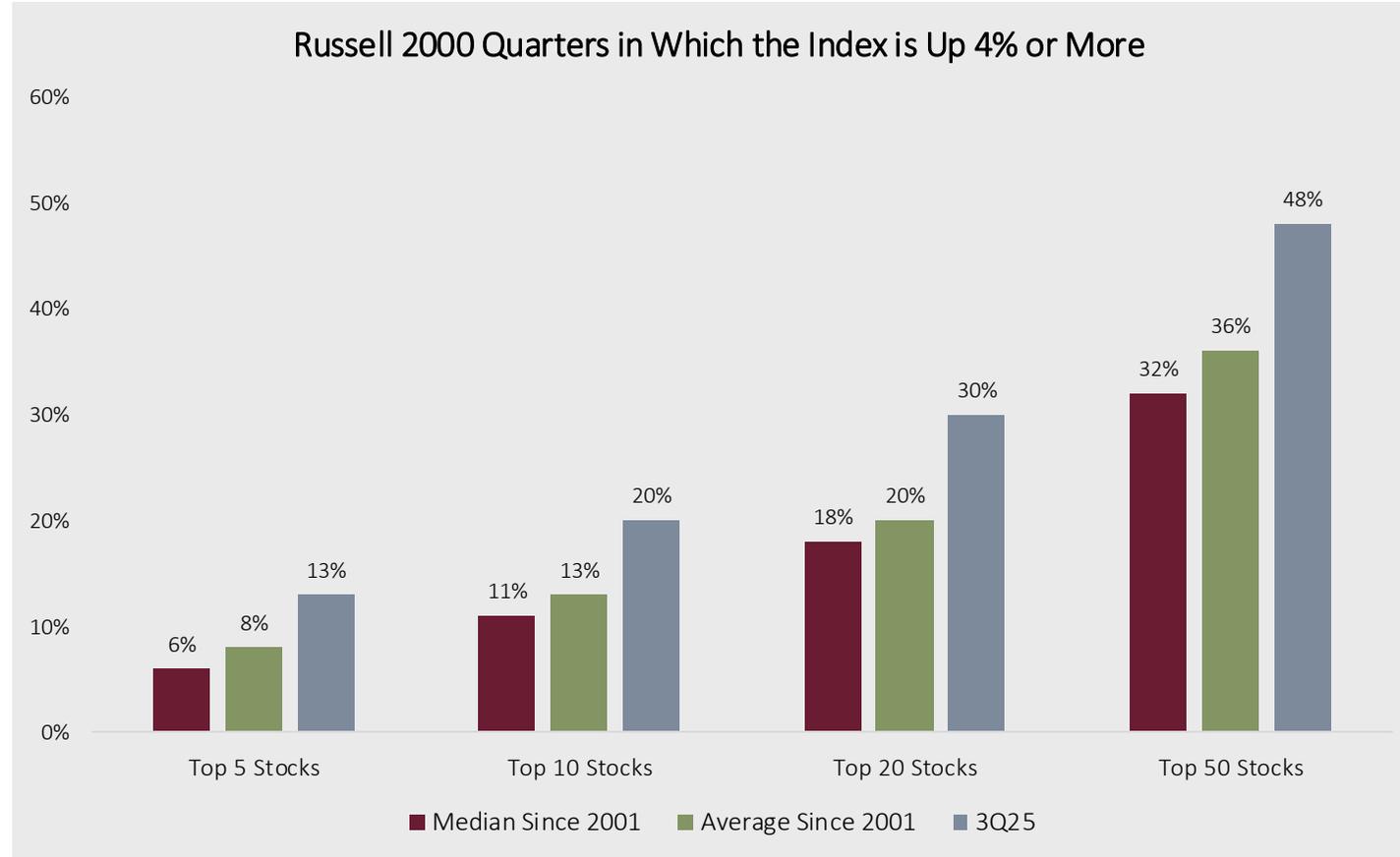




Top 50 stocks were nearly 50% of the 3Q25 Return

As of September 30, 2025

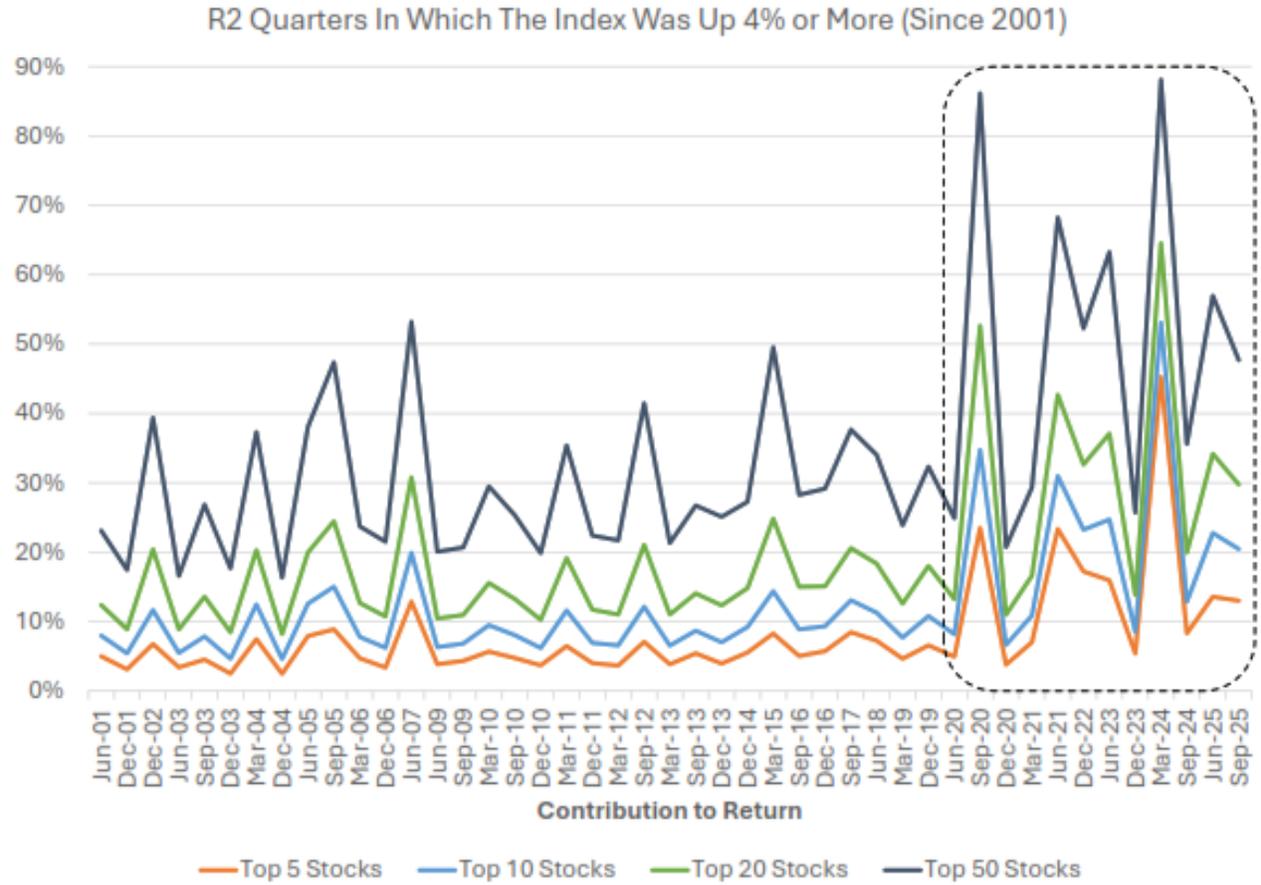
Of the 50 best Russell 2000 stocks, 37 were biopharma, metals, crypto or quantum computing





Return Concentration Levels are a Post-Covid Phenomenon

As of September 30, 2025



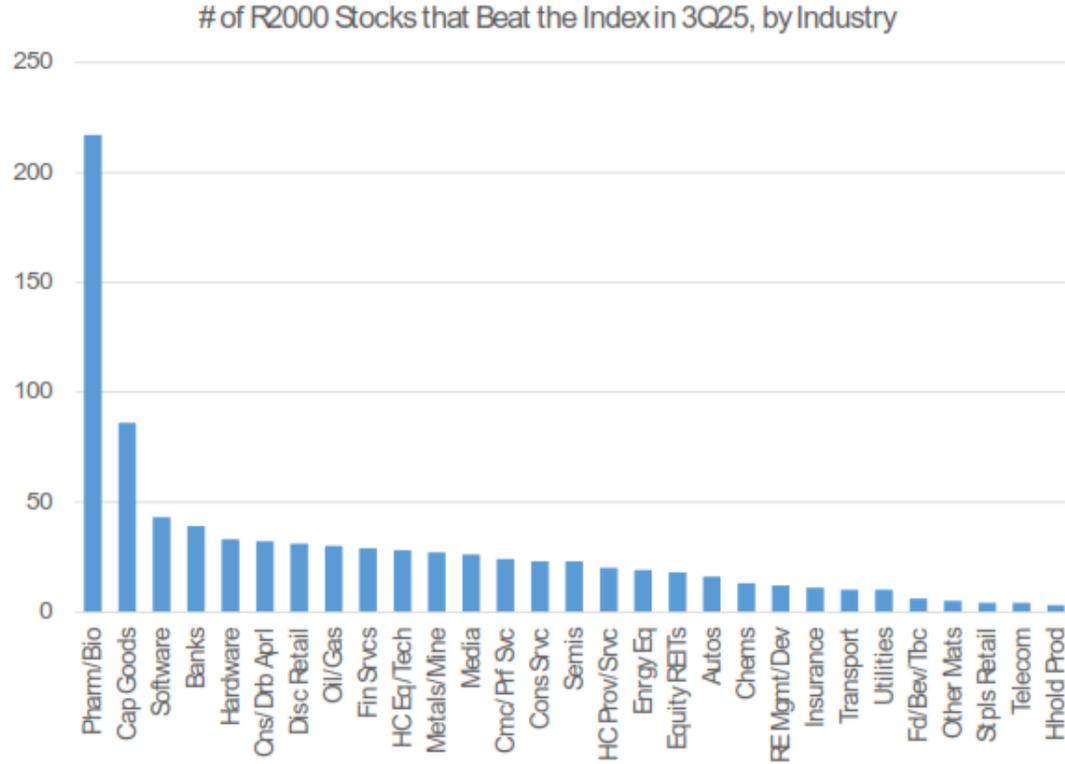
Source: Furey Research Partners, FactSet as of 9/30/2025. R2 is an abbreviation of the Russell 2000 Index.



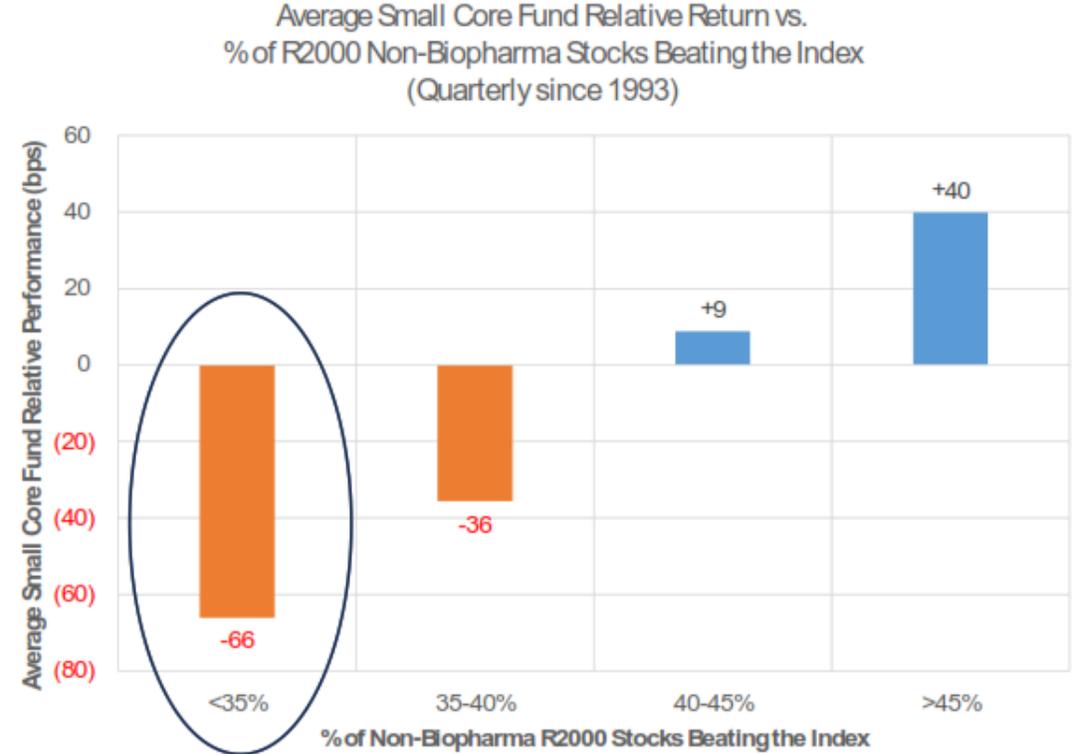
Biotechnology/Pharmaceutical Impact

As of September 30, 2025

A quarter of the stocks that outperformed in 3Q25 were Biopharma



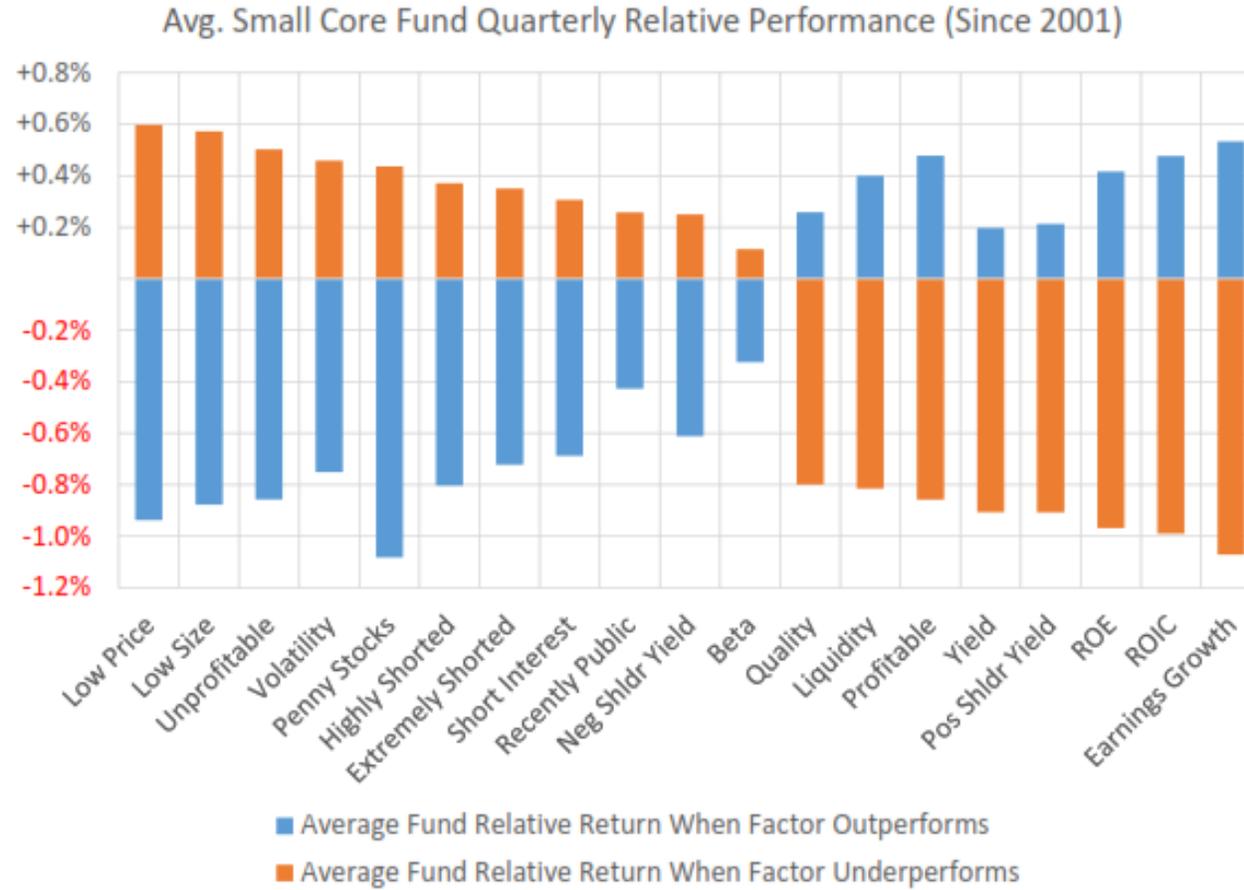
When few stocks outside Biopharma do well, the average active manager suffers





Factor Exposures Amongst Small Core Managers

As of September 30, 2025





Monthly Russell Payoffs

Russell 2000 Index, 1/1/2025 to 9/30/2025

Composites	Long Term Average*	Monthly Payoffs 2025									Q3'25	YTD 2025
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
Value	13.20	4.51	1.47	8.01	-6.51	-4.56	-1.65	-4.69	6.20	-10.01	-8.51	-7.23
Quality**	11.94	2.34	2.13	5.47	-3.97	-2.40	-2.82	-4.66	3.07	-6.97	-8.56	-7.82
Margin	8.30	2.73	3.71	7.37	-1.11	-2.77	-3.46	-5.53	0.63	-7.00	-11.91	-5.44
Accruals	5.91	0.79	-1.48	-3.13	-1.14	1.35	0.72	-0.44	1.58	-0.23	0.91	-1.97
Capital Usage	8.90	1.40	1.26	7.04	-4.89	-3.95	-0.77	-4.92	3.37	-6.99	-8.55	-8.45
LowVariability	3.29	-0.60	0.66	2.33	-3.65	-3.89	-1.18	-2.25	0.08	-4.01	-6.19	-12.50
LowLeverage	0.09	-3.77	-2.07	1.99	4.83	-0.81	1.63	-0.28	-4.01	5.25	0.97	2.77
LowVolatility	5.45	1.77	6.69	10.06	-3.90	-8.83	-8.91	-5.96	0.54	-9.39	-14.81	-17.93

*Long Term Average is 1/1995 – 9/2025, annualized. Based on Russell 2000 Index.

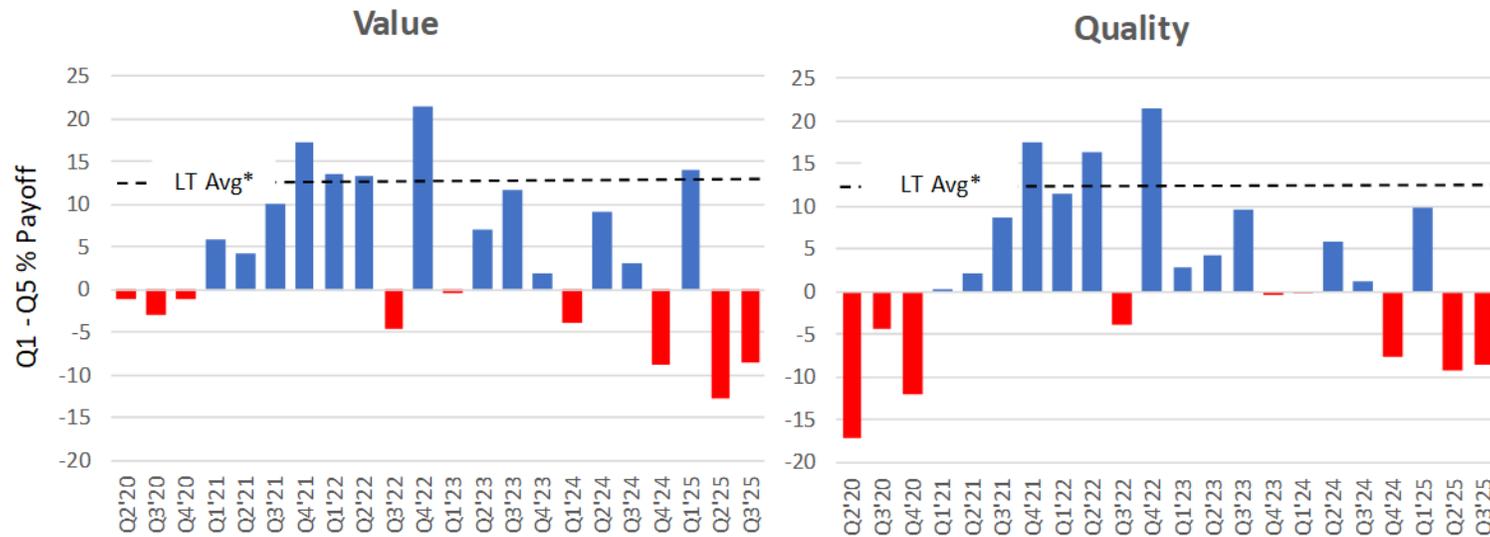
**Quality is composed of Margin, Accruals, and Capital Usage Composites.

Source: Aristotle Boston analysis with data from Bloomberg and Russell Investments. Year to date data is computed monthly.



Quarterly Payoffs to Value and Quality (Quintile 1 Minus Quintile 5)

Russell 2000 Index, 1/1/2025 to 9/30/2025





Long Term Factor Performance vs. Recent Periods

Our research shows that **Quality and Value factors have paid off over the long-term**, however, over periods of severe stylistic swings, particularly calendar year 2020, short-term payoffs can differ relative to historic norms.

Russell 2000 Index, 1/1/2025 to 9/30/2025

Composites	Long Term Average*	2020	2021	2022	2023	2024	2025 YTD Sep
Value	13.20	-15.78	37.81	43.68	20.28	-0.57	-7.23
Quality**	11.94	-29.99	28.30	45.20	16.63	-0.44	-7.82
Margin	8.30	-17.68	22.69	35.26	7.99	8.94	-5.44
Accruals	5.91	-9.29	7.38	9.78	5.23	-6.47	-1.97
Capital Usage	8.90	-25.99	21.35	40.14	18.73	-3.18	-8.45
LowVariability	3.29	-19.76	9.29	22.98	5.39	3.95	-12.50
LowLeverage	0.09	-14.68	-22.36	6.49	8.55	3.12	2.77
LowVolatility	5.45	-30.35	19.57	54.15	-3.25	5.39	-17.93

*Long Term Average is 1/1995 – 9/2025, annualized. Based on Russell 2000 Index.

**Quality is composed of Margin, Accruals, and Capital Usage Composites.

Source: Aristotle Boston analysis with data from Bloomberg and Russell Investments. Year to date data is computed monthly.



Russell 2000 Performance by Market Cap Quintile

As of September 30, 2025

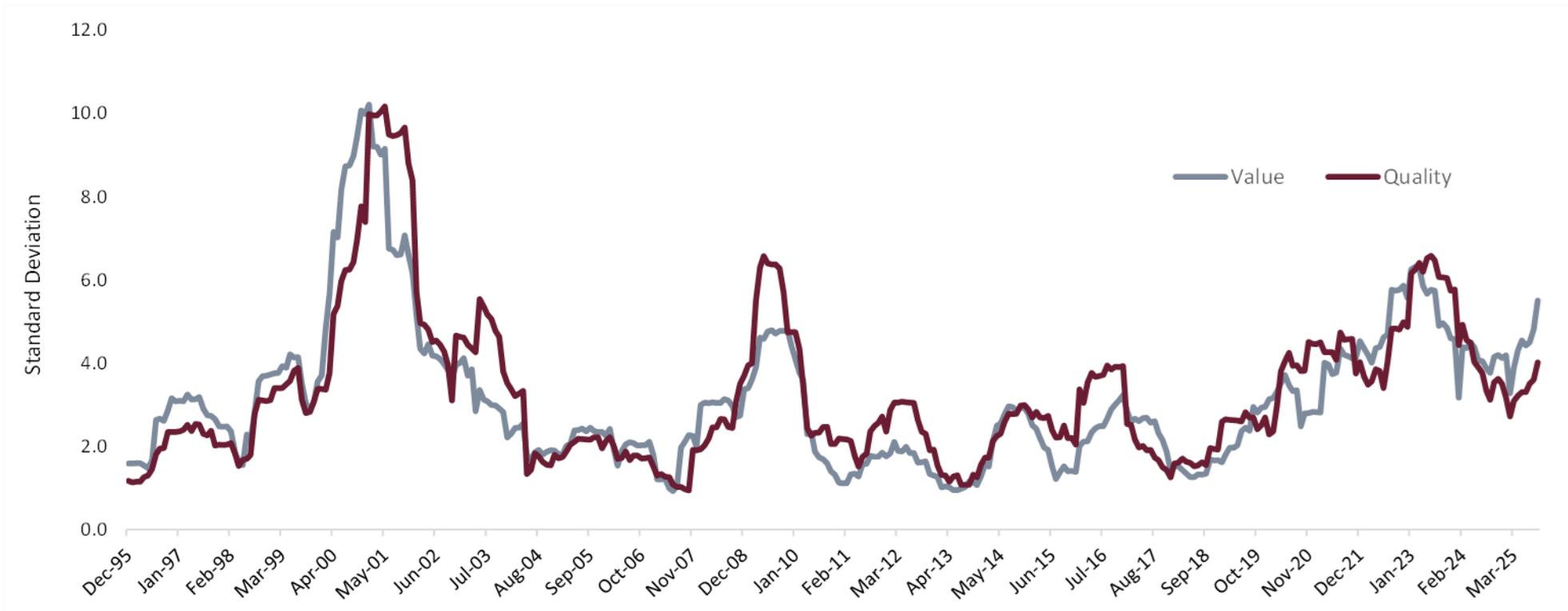
Performance was strongest amongst the smallest 40% of Russell 2000 Index constituents and weakest amongst the largest quintile of companies.

Size Quintile	Absolute	Contribution	Relative
1 (Largest)	11.66	6.74	-0.74
2	12.82	2.99	0.43
3	12.67	1.44	0.27
4	15.51	0.82	3.12
5 (Smallest)	17.83	0.39	5.44



Value and Quality Factor Volatility

Russell 2000 Index 12/1995 – 9/2025



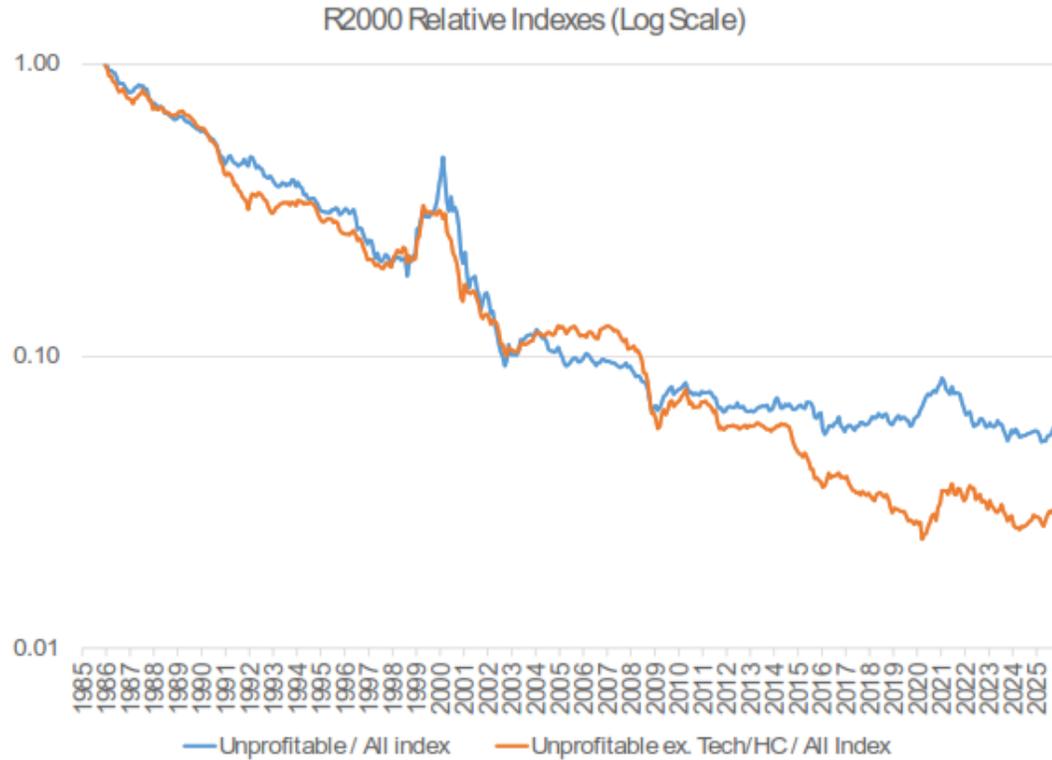
Volatility is standard deviation of rolling 12-month Q1-Q5 factor payoffs



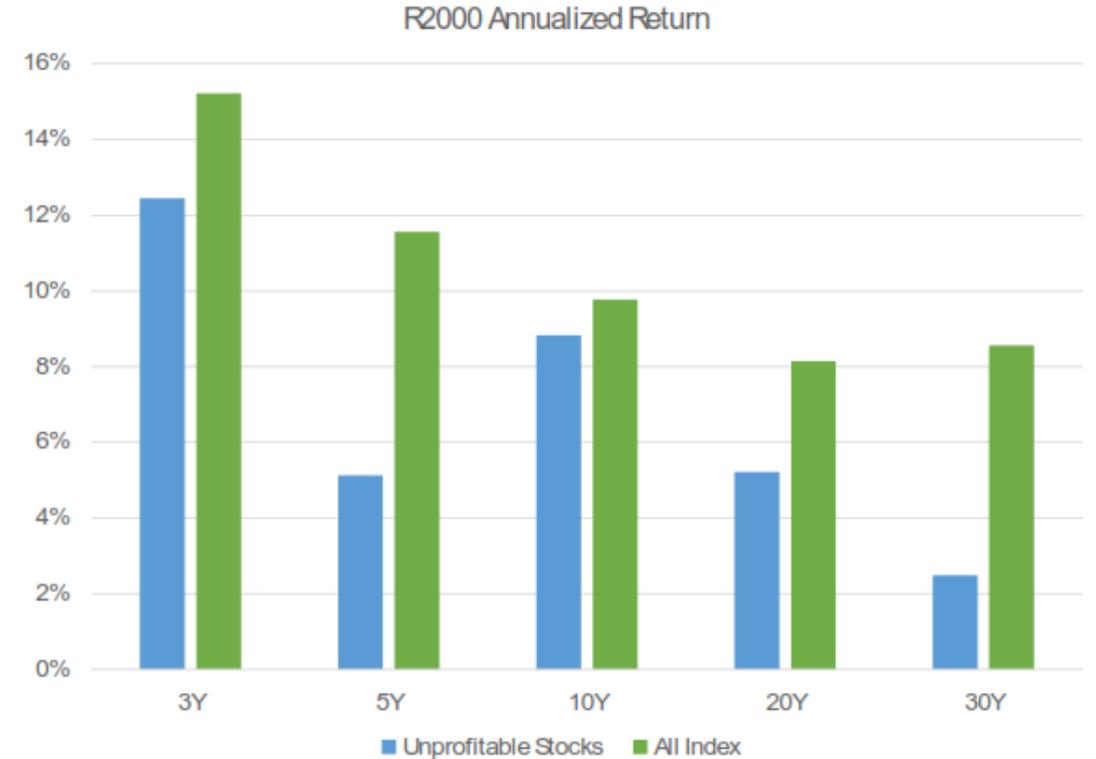
Historical Factor and Non-Earner Returns

As of September 30, 2025

Long-term relative path of unprofitable companies



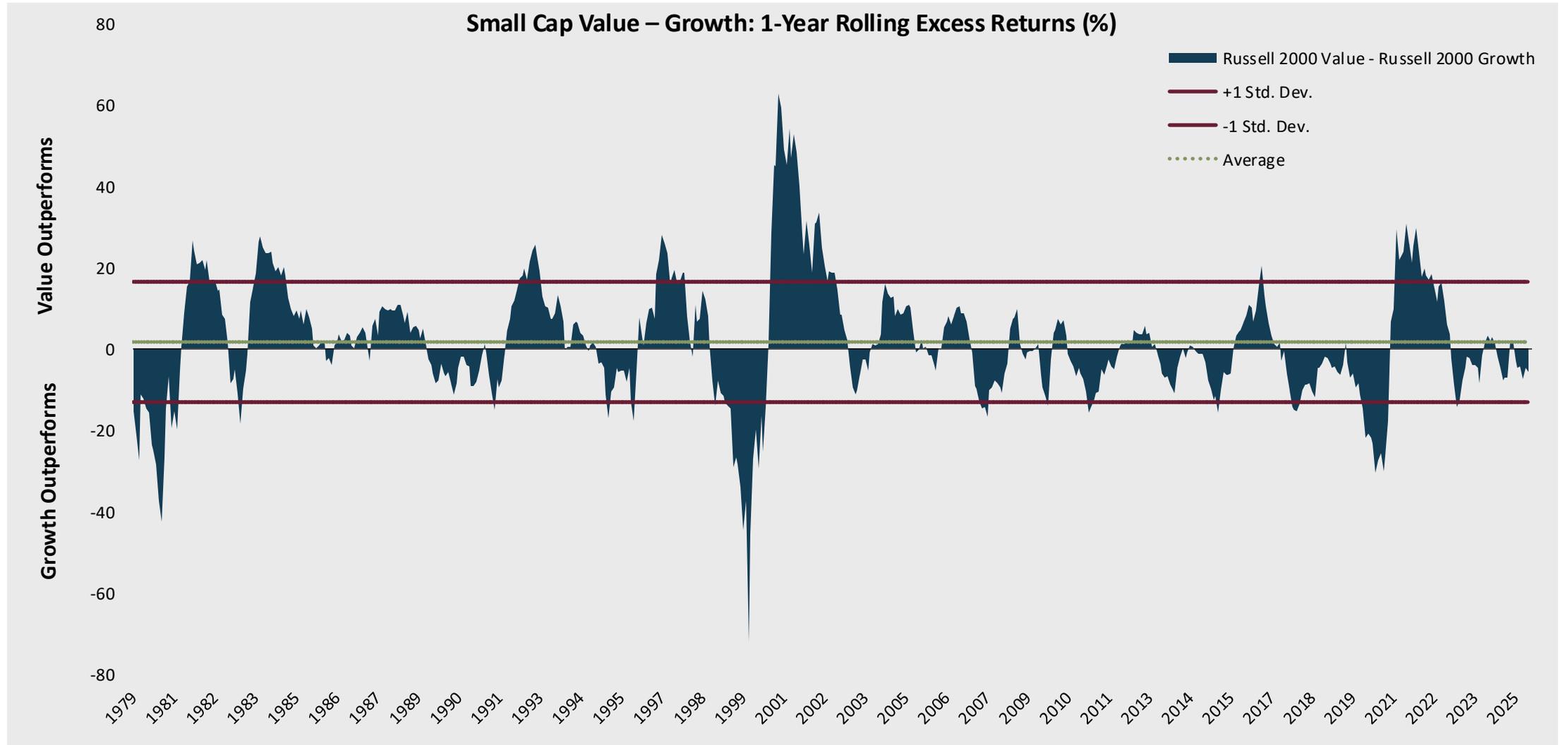
Long-term returns of unprofitable companies





Swings in Style Between Growth and Value Remain Volatile

As of September 30, 2025



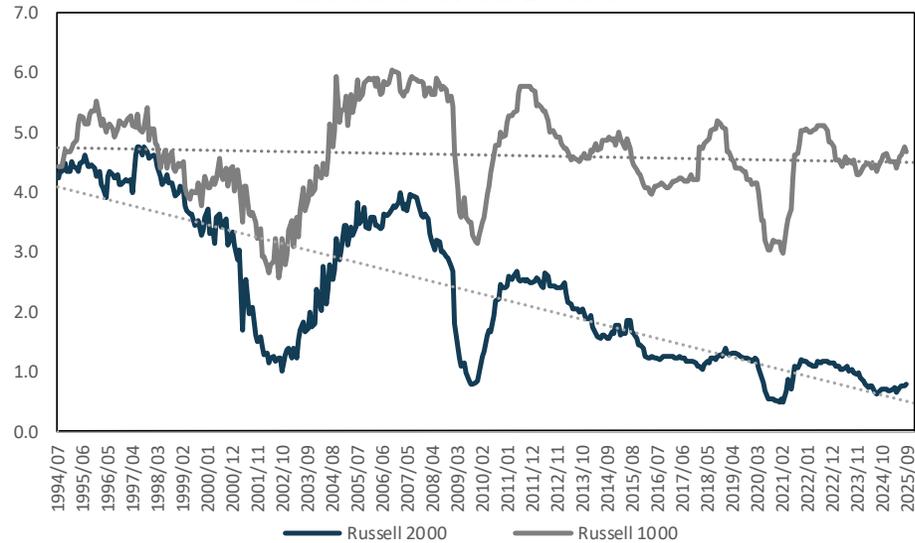
Source: eVestment. The 1-Year Rolling Excess Return represents the annualized return of the Russell 2000 Value Index over the trailing 1-year period minus the annualized return of the Russell 2000 Growth Index over the same period. Rolling periods are calculated monthly based on trailing 1-year return data from 1979 to September 2025.



Quality of Index has Declined

As of September 30, 2025

Median ROA Has Declined



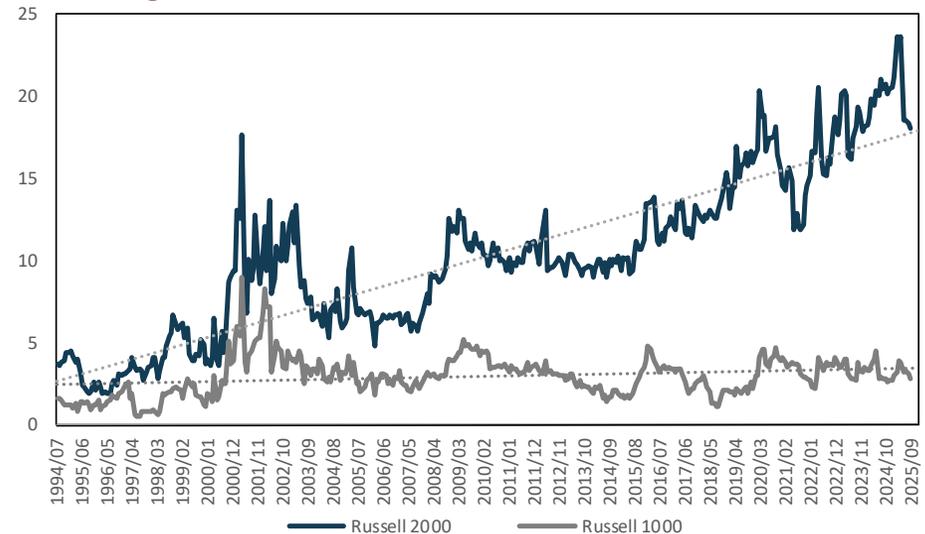
Percentage of Stocks in Index with Positive Earnings Have Declined



**Stocks With Negative Net Income Underperform
Stocks With Positive Net Income on Average**

	Annualized Excess Returns	
	Russell 2000	Russell 1000
Positive Net Income	2.12	0.22
Negative Net Income	-5.30	-2.11

Percentage of Stocks in Index with Altman-Z Below 0.5 Has Increased



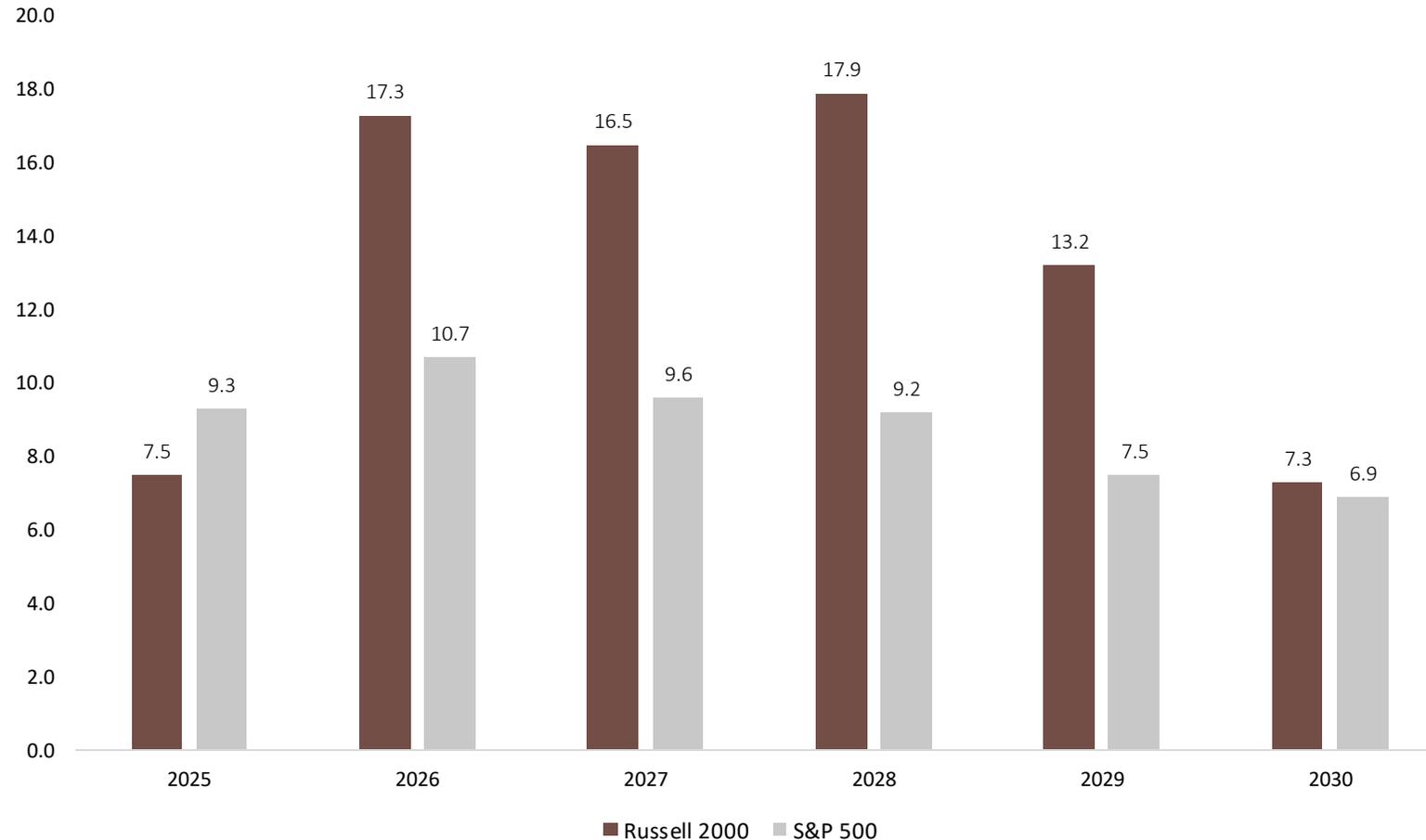


The Case for Active SC Management: Refinancing Risk

Small cap stocks have a relatively larger share of debt coming due in the next 5 years.

As interest rates have increased since much of this debt was issued, refinancing will be more expensive and difficult for non- or low-earning stocks.

Debt Maturities of the Russell 2000 and S&P 500 Indices





Why Small Caps Now?

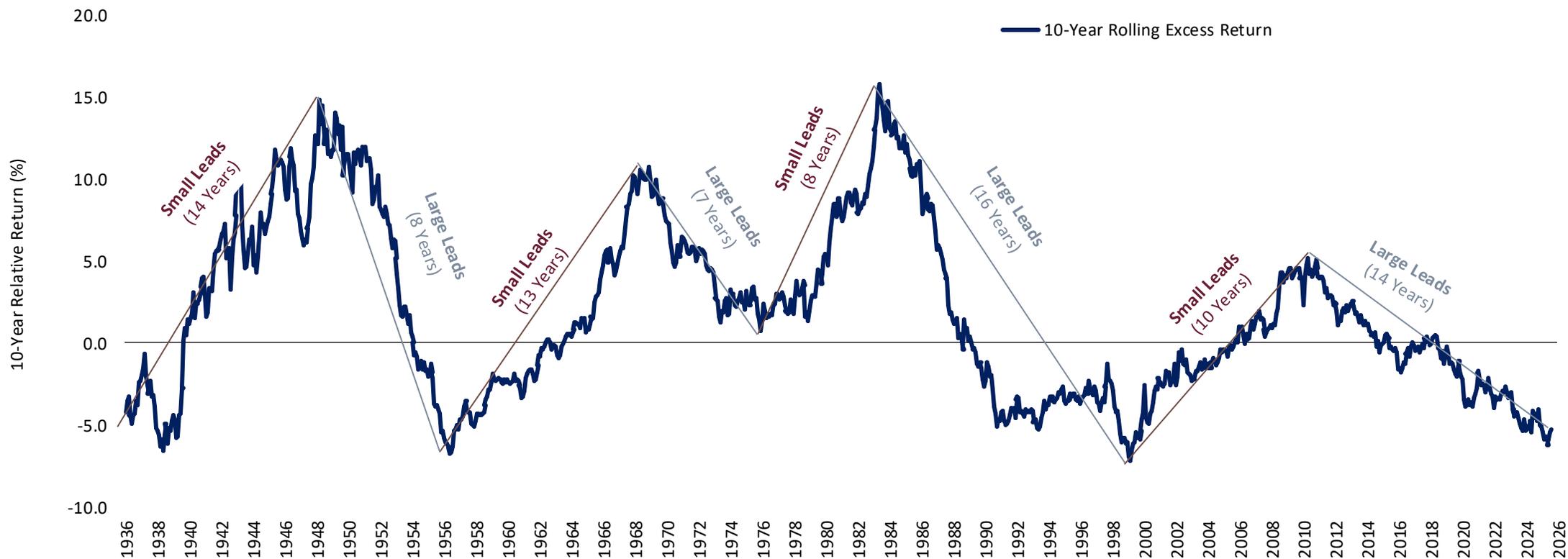


Small vs. Large Potential Reversion to Historical Norms

As of September 30, 2025

We believe the latest large-cap cycle is growing old as large caps have outperformed small caps for the better half of the last decade plus. A reversion to the mean positions' small caps well relative to large caps moving forward.

Rolling 10-Year Excess Return US Small Cap Stocks vs. US Large Cap Stocks 1935-September 30, 2025

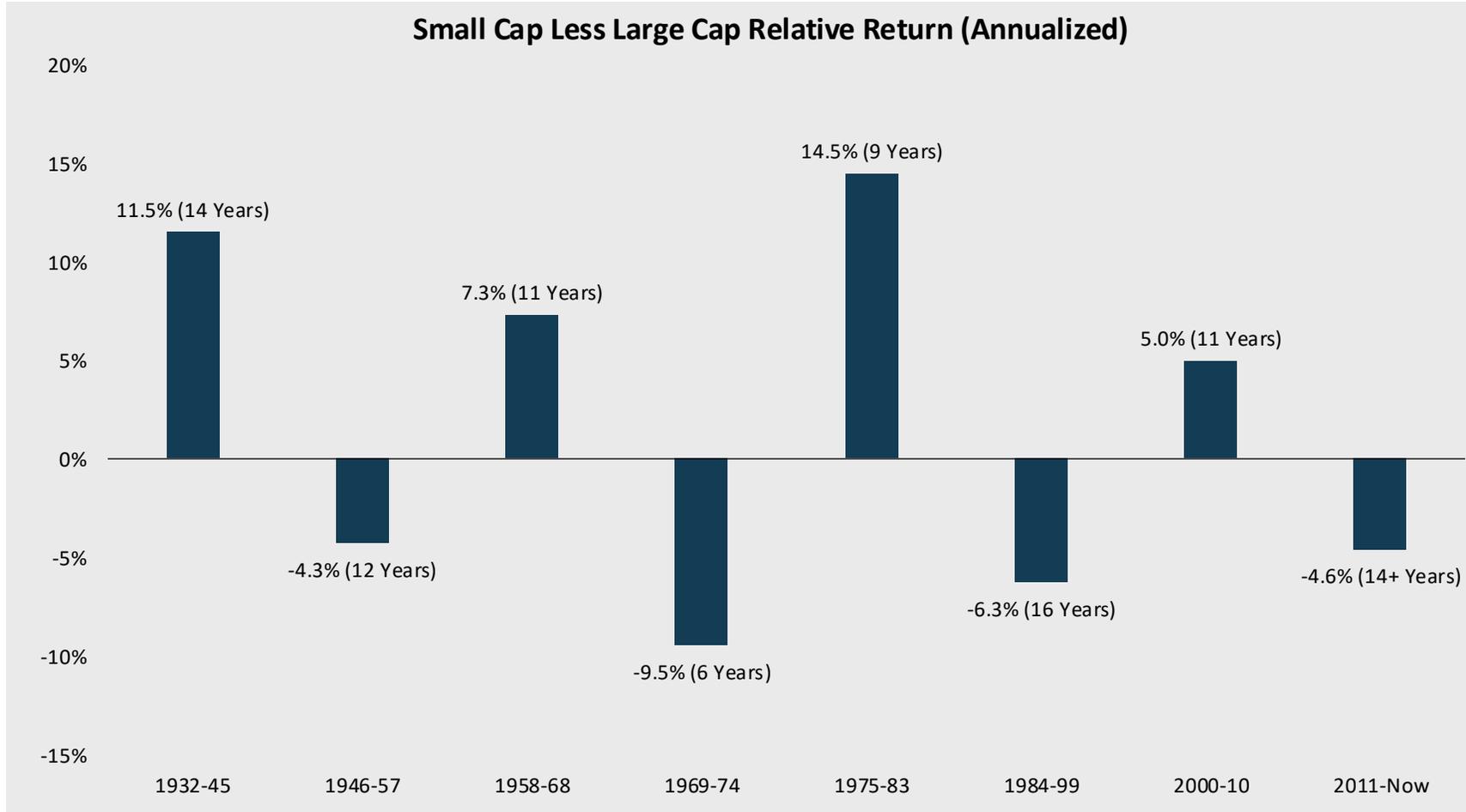


Source: eVestment. The 10-Year Rolling Excess Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the Russell 2000 Index over the same period. Rolling periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to September 2025. Historical returns prior to 1979 represent the Ibbotson S&P US Small Cap Stocks and the Ibbotson S&P US Large Cap Stocks indices. Cycles are defined by peak to trough inflection points in 10-year rolling excess returns. Length in years are rounded to nearest whole number.



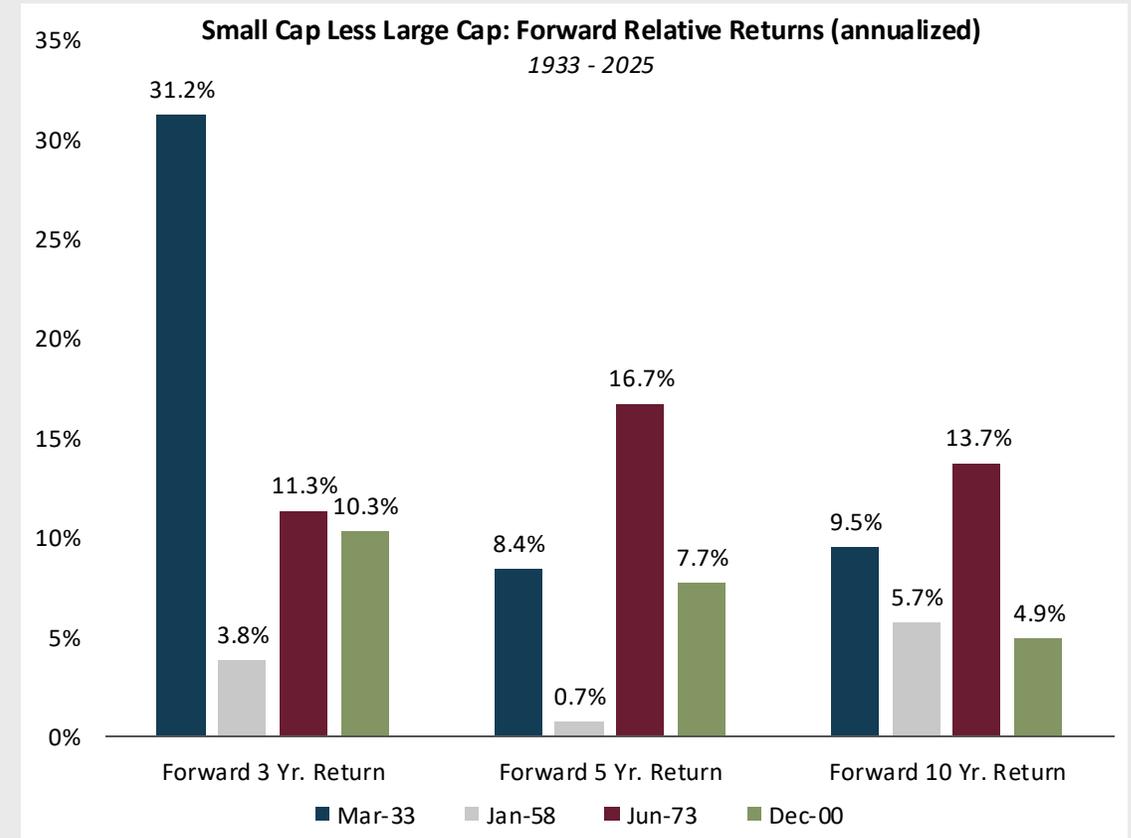
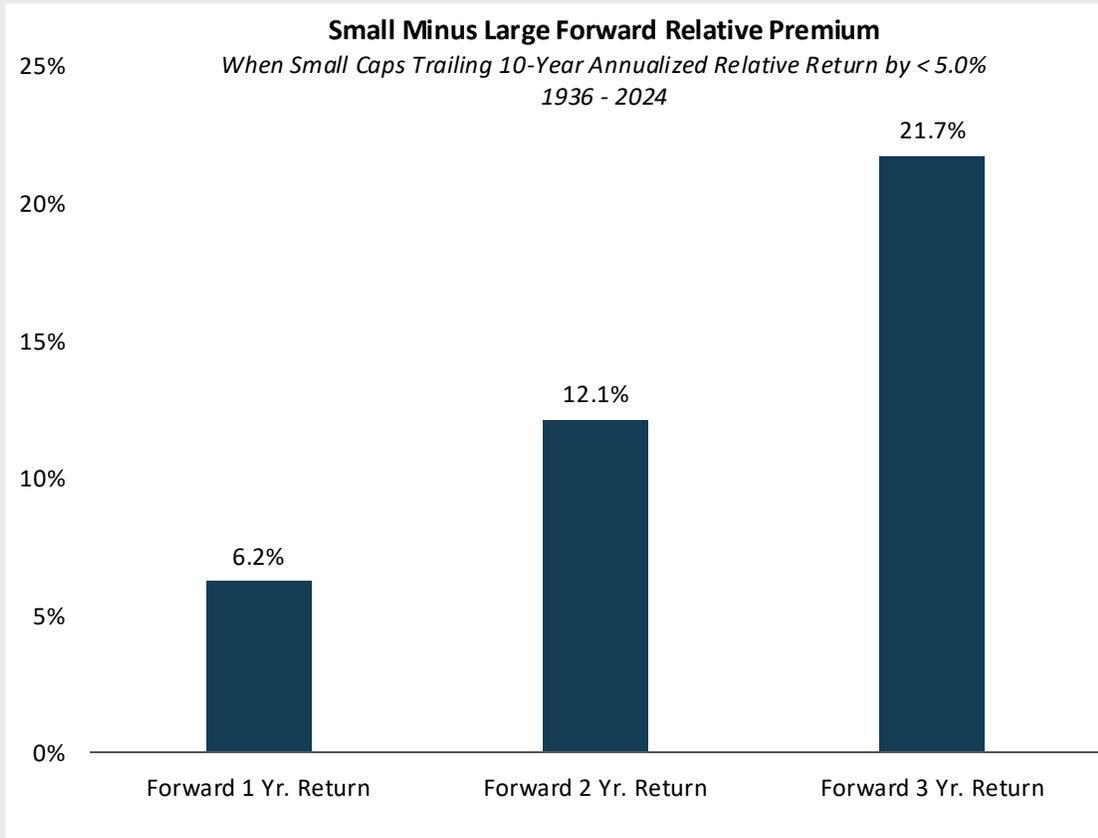
Small Caps Have Lagged By 5% in the Current Large Cap Cycle

As of September 30, 2025





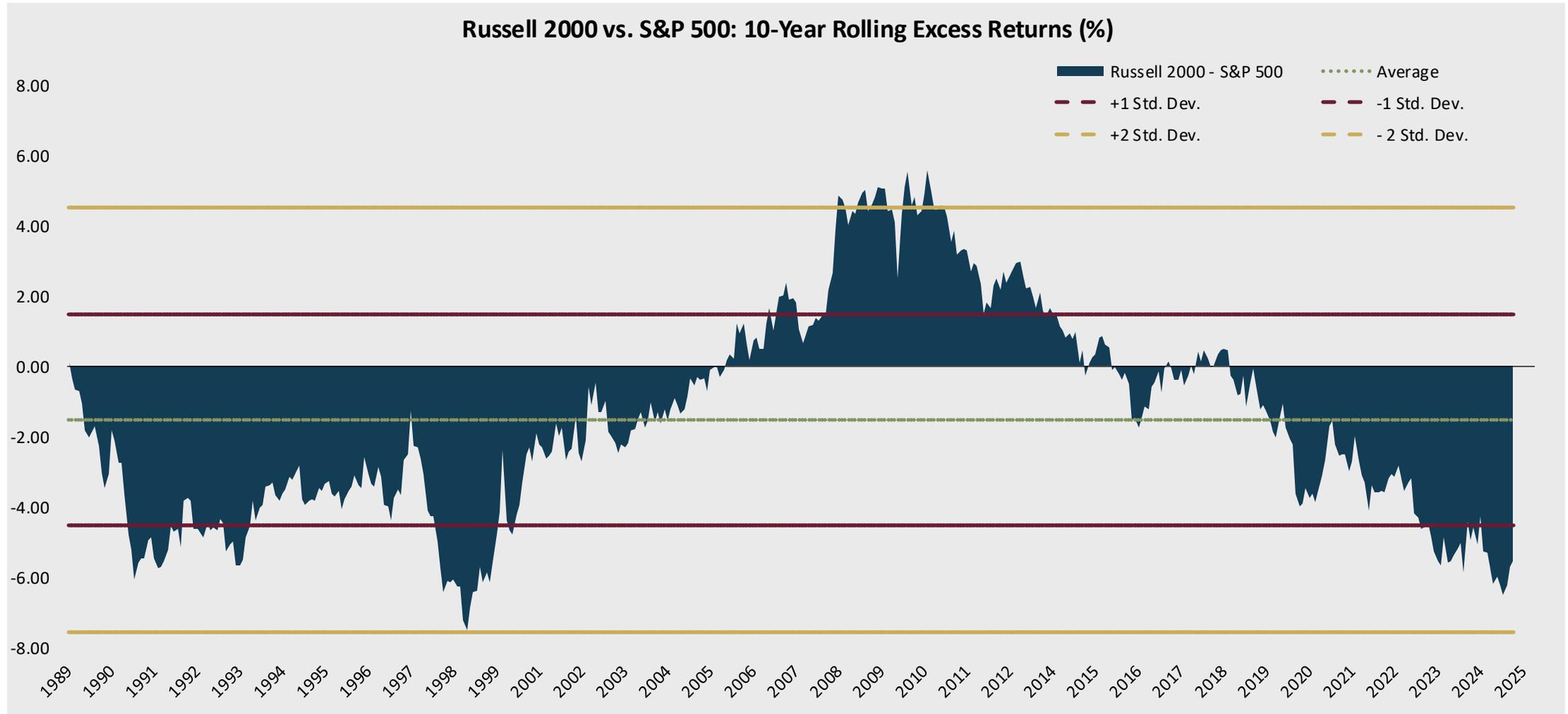
Trailing Performance History Suggests We May Be at an Inflection Point





The Last Time Large Caps Outperformed Small Caps by this Margin was in 1999

As of September 30, 2025



Source: eVestment. The 10-Year Rolling Excess Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the S&P 500 Index over the same period. Rolling periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to September 2025.



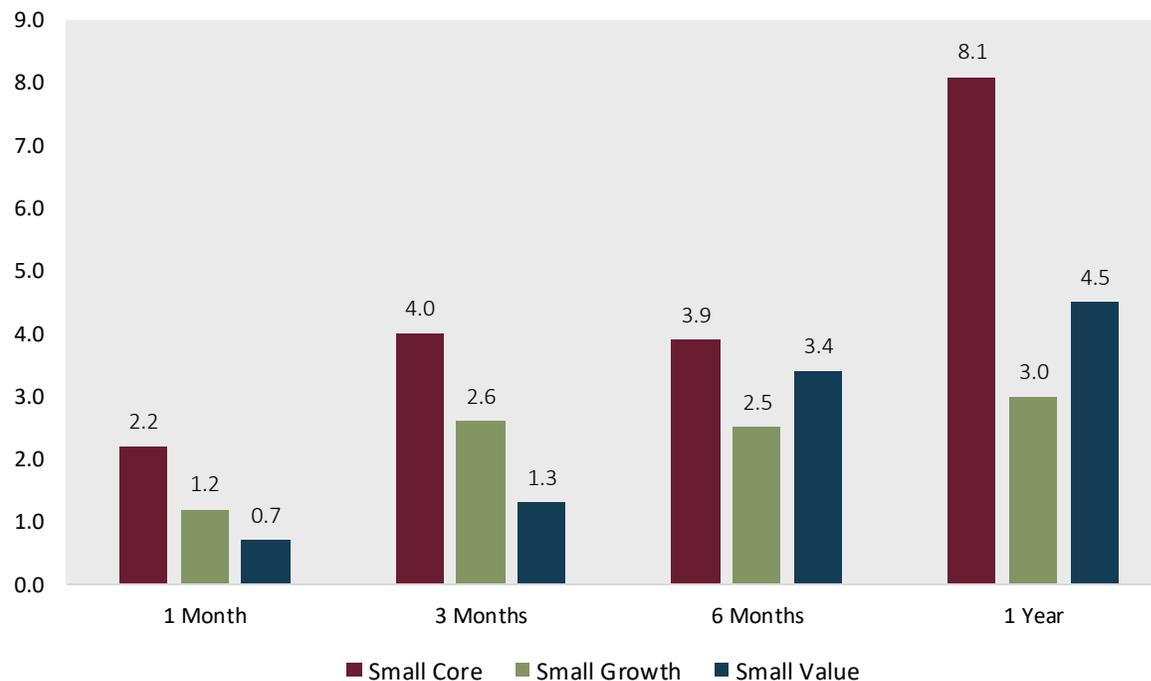
Better Times Tend to Follow Small Active Underperformance

As of September 30, 2025

Small Cap Active Manager vs. Russell 2000 Underperformance Cycles (2000-2025)

Core		Growth		Value	
6 Month Period End	Avg Alpha	6 Month Period End	Avg Alpha	6 Month Period End	Avg Alpha
9/30/2025	-9.2	9/30/2025	-8.4	9/30/2025	-3.5
2/28/2000	-12.6	6/30/2001	-5.4	11/30/2008	-7.3
1/31/2021	-6.9	1/31/2021	-5.4	10/31/2006	-3.9
6/30/2020	-4.3	8/31/2008	-4.9	1/31/2021	-3.7
7/31/2003	-4.0	10/31/2022	-4.4	9/30/2016	-3.3
8/31/2008	-3.7	7/31/2003	-3.9	7/31/2012	-3.2
Worst 6 Month Average	-6.3		-4.8		-4.3

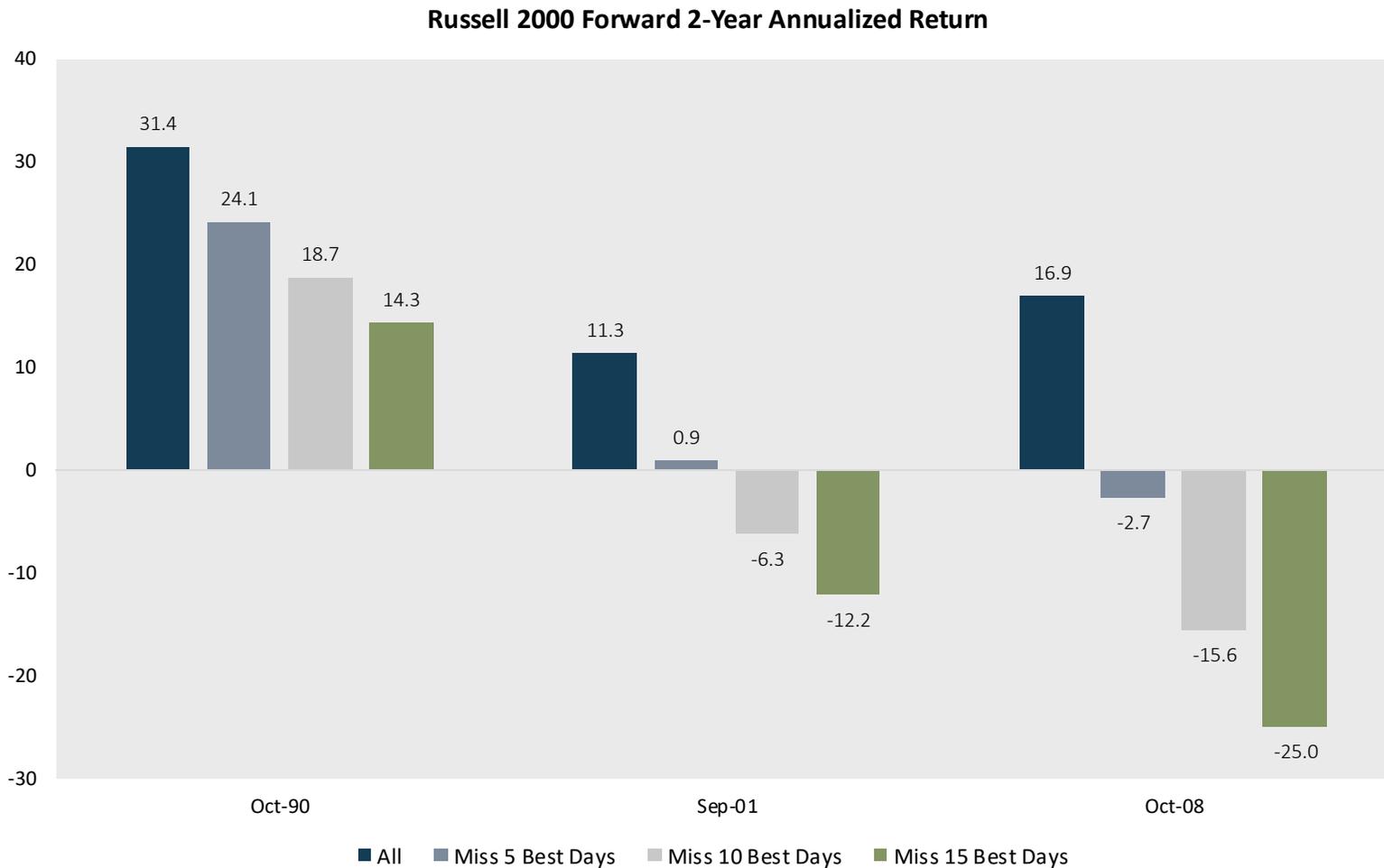
Subsequent Alpha After Worst 6 Month Period for Active Managers (%)





The Key is to Stay Invested

As of September 30, 2025



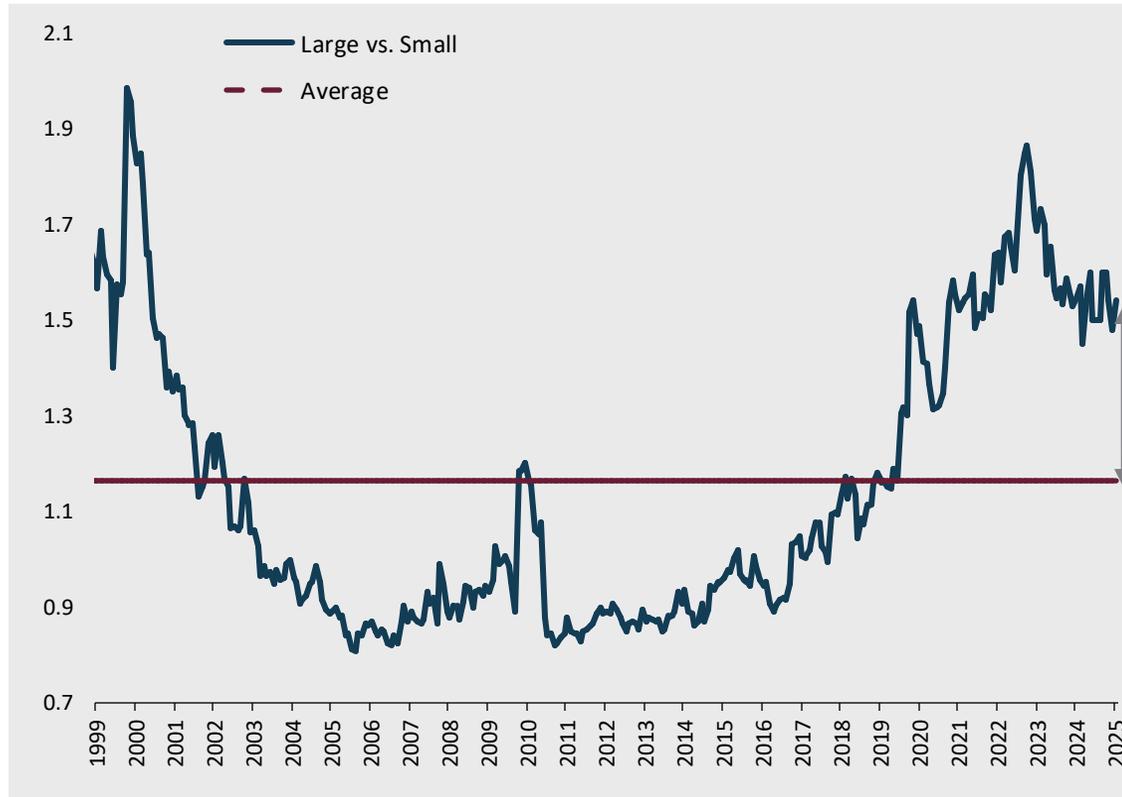


Small Caps and Value are Historically Cheap Relative to Large Caps and Growth

As of September 30, 2025

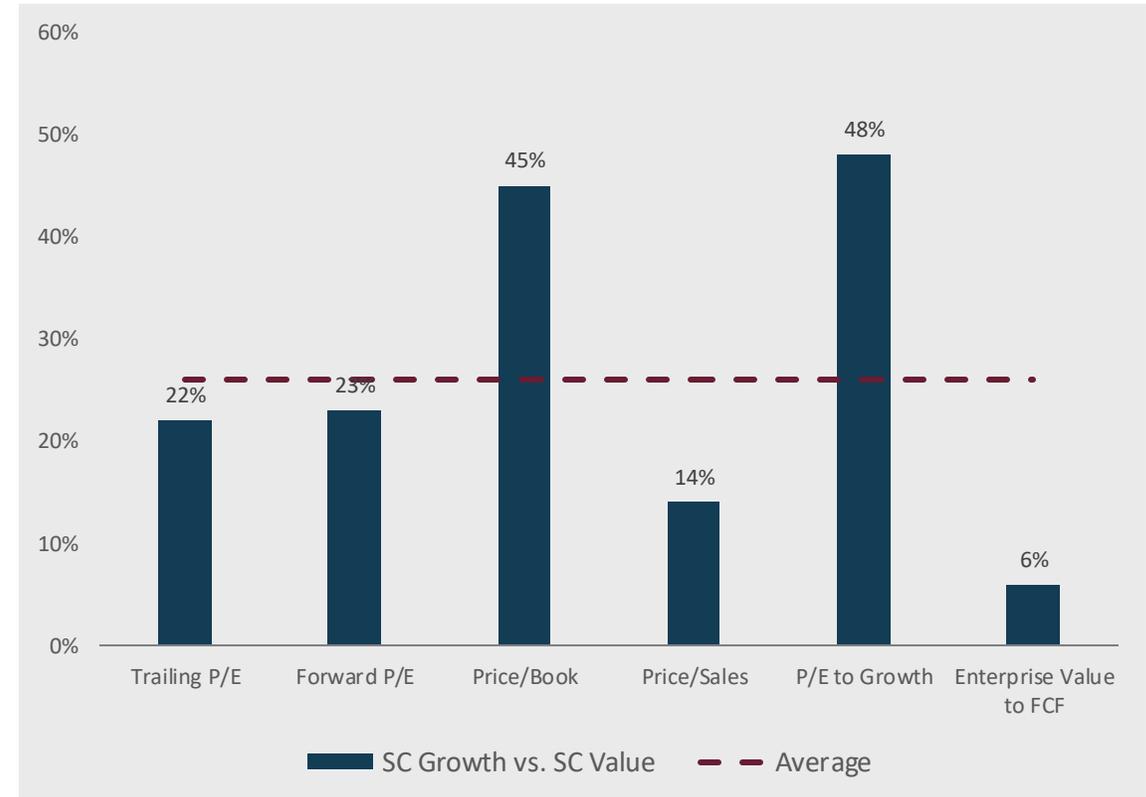
Large caps trade at a premium to small caps not seen since 01'

Relative P/E (LTM) Russell 1000 vs. Russell 2000



Small cap Growth is historically expensive vs. Value on all six metrics

Relative premium to the historical average multiple for Russell 2000 Growth vs. Russell 2000 Value



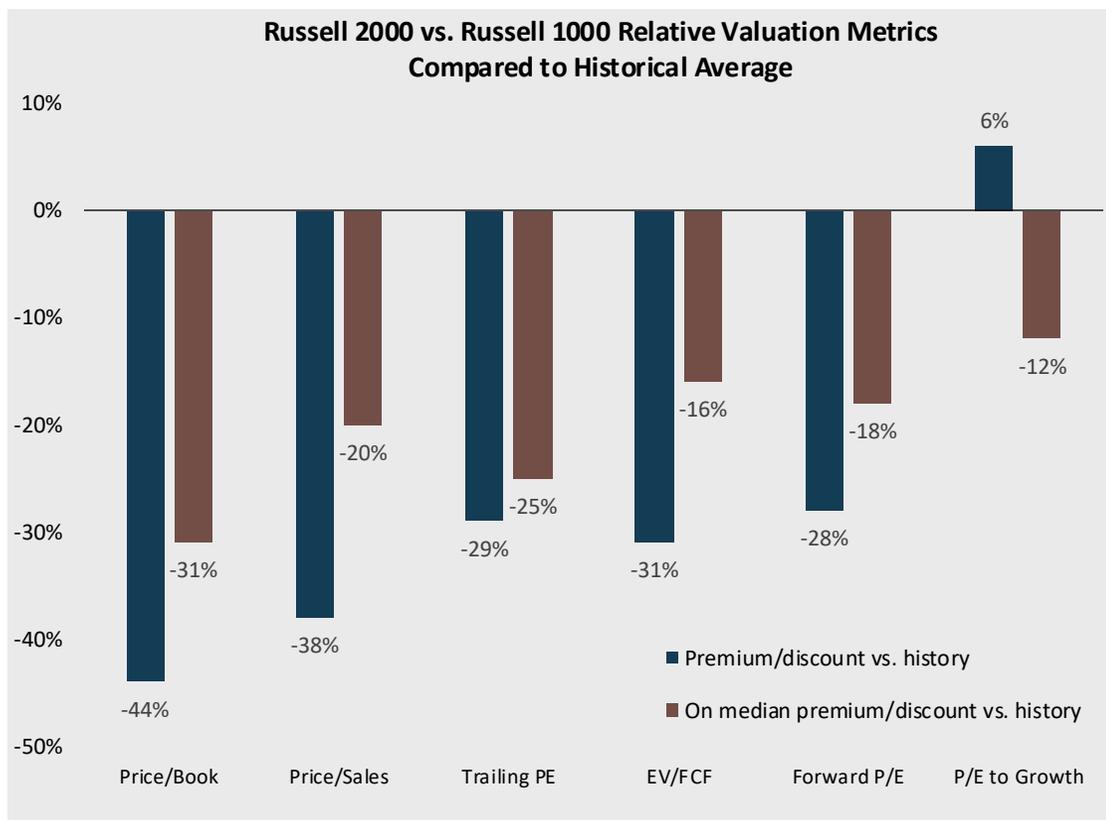


Small-Cap Value and Mid-Cap Value Remain Cheap Relative to History and Style Peers

As of September 30, 2025

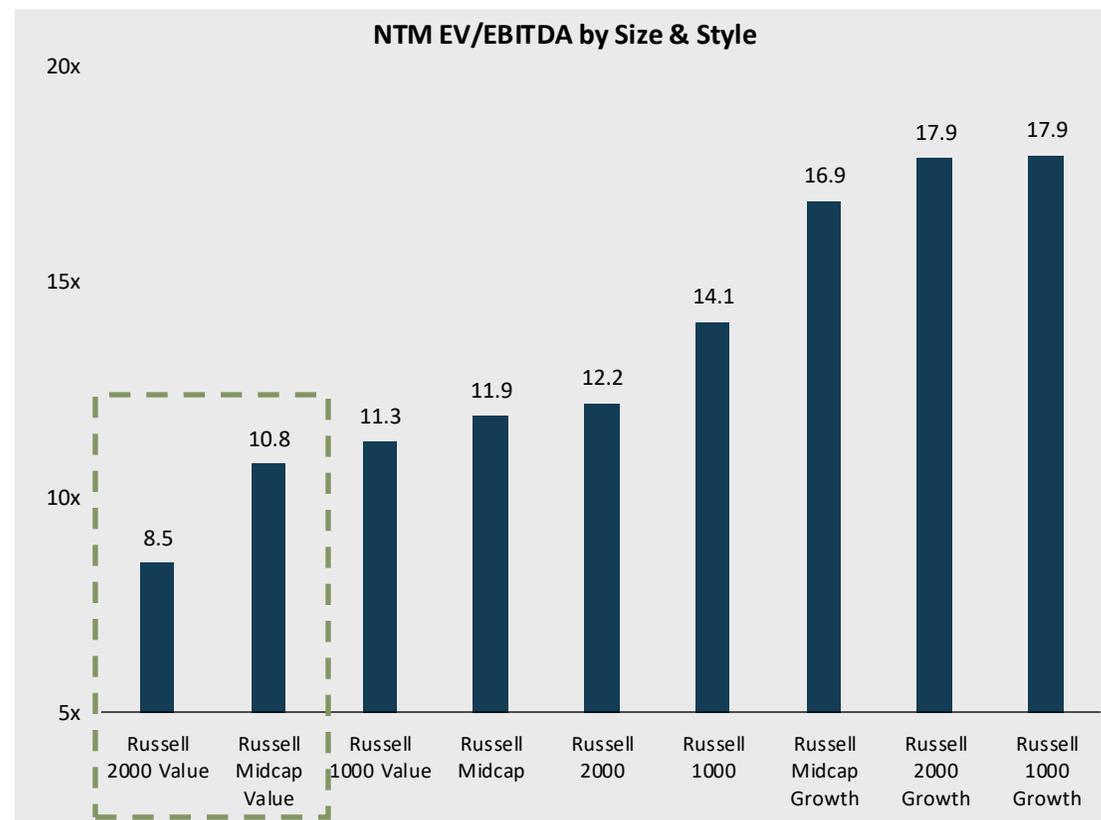
Small vs. large: cheap vs. history across metrics

Russell 2000 vs. Russell 1000 relative valuation vs. historical avg. (January 31, 1985 – September 30, 2025)



Small-Cap and Mid-Cap Value remain cheap vs. size & style peers

EV/EBITDA (NTM) by size & style as of September 30, 2025



Source: [Left Chart] BofA US Small/Mid-Cap Valuations; FactSet. P/E (price-to-earnings) measures exclude negative earnings. Forward P/E is based on consensus next 12 month forecast earnings. EV/FCF excludes negative FCF. [Right Chart]: FactSet. NTM EV/EBITDA refers to the value of the next twelve months (NTM) enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio. Values are determined across the index constituents.

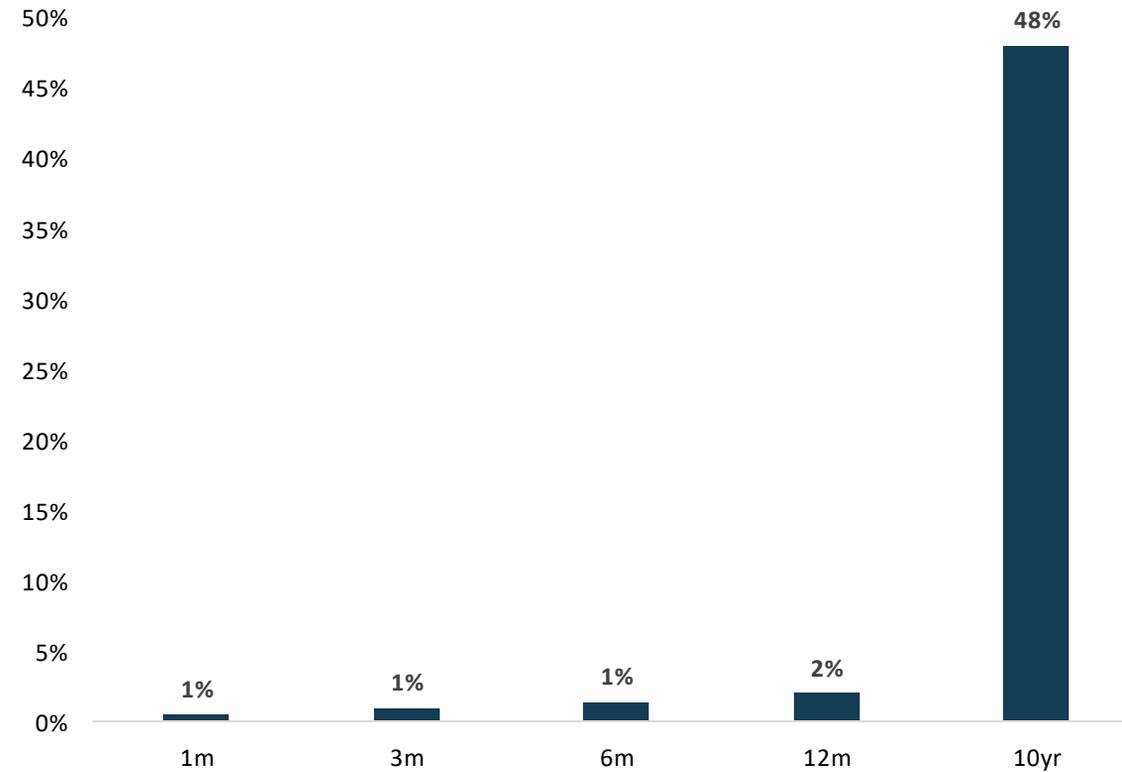


Valuation Impact over Short and Long Time Periods

As of September 30, 2025

Valuations have the highest explanatory power over long-term (ten-year) returns

R² of relative forward P/E vs subsequent return spread over various time horizons (since 1985): Russell 2000 vs Russell 1000, as of 9/30/2025



Note: Represents the relationship between the relative forward PE for the Russell 2000 vs the Russell 1000 (since 1985) and subsequent rolling returns differential.

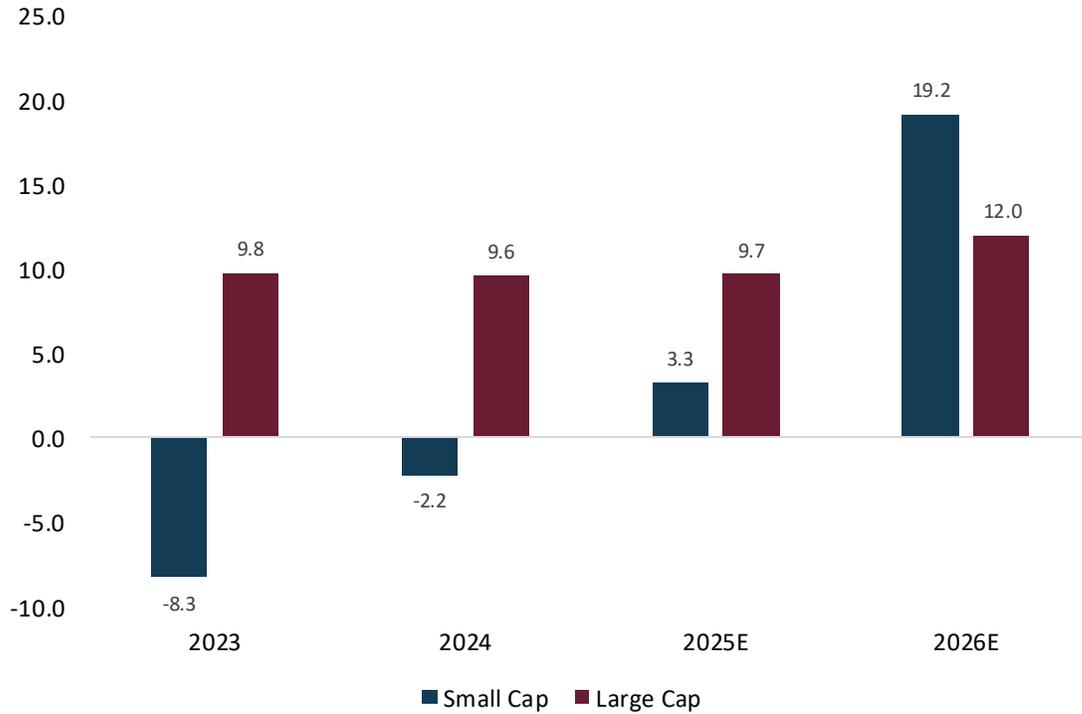
Source: BofA US Equity & Quant Strategy; FactSet as of 9/30/2025.



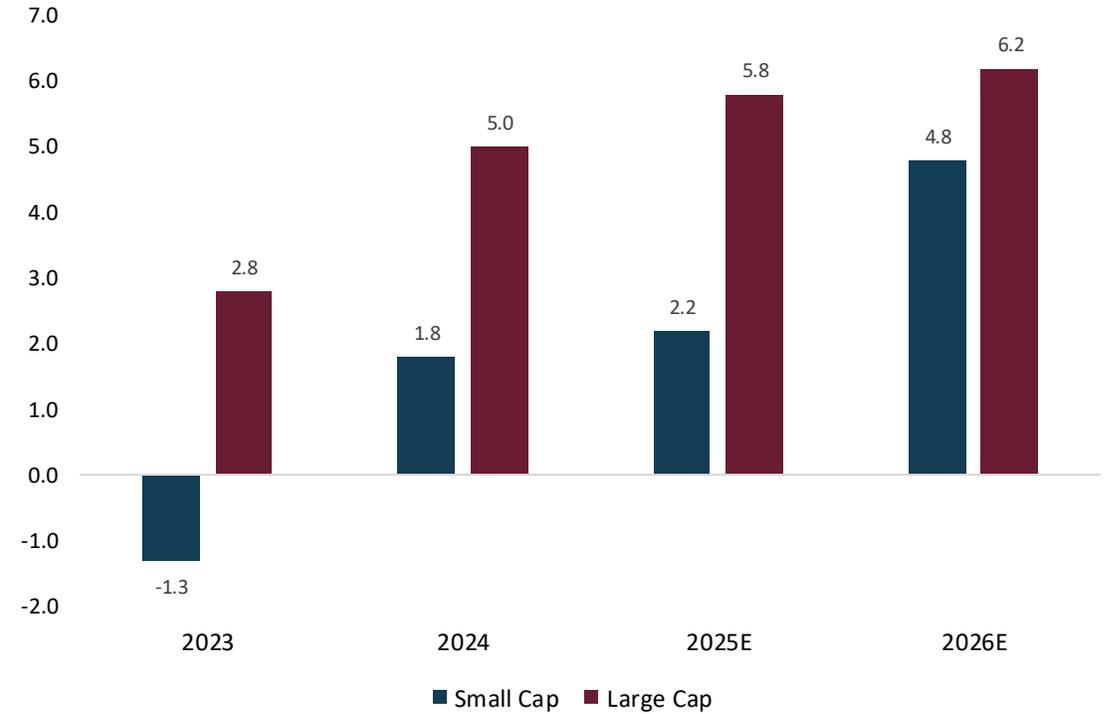
Small Cap Earnings and Sales Growth Expectations

As of September 30, 2025

Earnings Growth (%)



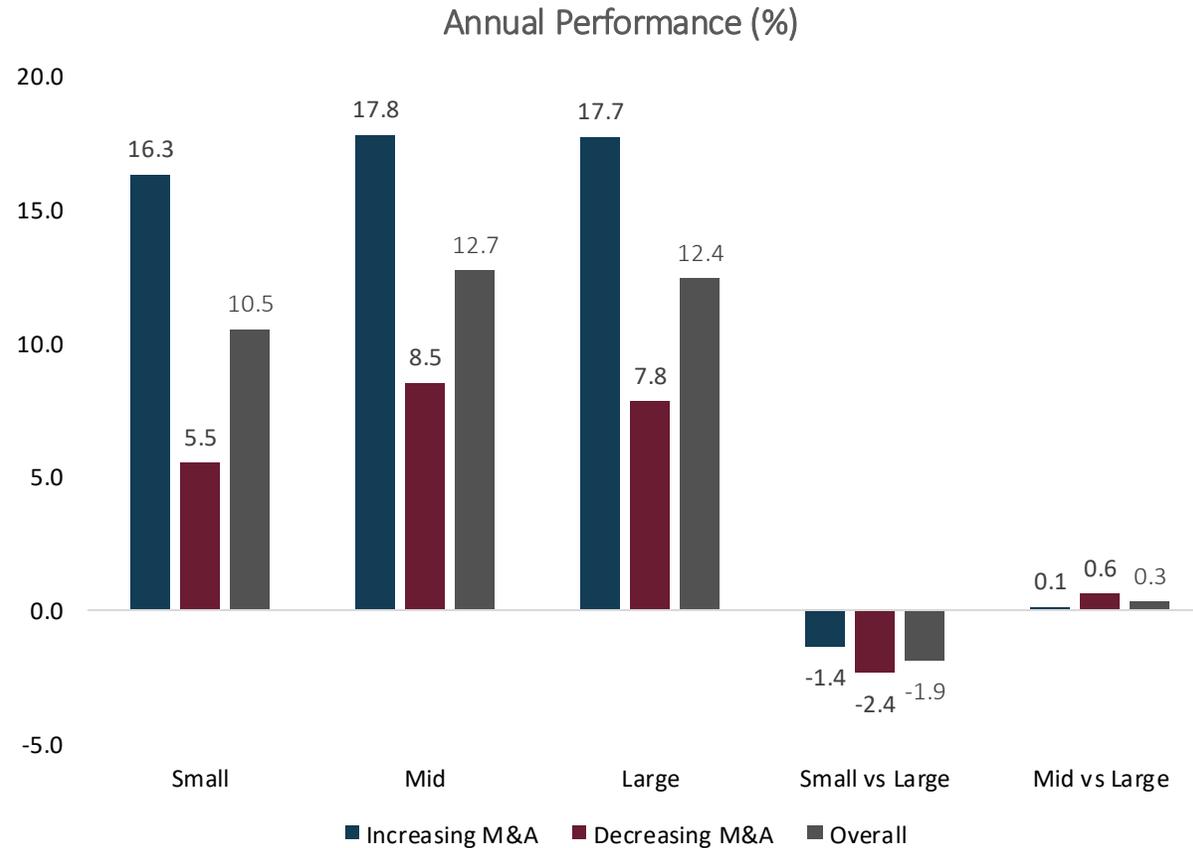
Sales Growth (%)





Solid M&A Activity Down Cap Helps Small Cap's Performance

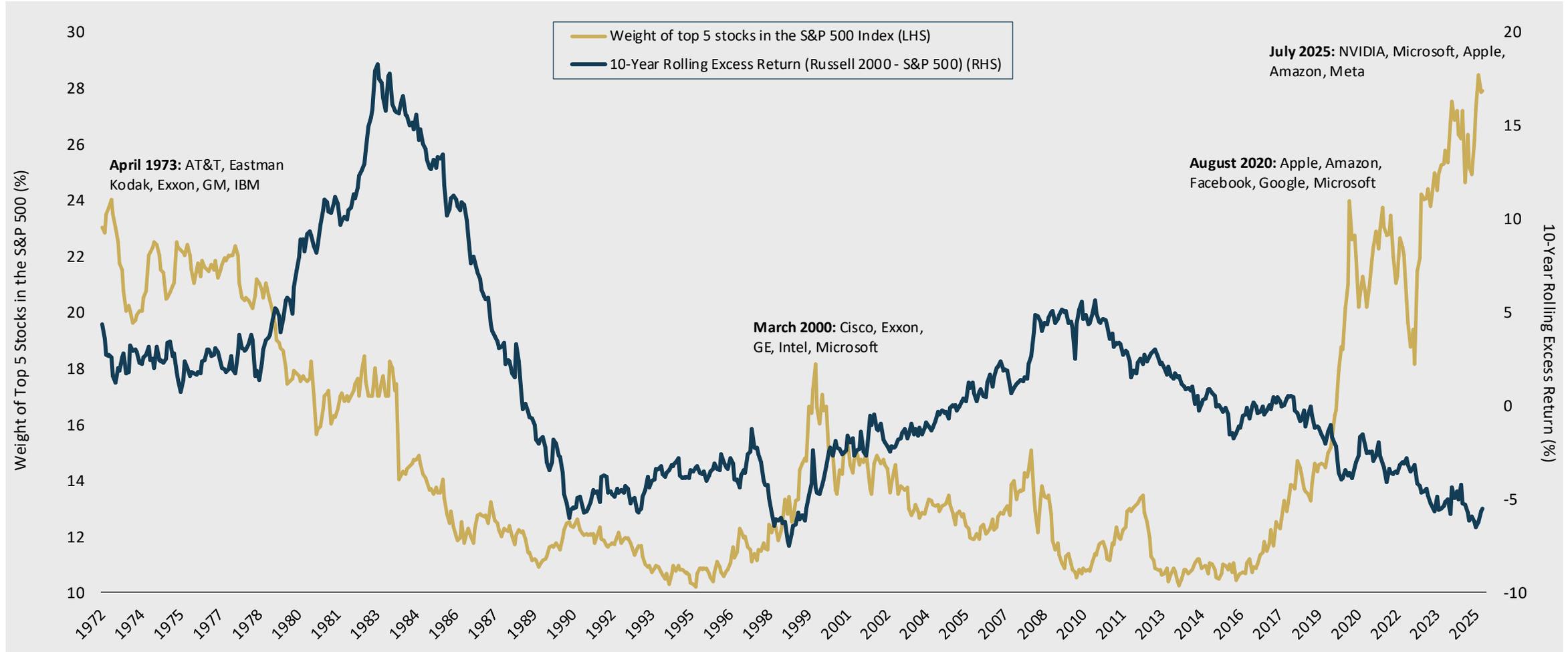
As of June 30, 2025





Large-Cap Cycles Typically Peak at Market Tops Crowded with Mega Caps

As of September 30, 2025



Sources: eVestment; FactSet; Furey Research Partners. The 10-Year Rolling Excess Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the S&P 500 Index over the same period. Rolling periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to September 2025. Historical returns prior to 1979 represent the Ibbotson SBBI US Small Cap Stocks and the Ibbotson SBBI US Large Cap Stocks indices.

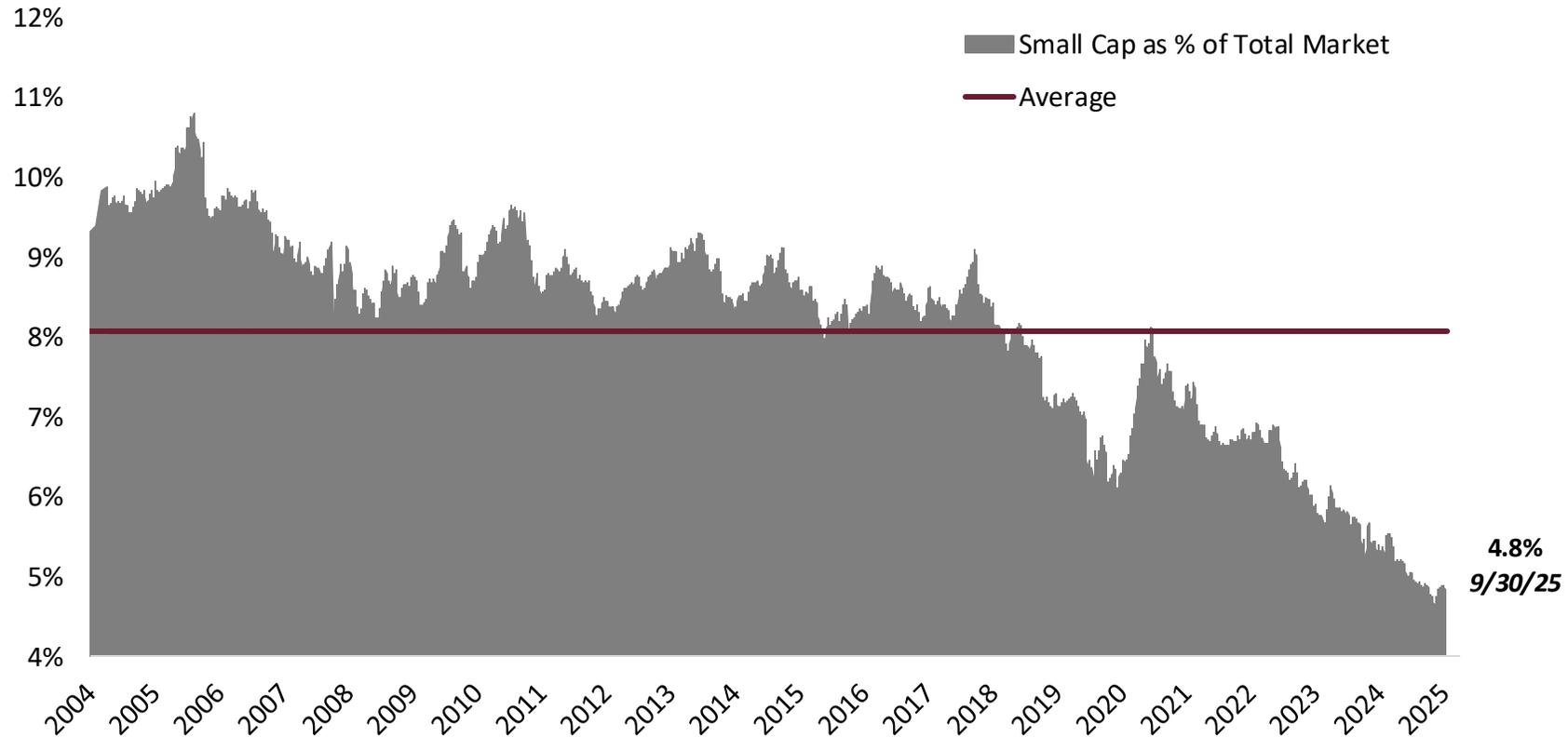


Small Cap's Total Market Cap as a % of the Russell 3000 Sits Near 20-Year Low

As of September 30, 2025

Russell 2000 Total Market Cap / Russell 3000 Total Market Cap (%)

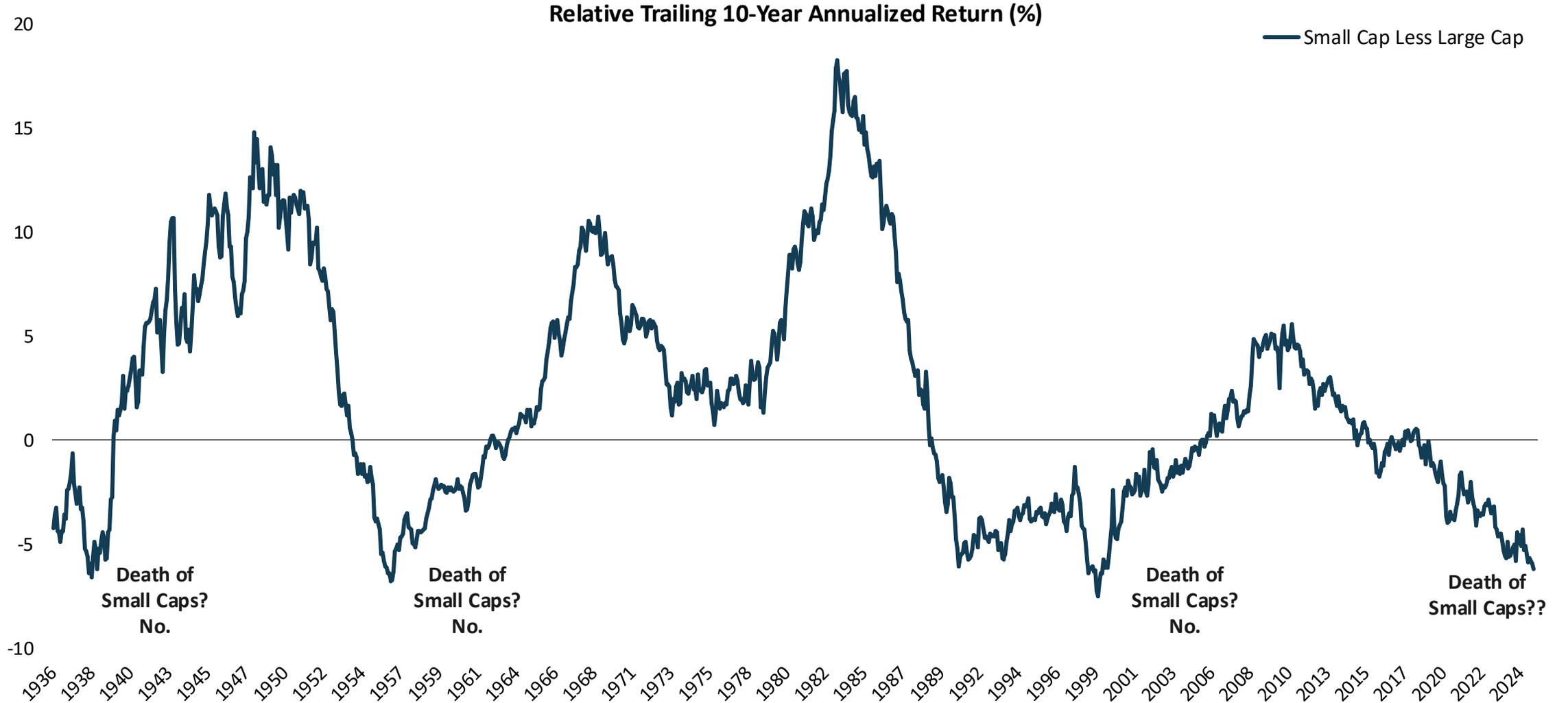
9/30/2004 – 9/30/2025





History Doesn't Repeat But It Often Rhymes

As of September 30, 2025



Source: Furey Research Partners; FactSet Quote by Mark Twain. The Relative Trailing 10-Year Annualized Return represents the annualized return of the Russell 2000 Index over the trailing 10-year period minus the annualized return of the S&P 500 Index over the same period. Trailing periods are calculated monthly based on trailing 10-year return data for these indices from 1979 to September 2025. Historical returns prior to 1979 represent the Ibbotson SBBI US Small Cap Stocks and the Ibbotson SBBI US Large Cap Stocks indices.



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Differing historical time periods are selected throughout the presentation as we believe specific periods provide the most informative historical analog for the concepts presented.

The Russell 2000® Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 5% 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. The Russell 2000 Growth® Index measures the performance of the small cap companies located in the United States that also exhibit a growth probability. The Russell 2000 Value® Index measures the performance of the small cap companies located in the United States that also exhibit a value probability. The Russell Midcap Index is a market capitalization-weighted index comprised of 800 publicly traded U.S. companies with market caps of between \$2 and \$10 billion. The 800 companies in the Russell Midcap Index are the 800 smallest of the 1,000 companies that comprise Russell 1000 Index. The Russell Midcap Growth® Index measures the performance of the mid cap companies located in the United States that also exhibit a growth probability. The Russell Midcap Value® Index measures the performance of the mid cap companies located in the United States that also exhibit a value probability. The Russell 1000 Index is a subset of the Russell 3000® Index. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 Growth® Index measures the performance of the large cap companies located in the United States that also exhibit a growth probability. The Russell 1000 Value® Index measures the performance of the large cap companies located in the United States that also exhibit a value probability. The S&P 500® Index is the Standard & Poor's Composite Index of 500 stocks and is a widely recognized, unmanaged index of common stock prices. The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The CRSP U.S. Large Cap Index measures the performance of U.S. companies that comprise the top 85% of investable market capitalization and are traded on NYSE, NYSE Market, NASDAQ or ARCA. The CRSP U.S. Mid Cap Index measures the performance of U.S. companies that fall in the top 70-85% of investable market capitalization. It includes securities traded on NYSE, NYSE Market, NASDAQ, or ARCA. The CRSP U.S. Small Cap Index measures the performance of U.S. companies that fall in the bottom 2-15% of investable market capitalization. It includes securities traded on NYSE, NYSE Market, NASDAQ, or ARCA. The volatility (beta) of the portfolios may be greater or less than the benchmarks. It is not possible to invest directly in these indices.

BofA factor groupings on slide 7 – the universe and the factors are rebalanced monthly using month-end data on slide. FactSet is used as the source of all data. A factor's return is calculated as the equal-weighted total return of the top quintile of stocks within the universe by that factor for Quintile 1. Factor data is also compared to the total return of the equal-weighted Russell 2000 as the benchmark return. Performance results do not reflect actual transactions and no assurances can be given about future performance. Valuation factors included in calculation include Book/Price, EBITDA/EV, Free Cash Flow Yield, Earnings/Price, Sales/Price and Sales/EV. Quality factors included in the calculation include: Return on Equity, Return on Assets, Cash Flow return on Invested Capital, Free Cash Flow Return on Assets, and Earnings/Non-earnings. Liquidity factors included in the calculation include: 3-month average daily volume, 1-month trading volume and market capitalization. Growth factors included in the calculation include: Sales Growth Trailing 5 Year, EPS Growth Trailing 5 Year, Year over year change in Trailing EPA, Operating Margin, EPS Estimate Revision and Operating Margin Expansion. Risk factors included in the calculation include: 5 Year Beta, Price Volatility, EPS Estimate Dispersion and 5 Year EPS Variability. Momentum factors included in the calculation included: various moving average ratios and price changes over various durations. Leverage factors included in the calculation included: Net Debt/Equity, Net Debt/Market Cap, and Net Debt/EBITA. Cash Deployment Factors included in the calculation included: Dividend Growth, Dividend Payers/Non-payers, Dividend Yield and Share Repurchases. BofA stages of the economic cycle (Early, Mid, Late, Recession) on are determined using a combination of the following macroeconomic or top-down variables: Earnings Revision Ratio, ISM PMI, Inflation, GDP Forecast, Leading Economic Indicators Index, US Capacity Utilization, 10-year US Treasury Bond Yield and the High Yield Corporate Bond Credit Spread.

Factor Composite Definitions on slides 19 and 21: Value Composite consists of Earnings/Price, Free Cash Flow/Price, Sales/Price, Book/Price. Quality Composite consists of Margin, Accrual and Capital Usage sub-composites Margin sub-composite consists of Net Profit Margin, Operating Margin, Gross Margin, Return on Assets. Accruals sub-composite consists of Total Accruals, Short Term Accruals, and Cash Flow Accruals. Capital Usage sub-composite consists of Share Buybacks, Capital Expenditures, and Retained Earnings/Total Assets. Low Variability Composite consists of variability in Net Income, Cash Flow and Sales. Low Volatility Composite consists of Beta and Price Volatility.

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