

TRAN CAPITAL MANAGEMENT

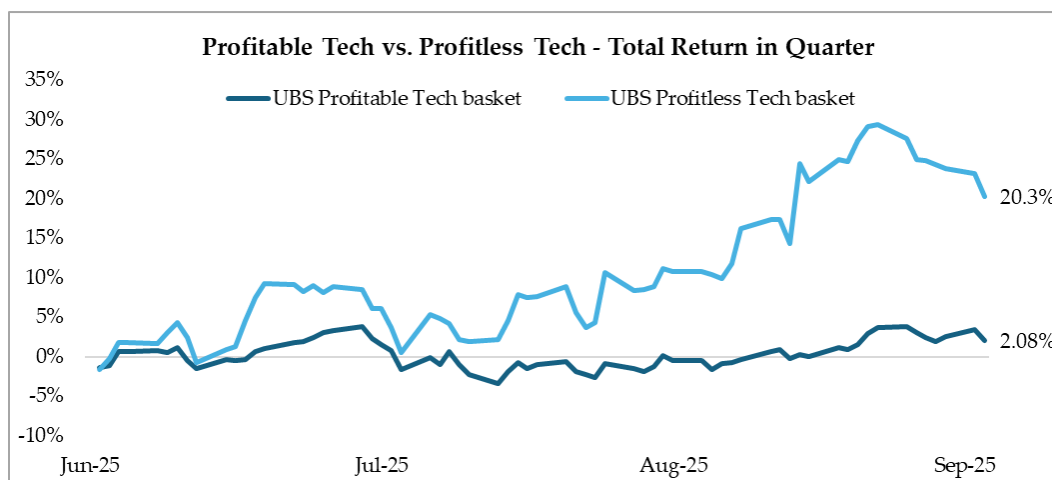
Multi-Cap Growth | Third Quarter 2025



Dear Clients and Friends,

We hope you have had a great summer and are enjoying the fall. U.S. equity markets have continued to rally. During the third quarter, our Multi-Cap Growth Strategy returned 5.7%, net of fees, compared to the S&P 500 Index's return of 8.1% and the Bloomberg Mid-Cap Index's return of 6.0%. The third quarter's performance increases the year-to-date return for our portfolio to 13.2%, net of fees, compared to 14.8% for the S&P 500 and 9.7% for the Bloomberg Mid-Cap. It's remarkable to reflect on the volatility that markets have experienced this year. Various indexes started January and February positively and then declined by about 20% from mid-February to early April as the market was caught off guard by President Trump's aggressive tariff policy. Fortunately, the most draconian aspects of President Trump's tariffs ultimately proved to be an opening bid in a series of complex negotiations. The markets recovered from the April lows, ended positively in the second quarter, and continued to rally in the third quarter.

Interestingly, the third quarter rally was led by some of the more speculative parts of the market. Below is a chart comparing profitable technology companies vs. non-profitable technology companies' stock performance in the third quarter. While profitable technology companies returned 2%, non-profitable technology companies appreciated 20%.¹



Source: Bloomberg

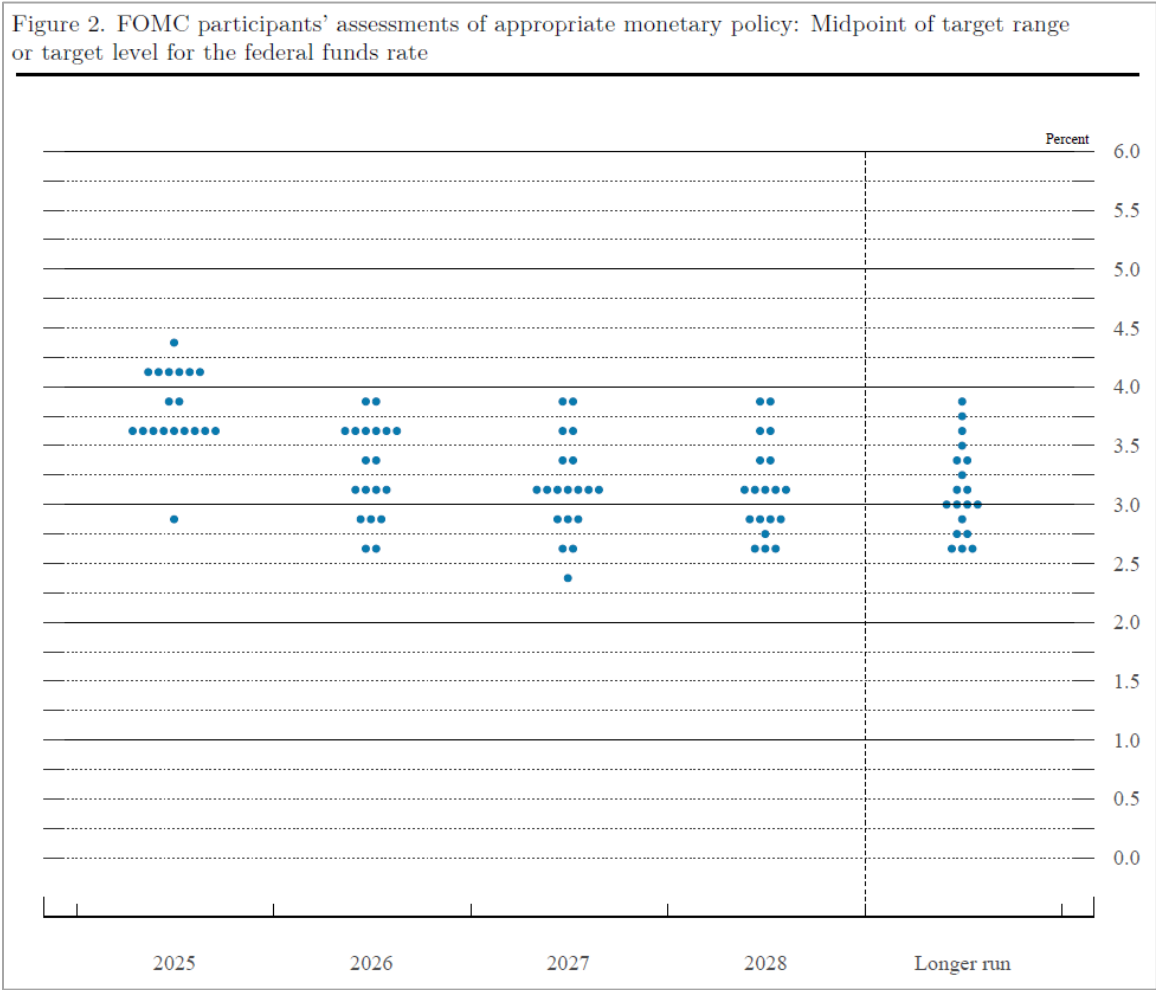
Given the recent run, we wouldn't be surprised if the market pulls back in the short term. However, we are confident in our portfolio's fundamental strength and earnings growth in both the short and long term. Thus, we see any potential pullback as an opportunity to add to our investments or to add new high-quality companies that might have become more attractively priced. For instance, during the tariff-fueled drawdown in March and April, we initiated our position in **GE Vernova (GEV)** and added to the position as it got cheaper.

We believe that we are at the beginning of an exciting technology wave where large language models (LLM) like ChatGPT will help companies and consumers solve some of the most complex problems, drive efficiency gains, and create new opportunities. To power this

¹ UBS Profitable Tech Basket (UBXXPTCH Index) vs. Profitless Tech Basket (UBXXZERO Index). Price data from Bloomberg.

technology wave, electricity demand will grow meaningfully over the next decade. A query on an LLM is 10x more energy intensive than a query using a traditional search engine like Google.² As we move from training of LLMs to inference, more energy will be needed as we use these new AI innovations in real time. We believe GEV is well positioned to benefit from this trend. The company’s turbines, power systems, and services serve global customers, and it currently enjoys a multiyear order backlog. We’ve also discussed our investment in **Talen Energy (TLN)** and how it benefits from higher power prices multiple times in the past. Like GE Vernova and Talen, energy equipment, infrastructure, and generation companies have seen a strong rally on the back of AI. We have identified a few other companies that would benefit from this trend and would happily add to our portfolio if the market pulled back from current levels.

One of the more significant events in the third quarter was the Federal Reserve’s decision to cut the federal funds rate by 25 bps to 4.0-4.25%. Moreover, the Federal Reserve’s latest dot plot shows a median projection of 3.25-3.5% by the end of 2026. While conditions can change, the Fed is signaling that we are at the beginning of a series of interest rate cuts over the next year.



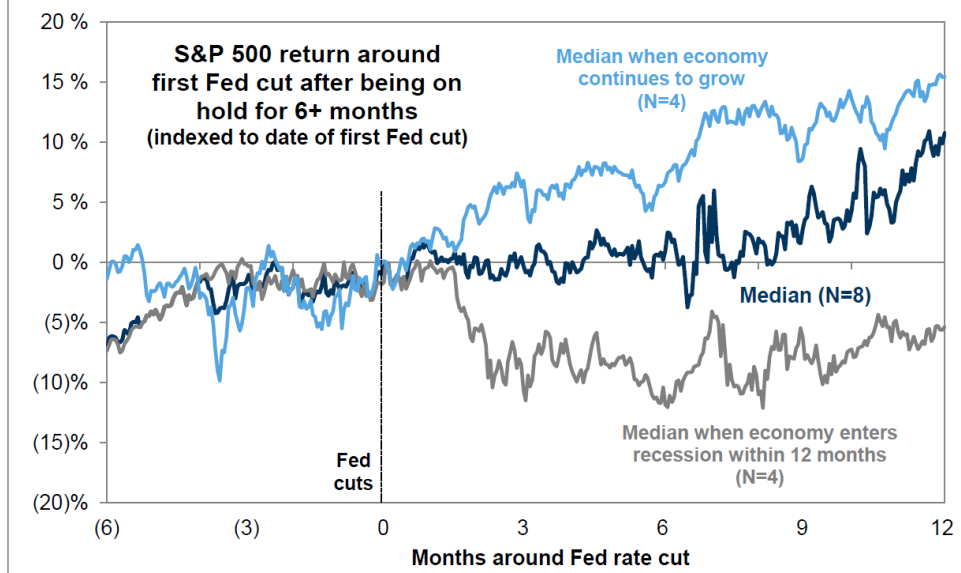
Source: Federal Reserve, Summary of Economic Projections, September 2025

Historically, reducing interest rates has been supportive of equity valuations. According to Goldman Sachs, there have been eight rate-cutting cycles over the past 40 years, and when the economy is not entering a recession, the market is up about 15% over the next twelve months. We do not think the economy is entering a recession. Second quarter GDP was 3.8% and economic conditions point to continued growth.

² Goldman Sachs, *GS Sustain: Generational Growth*, April 2024: Power consumption per query/search is 2.9Wh on ChatGPT vs. 0.3Wh on Google.

Exhibit 11: Equities typically rise when the Fed resumes cutting

Eight episodes during the past 40 years

Source: Goldman Sachs, *US Equity Views*, July 2025

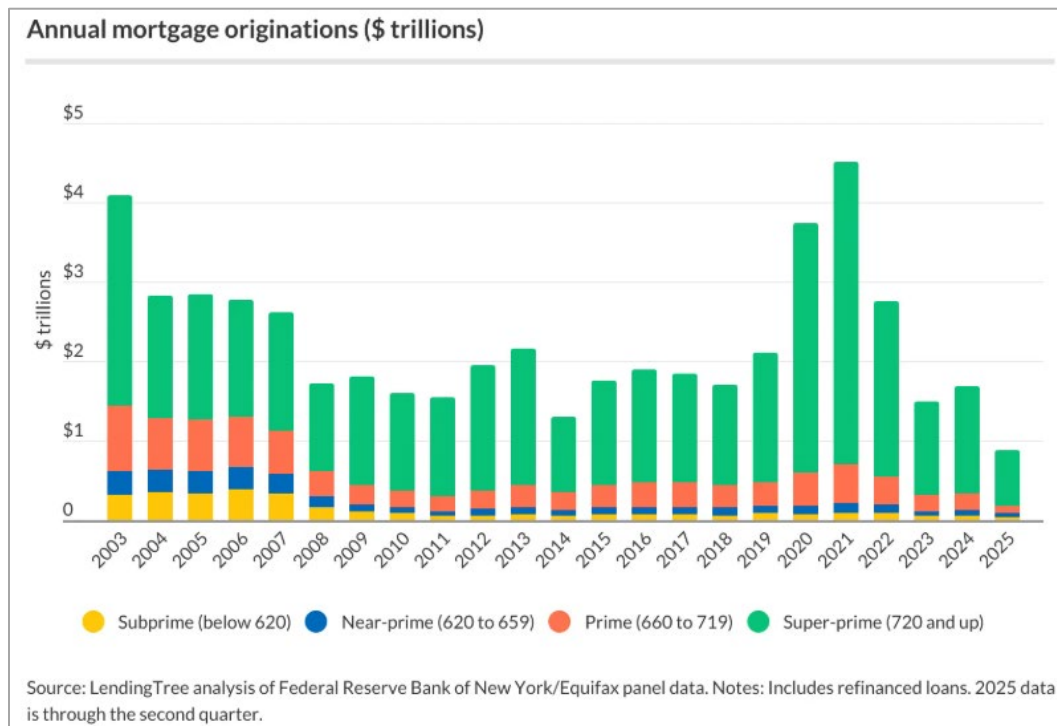
While much of the market's attention is on technology companies that benefit from the growth of artificial intelligence – which we believe is justified – we would also note that we are finding opportunities in areas that are not widely covered by the financial press. For instance, we believe that housing-related stocks are attractively priced at this point in the cycle. Our research suggests that there is a shortage of housing, and we believe that as the Federal Reserve begins its interest rate cutting cycle, housing-related stocks should perform well. We believe that we hold several positions that are poised for growth in such an environment.

For instance, **Builders FirstSource (BLDR)** serves homebuilders with prefabricated trusses, windows, doors, and other building materials. Builders FirstSource has a vast distribution network, including mills that are close to customers, which enables homebuilders to complete homes faster, save on costs, and increase safety. With the stock selling at under 15x 2027 estimated earnings (which are depressed), we believe the shares have strong upside as earnings will accelerate with a recovery in new home starts.

In the first half of the year, we added **Fair Isaac (FICO)**. FICO is the leading credit scoring company, and its FICO scores are the industry standard for underwriting. FICO assesses borrower credit worthiness and predicts the likelihood that loans are repaid. These scores are used for mortgage, credit card, and auto loan applications. Additionally, FICO has a robust and fast-growing enterprise software business that helps enterprises reduce and monitor risks. We discussed in our last quarterly letter how FICO's stock declined in the first half of 2025 due to concerns over potential competition from the Federal Housing Authority's acceptance of VantageScore (in addition to FICO scores) for Fannie Mae and Freddie Mac backed loans. While the headlines point to increased competition for FICO, we think the stock price decline was an overreaction. Not only would it take time for underwriters, including Fannie and Freddie, to build VantageScore into their processes and systems, but also most mortgage originators value FICO's historic data and the ability to bundle FICO-scored loans into mortgage back securities (MBS). Securitizing mortgages through MBSs recycles the mortgage originator's capital, in turn allowing them to underwrite new loans. This is a critical element of the mortgage industry and one that we believe preserves FICO's moat.

We believe that any uncertainty introduced by VantageScore would lead to higher costs that would ultimately be passed along to consumers through higher mortgage rates (possibly an incremental 0.25%-0.375%), which would quickly negate any cost savings from using a cheaper alternative. The pullback in FICO's stock price this year has made it increasingly attractive. As the Federal Reserve begins its rate cutting cycle, we suspect mortgage origination and refinancing volumes will pick up materially, boosting the usage of FICO scores.

The mortgage industry is operating at some of the lowest levels in over two decades, and FICO will be one of the primary beneficiaries of this cycle.



Source: LendingTree

There are a lot of cross currents in the news. Rather than react to every news item, we try to focus on finding leading companies that will benefit from long term trends. Our portfolio has a collection of leading technology companies that will continue to drive the AI wave. Meanwhile, our portfolio also has many bespoke companies that can benefit from a rate-cutting cycle that is just beginning. The common theme in all is that they trade at a discount to our estimate of intrinsic value. Over time, these portfolio companies, and our overall portfolio, should see earnings grow faster than the overall market growth rate, leading to share price outperformance. Thank you for your interest and support. If you have any questions, please contact us at (415) 461-3800.

Sincerely,



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Important Disclosure

Performance is provided as supplemental information and is based on the Non-Taxable Multi-Cap Growth Equity Composite. Performance results reflect all income, gains and losses and the reinvestment of interest and other income. All rates of return are reported "NET" of fees. Additional information regarding the policies for calculating and reporting returns is available upon request. A complete listing and description of all TCM composites and performance results is available upon request.

The 1-year, 3-year, 5-year and 10-year net of fees returns of the Non-Taxable Multi-Cap Growth Equity Composite as of September 30, 2025, are 13.69, 21.10, 10.72 and 11.07 respectively. The 1-year, 3-year, 5-year and 10-year returns of the S&P 500® Index as of September 30, 2025, are 13.69, 24.93, 16.47 and 15.30 respectively. 3-year, 5-year and 10-year performance figures are annualized.

The S&P 500® is an unmanaged stock market index and is not available for direct investment. The S&P 500® Index represents the stocks of 500 leading U.S. publicly-traded companies from a broad range of industries. The performance of an unmanaged index reflects no deductions for fees, expenses or taxes which would affect performance of actively managed assets. The volatility of the S&P 500® Index may be greater or less than the volatility of the portfolios in the composite.

Benchmarks and financial indices are shown for illustrative purposes only and are provided for the purpose of making general market data available as a point of reference only. Such benchmarks and financial indices are unmanaged, assume reinvestment of income, do not reflect the impact of any trading commissions and costs, management and incentive fees, and have limitations when used for comparison or other purposes because they, among other reasons, may have a different trading strategy, volatility, credit or other material characteristics (such as limitations on the number and types of securities or instruments). No representation is made that any benchmark or index is an appropriate measure of comparison.

Select assets shown; additional Non-Taxable Multi-Cap Growth Equity investment information is available including the complete portfolio upon request.

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