

# Quarterly Commentary

## SMALL CAP GROWTH

December 2023

### FOURTH QUARTER 2023

After a turbulent fall, the equity markets rallied in the final months of the fourth quarter, ending the year on a very strong note. Our benchmark, the Russell 2000 Growth Index, increased 12.8% in Q4, as the Fed's pivot to a more dovish tone stoked market optimism, bringing the full year return to 18.7%.

The Bridge City Capital Small Cap Growth Composite (Composite) also had a strong quarter and year, up 10.6% and 13.6% net of fees, respectively. While it was positive in absolute terms, it was disappointing relative to our benchmark and the Composite performance trailed in both periods.

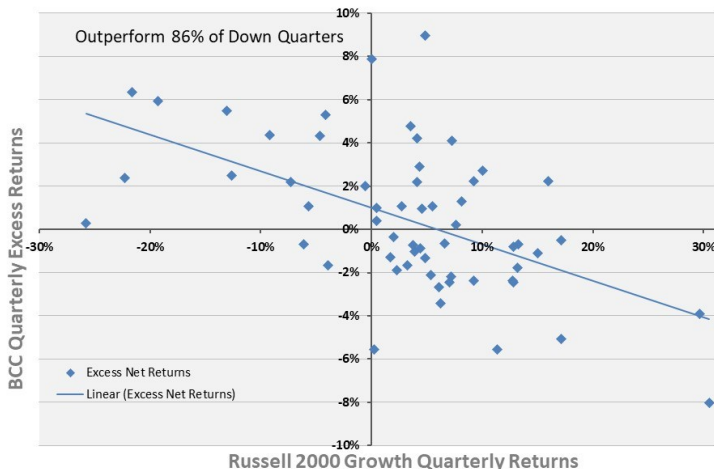
As is typically the case, the Composite's relative performance in the fourth quarter was primarily attributable to stock selection. In anticipation of a Fed shift to a more accommodative monetary policy, we saw increased investor risk-tolerance and market rotation benefiting low quality and unprofitable companies. This was particularly evident in Biotech stocks, where M&A activity among a select few drove market exuberance for the group, which rose 23%, and was a headwind for Bridge City in the quarter. A couple of weak portfolio holdings in Technology and Energy more than offset strength from holdings in Financials and Basic Materials. The portfolio's modest cash balance was also a drag relative to the benchmark in the strong up market. A list of top individual contributors and detractors can be found in the table on page three.

### MARKET OUTLOOK

We expect strengthening corporate profitability in 2024, with modest revenue improvement and expense leverage. Absent geopolitical shocks (where the risks are many), conditions look supportive of a soft landing. As the Fed shifts away from its hawkish stance, we are cognizant that a downward path for interest rates may prove to be neither immediate nor linear. Nevertheless, we expect corporate capital allocation will shift in favor of growth-oriented investments in capex and M&A. As lower-risk asset classes become comparatively less attractive with moderating interest rates, we expect equity markets to end the year higher. We would not be surprised to see the performance of smaller market cap stocks, which lagged in the market recovery in 2023, close the gap with their larger cap peers.

### STRONG DOWN MARKET PROTECTION

QUARTERLY BCC EXCESS NET RETURN VS. INDEX RETURN



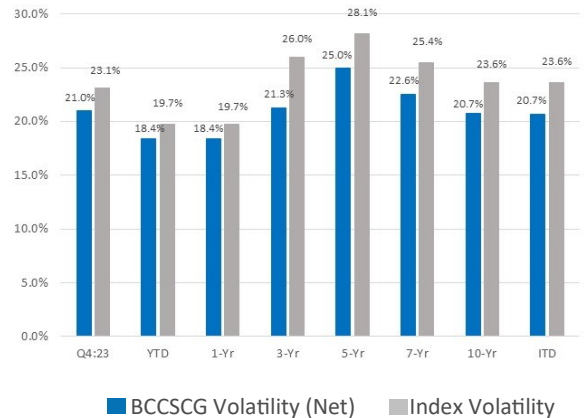
### BRIDGE CITY CAPITAL OVERVIEW

Bridge City Capital, LLC (BCC) focuses on small cap growth companies with proven track records, strong financial characteristics and above average growth prospects at attractive valuations, using our disciplined, repeatable investment process that scores companies on Quality, Growth & Profitability, Financial Strength and Valuation. Our five-member investment team, consisting of Alex Woodward, Steve Brink, Jim Bradshaw, Sara Hasan and Brant DeMuth, has more than 150 years of combined investment experience.

Additional information about BCC and its Small Cap Growth investment strategy is available at [www.bridgecitycap.com](http://www.bridgecitycap.com) or by contacting Client Service at [info@bridgecitycap.com](mailto:info@bridgecitycap.com).

### CONSISTENTLY LESS THAN INDEX VOLATILITY

STANDARD DEVIATION OF DAILY RETURNS, ANNUALIZED



### STRATEGY

While neither the quarter nor the year turned out as we'd hoped from a relative perspective, Bridge City's long-term track record remains enviable. Since our inception in 2009, the Composite has underperformed the benchmark in just six calendar years, and in each of these, it has delivered double digit absolute returns.

We remain confident in our approach to investing in high quality small cap growth companies, as defined by our disciplined investment process. Throughout 2023, we took advantage of opportunities to increase our weights in several positions and to add several new high-quality names to the portfolio. Whatever the future holds, we believe that investing in such companies, with proven track records of growing revenue and earnings, healthy balance sheets, that generate and use cash in shareholder-friendly ways, has helped us achieve the solid long term results we have generated thus far and will continue to help us outperform over time.

See [Important Disclosure](#) information on page 3.

<sup>1</sup>Source: Telemet/Orión.

## SMALL CAP GROWTH COMPOSITE: 10-YEAR CALENDAR YEAR PERFORMANCE

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Bridge City Capital SCG Gross	13.64%	-19.77%	21.18%	20.92%	25.02%	1.32%	16.38%	17.74%	7.33%	7.59%
Bridge City Capital SCG Net	13.21%	-20.11%	20.62%	20.39%	24.53%	0.85%	15.97%	17.19%	6.73%	6.97%
Russell 2000® Growth	18.66%	-26.36%	2.83%	34.63%	28.48%	-9.31%	22.17%	11.32%	-1.38%	5.60%
Excess Gross	-5.02%	6.59%	18.35%	-13.71%	-3.46%	10.63%	-5.79%	6.42%	8.71%	1.99%
Excess Net	-5.45%	6.25%	17.79%	-14.24%	-3.95%	10.16%	-6.20%	5.87%	8.11%	1.37%

## SMALL CAP GROWTH COMPOSITE: RELATIVE PERFORMANCE

	Q4:2023	YTD	1-YR	3-YR (ANNUALIZED)	5-YR (ANNUALIZED)	7-YR (ANNUALIZED)	10-YR (ANNUALIZED)	INCEPTION (ANNUALIZED)
Bridge City Capital SCG Gross	10.48%	13.64%	13.64%	3.38%	10.80%	10.17%	10.35%	14.80%
Bridge City Capital SCG Net	10.36%	13.21%	13.21%	2.94%	10.34%	9.71%	9.85%	14.18%
Russell 2000® Growth	12.75%	18.66%	18.66%	-3.50%	9.22%	8.08%	7.16%	11.68%
Excess Gross	-2.27%	-5.02%	-5.02%	6.88%	1.58%	2.09%	3.19%	3.12%
Excess Net	-2.39%	-5.45%	-5.45%	6.44%	1.12%	1.63%	2.69%	2.50%

### BRIDGE CITY CAPITAL SMALL CAP GROWTH

- Long-only, U.S. equity small cap growth manager
- Benchmark: Russell 2000® Growth Index
- Fully invested
- Diversified 65-100 stock portfolio
- Target sector neutral, +/- the greater of 20% of the weight of the defined sectors of the Russell 2000® Growth Index, or +/- 3 absolute percentage points from the defined sector weights within the index

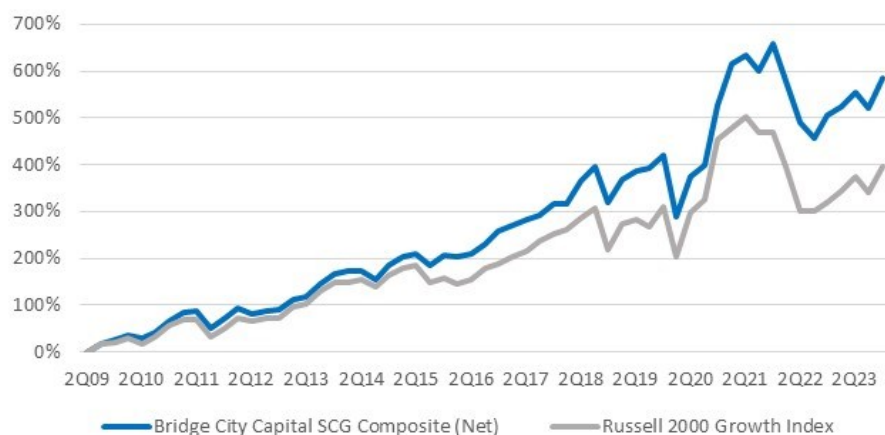
## SMALL CAP GROWTH RISK & EFFICIENCY MEASURES<sup>1</sup>

	1-YEAR	3-YEAR	5-YEAR	7-YEAR	10-YEAR	SINCE INCEPTION
Annualized Alpha	-3.63	6.57	2.67	3.00	4.02	4.46
Beta	0.96	0.87	0.85	0.85	0.84	0.84
Tracking Error	4.54	8.01	7.74	7.11	6.76	6.10
Sharpe Ratio	0.36	0.05	0.41	0.42	0.50	0.78
Sharpe Ratio Benchmark <sup>2</sup>	0.64	-0.12	0.44	NA	0.40	NA
Information Ratio	-1.11	0.86	0.20	0.29	0.47	0.51
Upside Market Capture	90.34	100.09	87.06	92.26	91.65	91.82
Downside Market Capture	104.57	83.72	86.64	88.32	83.97	82.62

<sup>1</sup>Source: eVestment Alliance, other than Sharpe Ratio Benchmark. Risk & Risk Free Index: Russell 2000® Growth, Citigroup 3-Month T-Bill, Data frequency: monthly, SCG-Gross of Fees.

<sup>2</sup>Source for Sharpe Ratio Benchmark: FTSE Russell 2000® Growth Index factsheet.

## CUMULATIVE NET PERFORMANCE VS. RUSSELL 2000® GROWTH



<sup>3</sup>Source: FTSE Russell 2000® Growth Index factsheet as of December 31, 2023.

### PORTFOLIO STATISTICS

Top 10 Holdings	SCG Rep Acct
Ensign Group, Inc. (ENSG)	2.6%
Comfort Systems USA Inc. (FIX)	2.6%
Medpace Holdings Inc. (MEDP)	2.5%
Tetra Tech Inc. (TTEK)	2.1%
UFP Industries (UFPI)	2.0%
Lithia Motors, Inc. (LAD)	2.0%
RBC Bearings Inc. (RBC)	1.9%
Glacier Bancorp, Inc. (GBCI)	1.7%
Performance Food Group Comp. (PFGC)	1.6%
A10 Networks, Inc. (ATEN)	1.6%

*Represents largest positions based on % of total portfolio value.*

ICB Industry Weights	SCG Rep Acct	Index <sup>3</sup>
Basic Materials	5.6%	3.5%
Consumer Discretionary	14.8%	12.8%
Consumer Staples	3.6%	3.5%
Energy	5.2%	5.2%
Financials	6.1%	5.3%
Health Care	18.4%	22.0%
Industrials	21.3%	22.5%
Real Estate	1.7%	1.7%
Technology	17.7%	20.1%
Telecommunications	1.2%	1.6%
Utilities	1.0%	1.8%

*BCC weights exclude cash of 3.4%*

Portfolio Characteristics	SCG Rep Acct	Index
Equity Positions	94	1,074
Weighted Average Market Cap	\$4.0B	\$3.8B
P/E Ex-Neg Earnings	25.1	21.9
Price/Book Value	2.8	4.4
Average Yield	0.94%	0.61%
Annual Turnover (dollars)	16.8%	-
Annual Turnover (names)	10.8%	-

## TOP CONTRIBUTORS IN Q4 2023

	AVERAGE WEIGHT <sup>1</sup>	CONTRIBUTION <sup>2</sup>
Medpace Holdings, Inc.	2.66	0.64
Glacier Bancorp, Inc.	1.52	0.60
Ensign Group Inc.	2.79	0.52
Century Communities Inc.	1.51	0.52
Comfort Systems USA Inc.	2.70	0.52

## TOP DETRACTORS IN Q4 2023

	AVERAGE WEIGHT <sup>1</sup>	CONTRIBUTION <sup>2</sup>
Axcelis Technologies Inc.	1.61	-0.39
Ameresco Inc.	1.04	-0.24
Dril-Quip Inc.	1.14	-0.24
DMC Global Inc.	0.69	-0.21
Mednax, Inc.	0.58	-0.19

<sup>1</sup>Weights are the average position weight of an SCG rep account during the quarter. Positions identified do not represent all securities held, purchased or sold.

<sup>2</sup>Calculation methodology and a complete list of positions and contributions for the quarter are available upon request. Source: Telemet/Orion. All data as of December 31, 2023.

### **ABOUT BRIDGE CITY CAPITAL, LLC**

Bridge City Capital, LLC (BCC) is an Oregon Limited Liability Company and a SEC registered investment advisory firm, headquartered in Lake Oswego, Oregon. The firm was formed October 27, 2008 by Alex Woodward and Steve Brink and BCC began managing its small cap growth investment strategy on July 1, 2009. Our five-member investment team consists of Alex Woodward, Steve Brink, Jim Bradshaw, Sara Hasan and Brant DeMuth. On January 1, 2022 BCC began managing a microcap investment strategy.

### **INVESTMENT PHILOSOPHY AND RESEARCH PROCESS**

**Investment Philosophy:** A focus on quality companies with proven track records, strong financial characteristics and above average growth prospects at attractive valuations will lead to strong relative returns over the long run.

**Research Process:** The BCC investment process numerically scores every investment against specific quantitative and qualitative criteria measuring a company's Quality, Financial Strength and Growth and Profitability. We also assign a Valuation score based on an internally developed future earnings projection. Our process scores a company's relative attractiveness against its peers, identifying the highest quality companies at attractive valuations.

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### **DISCLOSURES**

Bridge City Capital, LLC (BCC) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. BCC has been independently verified for the periods January 1, 2009 through December 31, 2022. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

BCC is a SEC registered Investment Adviser, located in Lake Oswego, OR, that invests solely in U.S. equity securities. BCC is an independent investment adviser that is not affiliated with any parent company. Policies for valuing portfolios, calculating performance and preparing compliance presentations are available upon request.

The BCC Small Cap Growth Composite (BCCSCG) includes fully discretionary client accounts invested in small cap growth equity securities with market capitalizations similar to those found within the Russell 2000® Growth Index. The account minimum for this composite is \$1 million. The benchmark for the BCCSCG is the Russell 2000® Growth Index, which is rebalanced annually. BCC maintains a significant cash flow policy of 10%.

Specific holdings, industry sector weightings, investment returns, and other portfolio characteristics will vary. Clients should rely on the quarterly reports provided by BCC for information relating to a specific account. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. The data is current as of date listed, and is subject to change without notice. There is no assurance that any securities discussed herein will remain in the account's portfolio at the time you receive this report or that securities sold have not been repurchased.

**Past performance is not indicative of future results.** Investments in securities involve the risk of loss. All returns greater than one year are annualized. The U.S. Dollar is the currency used to express performance and valuation. Returns are presented gross and net of actual management fees and include the reinvestment of all dividends and other income. Our standard fee schedule as well as additional information about our business, is contained in our Form ADV, Part 2A and available upon request.

Information contained herein was obtained from sources believed to be reliable but accuracy cannot be guaranteed.

For more information regarding Bridge City Capital, LLC, our Small Cap Growth Composite or for a complete GIPS compliance presentation, please contact Client Service at (503) 265-8554, info@bridgcitycap.com.





SMALL CAP GROWTH COMPOSITE  
July 1, 2009 through December 31, 2022

Year	BCC Small Cap Growth Composite Gross Return (%)	BCC Small Cap Growth Composite Net Return (%)	Russell 2000 Growth Return (%)	BCC Small Cap Growth Composite 3-Yr Standard Deviation (%) <sup>1</sup>	Russell 2000 Growth 3-Yr Standard Deviation (%)	Number of Portfolios	Internal Dispersion (%) <sup>2</sup>	BCC Small Cap Growth Composite Assets (\$ M)	Firm Assets (\$ M)
2022	-19.77	-20.11	-26.36	23.22	26.57	18	0.14	191	201
2021	21.18	20.62	2.83	19.83	23.07	19	0.12	240	247
2020	20.92	20.37	34.63	21.89	25.10	14	0.28	268	271
2019	25.02	24.53	28.48	14.98	16.37	22	0.17	249	251
2018	1.32	0.85	-9.31	14.53	16.46	19	0.00	140	159
2017	16.38	15.97	22.17	12.15	14.59	18	0.10	140	143
2016	17.74	17.19	11.32	13.82	16.67	8	0.06	49	52
2015	7.33	6.73	-1.38	12.44	14.95	5	n/a	17	19
2014	7.59	6.97	5.60	12.06	13.82	4	n/a	15	19
2013	41.51	40.70	43.30	15.36	17.27	5	n/a	16	17
2012	11.74	11.04	14.59	18.19	20.72	5	n/a	11	13
2011	4.05	3.25	-2.91	n/a	n/a	2	n/a	5	6
2010	33.08	31.98	29.08	n/a	n/a	1	n/a	2	2
2009	26.17	25.58	20.75	n/a	n/a	1	n/a	1	1

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The BCCSCG was created on and has an inception date of July 1, 2009. A complete list of composite descriptions is available upon request.

<sup>1</sup> Calculated gross of fees. 3-yr standard deviation not available for periods prior to 2012.

<sup>2</sup> Calculated gross of fees using asset weighted TWR. Not applicable for periods where composite membership includes 5 or fewer portfolios.

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 2009 through 2011 because performance data for the three-year period was not available.