

QUARTERLY COMMENTARY

SMALL CAP GROWTH

March 2023

FIRST QUARTER 2023

The market rebound that began late last year accelerated into January and our benchmark, the Russell 2000 Growth Index, picked up almost 10% in the first month of the year. Despite softening in February and March as concerns grew about the Fed’s continued hawkish tone and economic growth, the Index increased a healthy 6.1% for the quarter. The Bridge City Small Cap Growth Composite (Composite) lagged the benchmark in Q1, but still logged a 3.4% positive return net of fees for the period.

Due to the quality of our portfolio companies, we would have expected the Composite to outperform as economic uncertainty increased, however that was not the case in Q1, and the portfolio lost ground in nine of the 11 sectors. The Financials and Technology sectors were the largest detractors. The portfolio’s primary exposure in Financials is to community banks, which negatively impacted quarterly performance as this was the weakest industry in the benchmark by a wide margin. Within Technology, excitement for potential artificial intelligence applications grew and this exuberance drove momentum in the software space. The Composite is underexposed to software, and this was a headwind in Q1, in addition to stock-specific weakness in a couple portfolio holdings. Stock selection within Health Care was a partial offset and added to relative performance with small contributions across several holdings. The portfolio’s underexposure to non-earning biotech companies was also a modest tailwind in Q1 which is more consistent with our expectation in uncertain times. A list of top contributors and detractors can be found in the table on page three.

Market Outlook

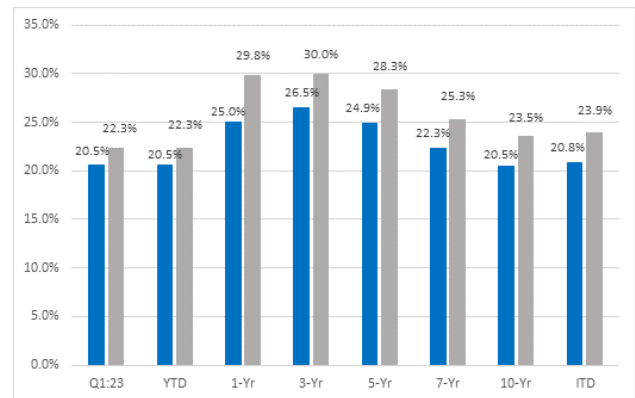
We continue to anticipate pressure on corporate profitability through much of 2023. Demand remains mixed and inventory overhangs caused by rapid improvement in supply have narrowed for some but worsened for others. Though inflation remains elevated, the Fed’s rate increases are having the desired effect of moderating tightness in the goods and labor markets. Comparisons for both revenue growth and margins are expected to ease in the back half of the year in many industries. Many companies’ 2023 earnings guidance is dependent on targeted expense cuts helping to offset incremental cost pressures against a backdrop of steady to improved demand in the second half and we are somewhat cautious about these assumptions. Higher interest rates mean corporate cash

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 or by contacting Client Service at info@bridgecitycap.com.

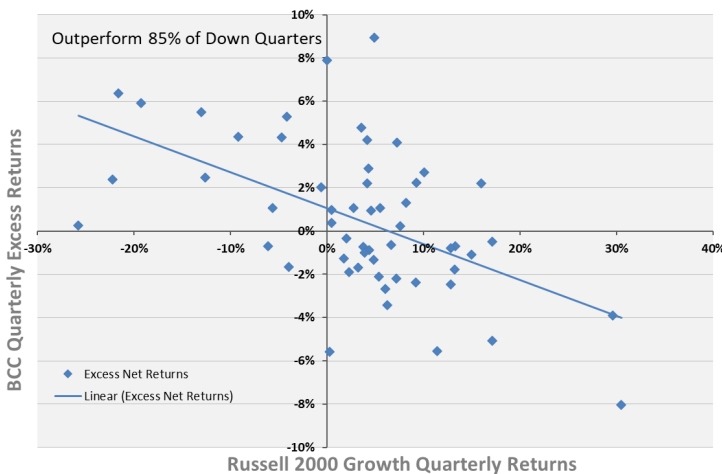
CONSISTENTLY LESS THAN INDEX VOLATILITY



■ BCCSCG Volatility (Net) ■ Index Volatility
(Standard deviation of daily returns, annualized)

STRONG DOWN MARKET PROTECTION

Quarterly BCC Excess Net Return Vs. Index Return



balances are finally generating income, but those with floating rate debt are being squeezed by sharply higher interest expense burdens. Cracks have emerged in the banking sector and greater focus on maintaining liquidity can be expected to drive tighter lending standards and reduced lending activity which may result in follow-on impacts across the broader economy. We have already observed a shift in capital allocation decisions and increased focus on cash flow generation and strengthening balance sheets. Outside the U.S., the uncertainty of continued war in Ukraine and elevated tensions in other regions remains a significant risk.

Strategy

Bridge City will continue to invest in companies with strong balance sheets, tested management teams, and proven track-records of growing revenues, earnings, and cash flows. We believe these high-quality companies are best positioned to navigate and capitalize on changing economic conditions and believe they will outperform over time.

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

¹Source: Telemet/Orión.

SMALL CAP GROWTH COMPOSITE— 10-YEAR CALENDAR YEAR PERFORMANCE

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Bridge City Capital SCG Gross	-19.77%	21.18%	20.92%	25.02%	1.32%	16.38%	17.74%	7.33%	7.59%	41.51%
Bridge City Capital SCG Net	-20.11%	20.62%	20.39%	24.53%	0.85%	15.97%	17.19%	6.73%	6.97%	40.70%
Russell 2000® Growth	-26.36%	2.83%	34.63%	28.48%	-9.31%	22.17%	11.32%	-1.38%	5.60%	43.30%
Excess Gross	6.59%	18.35%	-13.71%	-3.46%	10.63%	-5.79%	6.42%	8.71%	1.99%	-1.79%
Excess Net	6.25%	17.79%	-14.24%	-3.95%	10.16%	-6.20%	5.87%	8.11%	1.37%	-2.60%

SMALL CAP GROWTH COMPOSITE—RELATIVE PERFORMANCE

	Q1:2023	YTD	1-YR	3-YR (ANNUALIZED)	5-YR (ANNUALIZED)	7-YR (ANNUALIZED)	10-YR (ANNUALIZED)	INCEPTION (ANNUALIZED)
Bridge City Capital SCG Gross	3.45%	3.45%	-7.73%	17.71%	8.92%	11.30%	11.94%	14.88%
Bridge City Capital SCG Net	3.37%	3.37%	-8.09%	17.19%	8.45%	10.83%	11.42%	14.26%
Russell 2000® Growth	6.07%	6.07%	-10.60%	13.36%	4.26%	8.74%	8.49%	11.44%
Excess Gross	-2.62%	-2.62%	2.87%	4.35%	4.66%	2.56%	3.45%	3.44%
Excess Net	-2.70%	-2.70%	2.51%	3.83%	4.19%	2.09%	2.93%	2.82%

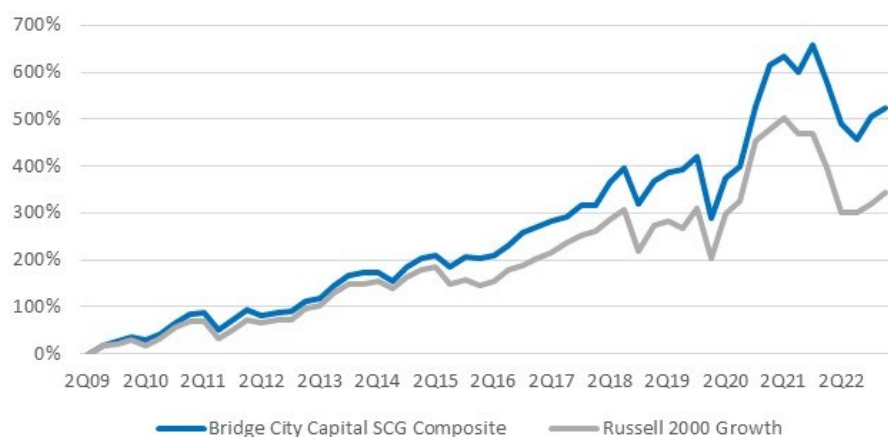
BRIDGE CITY CAPITAL SMALL CAP GROWTH

- 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 MEASURES¹

	1-YEAR	3-YEAR	5-YEAR	7-YEAR	10-YEAR	SINCE INCEPTION
Annualized Alpha	2.54	6.30	5.01	3.60	4.54	4.79
Beta	0.94	0.80	0.84	0.85	0.83	0.84
Tracking Error	7.82	8.88	7.90	7.07	6.73	6.16
Sharpe Ratio	-0.40	0.81	0.35	0.53	0.63	0.81
Sharpe Ratio Benchmark ²	-0.42	0.66	0.26	NA	0.49	NA
Information Ratio	0.36	0.49	0.59	0.36	0.51	0.56
Upside Market Capture	114.79	89.79	93.61	92.74	92.12	92.06
Downside Market Capture	99.51	79.64	85.16	86.32	82.11	81.54

¹Source: eVestment Alliance. Risk & Risk Free Index: Russell 2000 Growth, Citigroup 3-Month T-Bill, Data frequency: monthly, SCG-Gross of Fees. ²Source for Sharpe Ratio Index: FTSE Russell 2000 Growth Index factsheet.

CUMULATIVE NET PERFORMANCE VS. RUSSELL 2000® GROWTH INDEX


²iShares Russell 2000 Growth ETF proxy for Russell 2000 Growth Index. All data as of March 31, 2023. See [Important Disclosure](#) information on page 3.

PORTFOLIO STATISTICS

Top 10 Holdings	SCG Rep Acct
Ensign Group, Inc. (ENSG)	2.8%
Comfort Systems USA Inc. (FIX)	2.8%
EMCOR Group, Inc. (EME)	2.7%
Methode Electronics Inc. (MEI)	2.2%
Tetra Tech Inc. (TTEK)	2.0%
Medpace Holdings Inc. (MEDP)	1.9%
Lemaitre Vascular Inc.	1.8%
A10 Networks Inc. (ATEN)	1.7%
Casey's General Stores (CASY)	1.6%
Rogers Corporation	1.6%

Represents largest positions based on % of total portfolio value.

ICB Industry Weights	SCG Rep Acct	Index ²
Basic Materials	5.0%	4.2%
Consumer Discretionary	11.3%	12.9%
Consumer Staples	5.3%	4.0%
Energy	6.3%	7.8%
Financials	5.0%	5.5%
Health Care	19.2%	21.2%
Industrials	19.2%	20.3%
Real Estate	2.0%	2.1%
Technology	19.9%	17.3%
Telecommunications	1.4%	2.3%
Utilities	1.0%	2.5%

BCC weights exclude cash of 4.5%

Portfolio Characteristics	SCG Rep Acct	Index
Equity Positions	91	1,095
Weighted Average Market Cap	\$3.4B	\$3.4B
P/E Ex-Neg Earnings	20.2	15.9
Price/Book Value	2.7	3.8
Average Yield	0.96%	0.78%
Annual Turnover (dollars)	16.1%	-
Annual Turnover (names)	10.8%	-

TOP CONTRIBUTORS IN Q1 2023

	AVERAGE WEIGHT ¹	CONTRIBUTION ²
Axcelis Technologies Inc.	1.39	0.74
Comfort Systems USA Inc	2.38	0.60
Rogers Corporation	1.40	0.45
ONTO Innovation Inc.	1.35	0.35
Century Communities Inc.	1.15	0.28

TOP DETRACTORS IN Q1 2023

	AVERAGE WEIGHT ¹	CONTRIBUTION ²
Consensus Cloud Solutions	0.83	-0.41
Globus Medical, Inc.	1.35	-0.39
Cactus Inc.	1.39	-0.27
Medpace Holdings Inc.	2.06	-0.26
AMN Healthcare Services	1.12	-0.25

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

²Calculation methodology and a complete list of positions and contributions for the quarter are available upon request. Source: Telemet/Orion. All data as of March 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.

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.

