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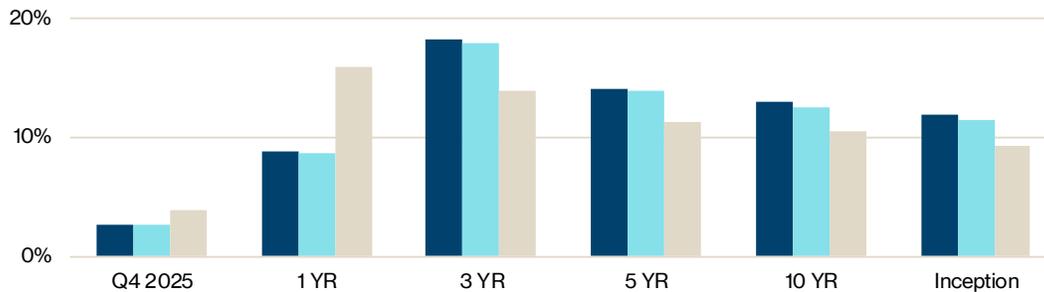
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# Market & Portfolio Commentary

## Large Cap Value Select

### Q4 2025



	Q4 2025	1 YR	3 YR	5 YR	10 YR	Inception
LCVS Composite - Gross	2.64%	8.79%	18.20%	14.09%	12.96%	11.92%
LCVS Composite - Net	2.60%	8.59%	17.96%	13.86%	12.54%	11.47%
Russell 1000 Value	3.81%	15.91%	13.90%	11.33%	10.53%	9.26%
Out / Underperformance - Gross	-1.17%	-7.12%	+4.30%	+2.76%	+2.43%	+2.66%
Out / Underperformance - Net	-1.21%	-7.32%	+4.06%	+2.53%	+2.01%	+2.21%

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## MARKET HIGHLIGHTS

- Al enthusiasm, rate cuts, and a resilient economy drove markets higher in 2025.
- Value stocks rallied to close the year, but growth stocks won the marathon.**
- Within the Russell 1000 Value index, **Information Technology (+10.95%)** posted the highest total return in Q4, while **Real Estate (-2.46%)** posted the lowest. For 2025, **Communication Services (+34.72%)** posted the highest total return, while **Real Estate (+3.18%)** posted the lowest.

## PORTFOLIO HIGHLIGHTS

- For Q4, the Large Cap Value Select (LCVS) composite returned **+2.64%** (**+2.60%** net) versus **+3.81%** for the Russell 1000 Value benchmark. For 2025, the composite returned **+8.79%** (**+8.59%** net) versus **+15.91%** for the benchmark.
- The sector with the highest contribution to relative return (total effect) in Q4 was **Industrials (+91 bps)**; for 2025, it was **Consumer Staples (+272 bps)**.
- The holding with the highest contribution to active return in Q4 was **LVMH Moët Hennessy Louis Vuitton SE Unsponsored ADR (LVMUY)**; for 2025, the top contributor was **CRH PLC (CRH)**.
- The sector with the lowest contribution to relative return (total effect) in Q4 was **Health Care (-98 bps)**; for 2025, it was **Consumer Discretionary (-365 bps)**.
- The holding with the lowest contribution to active return in Q4 was **Labcorp Holdings Inc. (LH)**; for 2025, the bottom contributor was **lululemon athletica Inc. (LULU)**.

## OUTLOOK

- While fiscal and monetary policies are supportive of equity markets, elevated valuations and the 'Consensus Trap' temper our optimism.**



# Market & Portfolio Commentary

## Large Cap Value Select

### Q4 2025

#### MARKET REVIEW

#### *A resilient economy drove markets higher in 2025*

Following a volatile start to the year, **U.S. equities finished 2025 on a high note**, supported by a resilient economy and enthusiasm for secular growth themes. The S&P 500 index returned **+2.66%** in the fourth quarter, capping off a strong year with a total return of **+17.88%**. **Investors were encouraged by a ‘soft landing’ narrative where real GDP growth remained healthy** – the Atlanta Fed’s GDPNow model tracked Q4 growth at +2.7% – even as inflation remained sticky, with Headline CPI ending the year at +2.7%. The 10-year Treasury yield ended the year at 4.18%, down from its highs, providing some relief to equity valuations.

#### *Three distinct periods defined the year*

**The market’s path in 2025 was far from linear, unfolding in three distinct chapters.** The year began with anxiety from tariff uncertainty, culminating **in the Liberation Day low on April 8 as tariff concerns peaked.** From that low through late October, **the market staged a robust recovery, though it was narrow and dominated by growth, specifically mega cap tech leadership.** Finally, the period from October 30 through year-end saw a welcome **broadening of participation and a resurgence from value stocks.**

#### *Value rallied to close the year, but growth won the marathon*

**We saw a rotation in the fourth quarter as investors broadened their exposure.** The Russell 1000 Value outperformed the Russell 1000 Growth in Q4 (**+3.81%** versus **+1.12%**). However, growth maintained its leadership for the full year with the Russell 1000 Growth returning **+18.56%** versus **+15.91%** for the Russell 1000 Value.

Within the Russell 1000 Value index, **Information Technology (+10.95%)** and **Communication Services (+8.43%)** delivered the highest total returns for Q4, while **Real Estate (-2.46%)** and **Utilities (-0.71%)** delivered the lowest. For 2025, **Communication Services (+34.72%)** and **Information Technology (+26.99%)** delivered the highest total returns, while **Real Estate (+3.18%)** and **Consumer Staples (+5.59%)** delivered the lowest.

#### *Large caps extended their historic dominance*

**Large cap stocks continued their dominance over smaller peers in 2025.** For the full year, the large cap Russell 1000 returned **+17.37%** versus **+12.81%** for the small cap Russell 2000. **This marks the ninth consecutive year that large caps have outperformed small caps – the longest winning streak on record.**

#### *Low multiple stocks were a tailwind*

Our strategy is consistently positioned with a dual focus on **value (through EBITDA to EV)** and **quality (through return on equity)**. During 2025 and Q4, these factors contributed differently to our relative results:

- **Value (EBITDA to EV):** This was a consistent tailwind in Q4 and 2025.
- **Quality (return on equity):** While high quality is a cornerstone of our discipline, it was a slight headwind for the full-year 2025 and largely neutral in Q4.

LCVS vs R1V Style Mine Performance

Factor	Q4			2025		
	Factor Active Wgt (Top Half)	Relative Return (Top Half)	Asset Allocation (Overall)	Factor Active Wgt (Top Half)	Relative Return (Top Half)	Asset Allocation (Overall)
EBITDA to EV	20.00	-0.25	0.37	14.96	1.06	1.72
Return on Equity	1.11	-0.23	0.03	2.02	0.44	-0.29

 **Past performance is no guarantee of future results. There is a risk that invested capital may be lost.** Data is provided by Style Analytics Inc. Index data source: London Stock Exchange Group PLC and its group undertakings (collectively, the “LSE Group”), © LSE Group. Please see appendix for additional disclosures.



## PORTFOLIO REVIEW

For Q4, the Large Cap Value Select (LCVS) composite returned **+2.64%** (**+2.60%** net) versus **+3.81%** for the Russell 1000 Value benchmark. For 2025, the composite returned **+8.79%** (**+8.59%** net) versus **+15.91%** for the benchmark.

For Q4, the key drivers of relative performance included the following:

- **Negative sector allocation (-125 bps)**, driven by the lack of exposure to **Information Technology (-76 bps)** and an underweight position in **Communication Services (-27 bps)**, partially offset by an underweight position in **Utilities (+25 bps)**.
- **Positive stock selection (+22 bps)**, primarily driven by **Industrials (+92 bps)** and **Consumer Discretionary (+88 bps)**, partially offset by negative stock selection in **Health Care (-105 bps)** and **Financials (-50 bps)**.
- **Above average and average/low conviction holdings** outperformed the benchmark with above average (2.5 rating) returning **+6.65%** and average/low (3.0-5.0 rating) returning **+6.06%** versus **+3.81%** for the Russell 1000 Value. High conviction holdings (1.0-2.0 rating) underperformed the benchmark, returning just **-0.05%**.

For 2025, the key drivers of relative performance included the following:

- **Negative stock selection (-481 bps)**, primarily driven by **Financials (-339 bps)** and **Consumer Discretionary (-306 bps)**, partially offset by positive stock selection in **Consumer Staples (+193 bps)** and **Materials (+179 bps)**.
- **Negative sector allocation (-199 bps)**, driven by the lack of exposure to **Information Technology (-107 bps)** and underweight position in **Communication Services (-101 bps)**, partially offset by overweight positions in **Consumer Staples (+79 bps)** and **Industrials (+63 bps)**.
- **High conviction holdings (1.0-2.0 rating)** performed the best across the conviction buckets but underperformed the benchmark, returning **+14.40%** versus **+15.91%** for the Russell 1000 Value.

	Q4 2025			2025		
	Avg Wgt	Total Return	Contrib Return	Avg Wgt	Total Return	Contrib Return
Conviction						
High: 1.0-2.0	52.08	-0.05	-0.24	52.66	14.40	7.12
Above Average: 2.5	33.83	6.65	2.15	34.11	8.30	2.76
Average / Low: 3.0-5.0	10.85	6.06	0.83	10.54	-10.05	-1.10
Cash	3.24	1.02	0.03	2.68	5.55	0.11
<b>Total</b>	<b>100.00</b>	<b>2.78</b>	<b>2.78</b>	<b>100.00</b>	<b>9.12</b>	<b>9.12</b>
LCVS Composite - Gross		2.64			8.79	
LCVS Composite - Net		2.60			8.59	
Russell 1000 Value Index		3.81			15.91	

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	Q4 2025			2025			Attribution Analysis			
	LCVS			Russell 1000 Value			Allocat Effect	Select Effect	Total Effect	Total Effect
	Avg Wgt	Total Return	Contrib Return	Avg Wgt	Total Return	Contrib Return				
GICS Direct Sector										
<b>Industrials</b>	18.90	8.33	1.56	13.06	3.08	0.40	-0.01	0.92	0.91	-0.28
<b>Consumer Discretionary</b>	12.10	5.19	0.80	7.56	-0.05	-0.00	-0.21	0.88	0.67	<b>-3.65</b>
<b>Materials</b>	11.24	7.26	0.83	4.00	2.46	0.09	-0.23	0.75	0.52	<b>1.50</b>
<b>Energy</b>	--	--	--	5.82	1.21	0.07	0.16	--	0.16	0.29
<b>Real Estate</b>	3.36	0.55	0.01	4.06	-2.46	-0.10	0.05	0.10	0.14	-0.07
<b>Utilities</b>	0.31	-13.49	-0.16	4.56	-0.71	-0.02	0.25	-0.22	0.03	<b>1.22</b>
<b>Communication Services</b>	1.60	0.55	0.04	8.17	8.43	0.70	-0.27	-0.17	-0.44	<b>-1.43</b>
<b>Financials</b>	27.81	0.78	0.19	22.11	2.49	0.52	-0.08	-0.50	-0.58	<b>-3.53</b>
<b>Consumer Staples</b>	10.43	-4.17	-0.45	7.41	0.29	0.03	-0.10	-0.49	-0.58	<b>2.72</b>
<b>Information Technology</b>	--	--	--	11.09	10.95	1.14	-0.76	--	-0.76	<b>-1.07</b>
<b>Health Care</b>	11.00	-0.68	-0.08	12.15	8.24	1.00	0.06	-1.05	-0.98	<b>-2.16</b>
Cash	3.24	1.02	0.03	--	--	--	-0.12	--	-0.12	-0.33
Unassigned	--	--	--	0.00	0.54	0.00	-0.00	--	-0.00	-0.00
<b>Total</b>	<b>100.00</b>	<b>2.78</b>	<b>2.78</b>	<b>100.00</b>	<b>3.81</b>	<b>3.81</b>	<b>-1.25</b>	<b>0.22</b>	<b>-1.03</b>	<b>-6.79</b>
Gross Composite / Index		2.64			3.81					
Net Composite		2.60								

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## 2025 Portfolio Review: Three Distinct Phases

The year unfolded in **three distinct phases**:

### Phase 1: Pre-Liberation Day Sell-off (January 1 - April 8)

This period was **dominated by tariff uncertainty, trade tensions, and risk-off positioning**, culminating in the April Liberation Day low as trade fears peaked and sentiment troughed. The LCVS composite declined **-7.00% (-7.04% net)**, cushioning the downside versus the Russell 1000 Value (**-9.39%**) and **demonstrating the portfolio's defensive, quality-oriented profile during a period of stress**. Top contributors were Consumer Staples (BJ, CASY, and KR) and Health Care (ELV and UNH) positions.

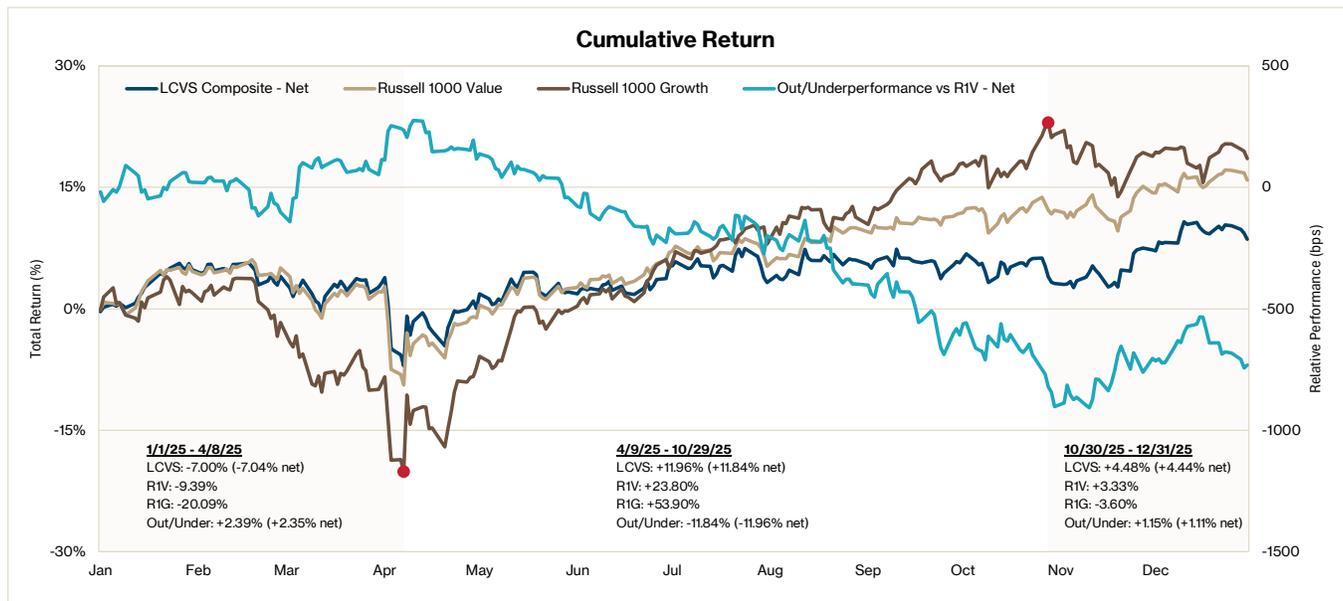
### Phase 2: Mid-Year Growth Rally (April 9 - October 29)

Markets rallied sharply in a narrow, growth-led fashion as macro fears eased and soft-landing expectations grew. **This phase was defined by an extreme divergence in factors: momentum and growth crushed value, driven by a flight to the perceived safety of mega cap tech**. Information Technology valuations expanded to levels not seen since the dot-com era, not necessarily in absolute terms, but in their massive decoupling from the median stock.

Structurally, this period was complicated by the **June Russell Reconstitution**. The rebalance saw Magnificent 7 giants – specifically **Amazon, Meta, and Alphabet** – enter the Russell 1000 Value index for the first time or with increased weight. **Surprisingly to many, by year-end, Alphabet (GOOGL/GOOG) had become the single largest weighting in the Russell 1000 Value**. The LCVS composite underperformed the Russell 1000 Value during this phase, returning **+11.96% (+11.84% net)** versus **+23.80%**. Performance was negatively impacted by the strategy's lack of exposure to the top performing sector (Information Technology, +55.08%) and poor stock selection in Consumer Discretionary and Financials.

### Phase 3: Late-Year Broadening (October 30 - December 31)

The 'fever' in mega cap tech finally broke, marking a decisive shift in market character. As the growth index lost momentum, market breadth improved significantly, creating a powerful tailwind for active stock selection. **This rotation validates our specific positioning: as investors pivot from paying 30x+ for growth to seeking reliable earnings at reasonable prices, we believe our portfolio – loaded with 'inexpensive quality' – is ideally positioned to lead**. Over this phase, the LCVS composite returned **+4.48% (+4.44% net)**, outpacing the value benchmark by **+115 bps (+111 bps net)**. Interestingly, three of the top five performers for LCVS during this phase were new positions established in 2025 (FCNCA, DAL, and LMT), **highlighting the value of our active approach in a volatile market**.



**Past performance is no guarantee of future results. There is a risk that invested capital may be lost.** Performance is shown gross and net of fees. Out/Underperformance is versus the Russell 1000 Value. Chart is shown from January 1, 2025 to December 31, 2025. Index data source: London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"), © LSE Group. Please see appendix for additional disclosures.



### What worked...

The holding with the highest contribution to active return in the portfolio during Q4 was **LVMH Moet Hennessy Louis Vuitton SE Un-sponsored ADR (LVMUY)**, the unrivaled global leader in luxury goods with a portfolio of over 75 prestigious brands including Louis Vuitton, Christian Dior, and Tiffany & Co. We are drawn to the company's 'ironclad' brand equity – exemplified by a refusal to discount its core products – which underpins a business model capable of compounding capital over decades. The Arnault family's significant ownership and long-term stewardship provide a unique alignment with shareholders, underscored by **Bernard Arnault's personal purchase of more than EUR 1.5 B of LVMH stock since early 2023**. Further cementing this multi-generational horizon, the family's holding structure includes a **binding provision that prevents heirs from selling their stakes for 30 years**, ensuring unified control until at least 2052.

The company's third-quarter update exceeded expectations and signaled a potential stabilization in the broader luxury market. Group organic revenue returned to modest sequential growth, with Fashion & Leather Goods declining less than feared and Selective Retailing delivering continued outperformance. Importantly, management highlighted improving trends in Mainland China, helping ease concerns that the region's slowdown was structural rather than cyclical. Leadership transitions at several flagship fashion houses have been well received, **reinforcing confidence in the creative direction – particularly for high-impact fashion shows**, a material driver of long-term pricing power and full-price sell-through. In addition, Sephora continued to gain share, growing roughly twice as fast as the broader beauty market. Management attributed this durability to the experiential nature of the model, noting simply: "Sephora is everything Amazon is not." Encouraged by these signs of resilience and the company's competitive dominance, **we took advantage of the share price strength to materially reduce our position size**.

Q4 2025 Top Contributors

Symbol	Company	Total Return	PCAR
LVMUY	LVMH Moet Hennessy Louis Vuitton SE Un-sponsored ADR	24.54	0.60
FCNCA	First Citizens BancShares Inc. (CI A)	20.21	0.57
CACI	CACI International Inc. (CI A)	6.80	0.41

2025 Top Contributors

Symbol	Company	Total Return	PCAR
CRH	CRH PLC	36.34	1.49
TLN	Talen Energy Corp.	90.74	1.23
FRFHF	Fairfax Financial Holdings Ltd.	39.06	1.13

Another top contributor was **First Citizens BancShares Inc. (CI A) (FCNCA)**, the largest family-controlled bank in the U.S. and one of the nation's premier 'acquirers of choice' for failed institutions. We are drawn to FCNCA's unique 'compounding machine' model, which combines a low-risk, relationship-driven core bank with a highly opportunistic acquisition strategy – most notably the 2023 purchase of Silicon Valley Bank (SVB) at a deep discount. This deal not only doubled the bank's tangible book value overnight but also positioned it as the dominant lender to the innovation economy, creating a powerful engine for long-term growth. **Management highlighted the embedded earnings power of this engine, noting that replacing the low-yielding purchase money note associated with the SVB deal could structurally lift return on equity from ~11% currently to 15-16%, transforming the bank's profitability profile**. The Holding family's century-long stewardship and multibillion-dollar economic stake support a disciplined capital allocation strategy that emphasizes per-share value creation rather than empire building.

In Q4 2025, FCNCA continued its strong momentum, fueled by a third-quarter earnings report that handily beat expectations and showcased the resilience of the SVB franchise. Despite attention on a one-off \$82 MM credit charge-off tied to the bankruptcy of First Brands, an automotive supplier, and legacy exposure from a prior acquisition, the bank has maintained stable credit metrics and management remains confident in the portfolio's overall credit quality. Meanwhile, the bank has grown deposits for a seventh consecutive quarter, easing doubts about the stickiness of its acquired client base. Management also flexed the bank's fortress balance sheet by aggressively repurchasing nearly 4% of shares outstanding, signaling unwavering confidence in its valuation. Given the continued execution and the compounding benefits of the SVB integration, we initiated the position during the quarter.

Another positive contributor was **CACI International Inc. (CI A) (CACI)**, a national security technology provider delivering specialized expertise and proprietary technology to intelligence, defense, and federal civilian customers. We favor CACI's strategic pivot over the last decade, shifting away from commoditized services toward **high-value, enduring technology solutions – such as software-defined electronic warfare and counter-UAS capabilities** – that align directly with critical national security priorities. This transformation, coupled with a disciplined capital allocation strategy that balances strategic M&A with opportunistic share repurchases, has positioned the company to **compound free cash flow and secure larger, longer-duration contracts with greater revenue visibility**.

In the fourth quarter, CACI shares surged following a fiscal 2026 first-quarter earnings report that demonstrated the resilience of its business model against a backdrop of budget uncertainty. The company delivered double-digit revenue growth and robust margin expansion, but the standout metric was an **impressive 2.2x book-to-bill ratio, fueled by \$5 B in contract awards – over half of which represented new business**. Management also successfully alleviated investor concerns regarding potential government shutdowns and the Department of Government Efficiency (DOGE), clarifying that **only two contracts appeared on the government's efficiency board – representing less than 0.1% of revenue** –



**reinforcing the essential nature of the company’s national security portfolio.** As the stock price appreciated on these fundamental strengths and approached our estimate of fair value, **we materially trimmed our position.**

Reflecting on 2025, the top contributing holdings to active return were **CRH PLC (CRH)**, **Talen Energy Corp. (TLN)**, and **Fairfax Financial Holdings Ltd. (FRFHF)**. **CRH**, the leading building materials provider, rallied on sustained infrastructure demand and significant margin expansion, specifically within complex projects like data centers where management noted they are “often the very first person on site... with our energy, our water and our communications,” allowing them to capture value before vertical construction begins. The year was further capped by its inclusion in the S&P 500 index following its successful primary listing transition to the United States. **TLN** surged after expanding its nuclear power partnership with Amazon Web Services Inc. (AWS) to support data center growth, while simultaneously deploying capital into accretive gas plant acquisitions and a share repurchase program. Completing the top performers, **FRFHF** continued its track record of compounding book value, delivering exceptional underwriting profits with a combined ratio in the low 90s (92%), a level management noted has only been bested twice in the company’s history, both times aided by reserve releases.

*What didn’t work...*

The holding with the lowest contribution to active return in the portfolio during Q4 was **Labcorp Holdings Inc. (LH)**, a leading global life sciences company providing comprehensive clinical laboratory and drug development services. **We view Labcorp as a critical component of the healthcare infrastructure, as its services account for a low-single-digit percentage of overall costs yet inform roughly 70% of clinical decisions.** The company leverages its **massive scale and status as a low-cost provider** to drive savings for the system while capitalizing on secular tailwinds like an aging population and the rise of personalized medicine. The company’s dual-engine business model – combining resilient diagnostic volume growth with high-value biopharma services – generates robust free cash flow that funds a disciplined capital allocation strategy focused on **strategic hospital outreach acquisitions and consistent share repurchases.**

During the quarter, shares lagged despite the company posting strong financial results that beat expectations and raising its full-year outlook. Market sentiment was dampened by softer-than-expected performance in the early-stage drug development business – which **represents less than 10% of revenues** – where delays in study starts prompted management to announce restructuring actions to streamline the division. While the **core diagnostics business continued to deliver healthy organic volume growth and margin expansion**, lingering investor anxiety regarding potential future government reimbursement cuts clouded the immediate picture. We view the sell-off as an **overreaction to temporary headwinds that ignores the company’s long-term competitive advantage.**

**Q4 2025 Bottom Contributors**

Symbol	Company	Total Return	PCAR
LH	Labcorp Holdings Inc.	-12.37	-0.64
LEN	Lennar Corp. (CI A)	-18.10	-0.44
BJ	BJ’s Wholesale Club Holdings Inc.	-3.45	-0.42

**2025 Bottom Contributors**

Symbol	Company	Total Return	PCAR
LULU	lululemon athletica Inc.	-55.70	-2.10
BDX	Becton Dickinson and Co.	-12.95	-1.55
FIS	Fidelity National Information Services Inc.	-16.96	-1.53

Another bottom contributor during the quarter was **Lennar Corp. (CI A) (LEN)**, one of the nation’s largest homebuilders, which recently transitioned to a **capital-efficient, ‘land-light’ business model.** We favor Lennar’s long-term positioning, driven by a structural housing deficit in the U.S. and its pivot to a manufacturing-like operation that prioritizes high inventory turns and return on equity over land speculation. We believe the company’s **fortress balance sheet** – maintaining a small net debt position in its homebuilding segment – and consistent shareholder returns via buybacks and dividends provide resilience, while its strategic land spinoffs demonstrate a commitment to unlocking value and reducing cyclical risk.

In the fourth quarter, Lennar shares pulled back as the company reported disappointing gross margins and softer-than-expected profitability, reflecting the heavy toll of **affordability constraints** on the housing market. To maintain delivery volumes, Lennar was forced to keep **sales incentives elevated at approximately 14% of homebuilding revenues, significantly compressing gross margins to 17.0%** and dampening near-term earnings power. While the market penalized the stock for this margin degradation and disappointing first quarter 2026 guidance, we view these fundamental headwinds as cyclical rather than structural, given that the **United States remains underhoused by millions of units, creating long-term tailwinds for LEN’s growth.** Management expressed confidence in a rapid demand activation “**if interest rates... get closer to 6%,**” viewing the current lull as a pause rather than a structural turn; **with mortgage rates trending toward these levels in early 2026, we believe this catalyst may be materializing.**

Another poor performer this quarter was **BJ’s Wholesale Club Holdings Inc. (BJ)**, a leading warehouse club operator with a differentiated focus on fresh food and convenience. We view BJ’s as a compelling ‘self-help’ story that has successfully transformed its business model to drive higher membership retention and lifetime value through significant investments in merchandising, digital capabilities, and a robust loyalty program. This strategic pivot, underpinned by the stability of recurring membership fee income which comprises roughly half of EBITDA, and the significant improvement in the balance sheet have earned the company the right to accelerate its footprint expansion, creating a long runway for compounding



growth that we believe is underappreciated by the broader market. This strategy is already bearing fruit, with management noting **that the 2025 vintage of new club openings has membership counts running “25% ahead of plan,” validating the concept’s portability.**

In the fourth quarter, BJ’s shares lagged after the company reported third-quarter results that, while solid, fell slightly short of elevated consensus expectations for comparable sales growth. Despite the headline miss, the underlying fundamentals remained robust: **the company delivered its 12th consecutive quarter of market share gains and 15th consecutive quarter of traffic growth**, while membership fee income increased nearly 10% driven by record renewal rates and higher-tier penetration. Investors appeared to focus on the choppy macroeconomic backdrop pressuring discretionary spend; however, we viewed the pullback as an attractive opportunity to own a durable, share-taking franchise at a discount.

Reflecting on 2025, the bottom contributing holdings to active return were **lululemon athletica Inc. (LULU)**, **Becton Dickinson and Co. (BDX)**, and **Fidelity National Information Services Inc. (FIS)**. We exited **LULU** after the brand’s rapid deceleration in the U.S. and negative same-store sales signaled a structural loss of market share to emerging competitors like Alo and Vuori. **BDX** shares languished as persistent weakness in China and Biosciences demand overshadowed its core stability, prompting the company to pursue a complex portfolio transformation involving a spin-off and the acquisition of Waters Corp. (WAT). Once complete, this transformation should leave the ‘New BD’ with a portfolio that is **90% consumables**, significantly reducing cyclicality and improving earnings quality. Finally, **FIS** underperformed amidst investor skepticism regarding its earnings quality and organic growth targets in Banking and Capital Markets, which remained weighed down by elevated leverage.

### Portfolio positioning...

As of December 31, the portfolio held **28** positions, up **1** position from Q3. During Q4, the largest sector increase was **+549 bps** within Industrials, while the largest decrease was **-612 bps** within Consumer Discretionary. We established **6** new positions and eliminated **5** positions. Details are included in the following tables:

Established

Symbol	Company	Description	Market Cap	Conv @ Purch	Entry Price	AV @ Purch	% AV @ Purch	Purch Date
UNP	Union Pacific Corp.	Largest public Class 1 railroad	\$138.0 B	2.0	232.65	293	79%	Oct-25
DAL	Delta Air Lines Inc.	Third-largest airline in the world	\$40.3 B	3.0	61.75	80	77%	Oct-25
FCNCA	First Citizens BancShares Inc. (Cl A)	Conservative bank headquartered in NC	\$22.9 B	2.5	1,785.89	2,313	77%	Oct-25
UNVGY	Universal Music Group N.V. Unsponsored ADR	Largest record label in the world	\$47.4 B	2.5	12.93	17	76%	Nov-25
ARES	Ares Management Corp.	Alternative asset manager with an emphasis on credit	\$50.0 B	2.5	152.87	206	74%	Nov-25
LMT	Lockheed Martin Corp.	World’s largest defense contractor	\$102.2 B	2.0	441.82	611	72%	Dec-25

Eliminated

Symbol	Company	Description	Reason	Market Cap	Conv @ Purch	Conv @ Sale	Purch Date	Sale Date	Mos Held	Final PCAR	PCAR per Mos
CSX	CSX Corp.	Class 1 railroad in the Eastern U.S.	Opportunity cost	\$66.9 B	2.5	2.5	Oct-24	Oct-25	11	-3	-0.3
TLN	Talen Energy Corp.	IPP that owns the sixth-largest nuclear facility in the U.S.	Target	\$17.4 B	2.5	2.5	May-24	Oct-25	17	446	26.6
FIS	Fidelity National Information Services Inc.	Market leader in mission-critical core bank processing services	Change in fundamentals	\$32.1 B	2.5	2.0	Apr-25	Oct-25	6	-152	-23.7
AER	AerCap Holdings NV	World’s largest aircraft leasing company	Target	\$23.2 B	3.0	3.0	Dec-24	Nov-25	11	68	6.1
SBUX	Starbucks Corp.	Leading specialty coffee retailer	Opportunity cost	\$96.9 B	2.5	2.5	Apr-25	Dec-25	8	-53	-7.0

Information is based on a representative portfolio within the strategy. Strategic purchases and sales are presented. Purchase and sale dates may vary among client accounts. Purchases reflect market cap at the time of initial investment; sales reflect market cap at the time of exit. Assessed valuation and conviction determinations are made by River Road and are subject to revision. Conviction: 1.0 = highest; 5.0 = lowest. Portfolio contribution to active return (PCAR) is calculated as the portfolio-weighted cumulative return relative to the overall index. Position-based PCAR aggregates the contribution of child securities with that of the parent for corporate actions that were held less than 90 days. After 90 days, the child security is considered a unique investment decision. Best efforts have been made to identify historical corporate actions. All representative portfolio information is supplemental to the composite presentation. Please see appendix for additional disclosures.

**Union Pacific Corp. (UNP)** is one of the largest U.S. railroad companies with a formidable economic moat derived from its **irreplaceable West Coast assets**. We funded this purchase by exiting CSX Corp. (CSX), effectively **upgrading the quality of our rail exposure to what we believe is the best-run railroad in the industry**. The investment is underpinned by a **‘heads-we-win, tails-we-win’** setup: the December 2025 formal merger application with Norfolk Southern Corp. (NSC) offers a historic catalyst to create America’s first truly **transcontinental railroad with significant synergies**; yet, should the deal not proceed, we remain highly confident in UNP’s standalone prospects. Under CEO Jim Vena – a railroad disciple of the late **Hunter Harrison, the architect of Precision Scheduled Railroad (PSR)** – we expect UNP’s focus on safety and service reliability to drive superior margin expansion and long-term earnings growth.

**Delta Air Lines Inc. (DAL)**, the third-largest airline in the world, represents a compelling investment opportunity as it **transforms from a traditional cyclical carrier into a high-margin, diversified travel powerhouse**. Our investment thesis is anchored in Delta’s unique ability to capture a disproportionate share of industry profitability – roughly **50% to 60%** – by dominating the ‘front of the plane’ economy. Capitalizing on accelerating demand for corporate and premium travel, Delta’s business model is increasingly insulated by superior segmentation; **premium seating revenue is expected to surpass main cabin revenue by 2026**. This resilience is further bolstered by an industry-leading loyalty ecosystem, most notably the **American Express partnership**, a high-margin, capital-light engine that accounts for approximately **75% of Delta’s free cash flow** and acts as a critical buffer against economic volatility. With a disciplined focus on deleveraging –



having already reduced **Adjusted Debt to EBITDAR to 2.4x** – the company has officially initiated a **\$1 B share buyback program** to complement its growing dividend, all while trading at an attractive valuation relative to its resilient cash flows.

**First Citizens BancShares Inc. (CI A) (FCNCA)** is a premier, family-led 'financial compounder' and the only bank to consistently outperform JPMorgan Chase & Co. (JPM) in Total Shareholder Return over a 20-year horizon. **Our thesis is anchored in the bank's disciplined and opportunistic capital allocation.** Following the transformative acquisition of **Silicon Valley Bank (SVB)** – which integrated a high-margin innovation ecosystem including deep relationships with venture capital backed biopharma and technology start-ups, along with \$119 B in deposits – management has pivoted to an aggressive capital return strategy. Recent results have validated the stickiness of this acquired client base, with deposits growing for the seventh consecutive quarter. Recognizing that the current valuation underappreciates its post-merger earnings power, First Citizens launched a **\$3.5 B share repurchase program** aimed at retiring roughly **33% of its market cap by 2027**. With the Holding family maintaining 20% ownership and 50% voting control, management remains deeply aligned with shareholders.

**Universal Music Group N.V. Un-sponsored ADR (UNVGY)** is the world's leading music entertainment company, commanding a dominant 32% global market share in recorded music. We view the music industry as a high quality industry characterized by structural high-single-digit organic growth and recurring royalty streams. The company owns a 'must-carry' catalog that acts as an indispensable utility for Digital Service Providers (DSPs). We believe the market fundamentally underappreciates the durability of this growth – specifically within the high-margin catalog business, which has delivered a 15% CAGR as digital monetization breathes new life into legendary IP. While AI remains a headline risk, our research suggests it is a tool rather than a replacement; as management noted, consumer surveys indicate **"the thing that ranks the lowest [in consumer interest] is artist simulation, what we would call fake artists."** With near-term catalysts including DSP price hikes, a potential U.S. listing, and technical factors that could result in a short squeeze, the company is a high conviction play on the secular growth of global music consumption trading at an attractive valuation.

**Ares Management Corp. (ARES)** is discussed below as the largest new position.

Lastly, we established a position in **Lockheed Martin Corp. (LMT)**, the world's largest defense prime, at a valuation notably below its historical average and peer group. While execution concerns regarding the F-35 have pressured the stock, we view **the setup as asymmetric given unprecedented global defense spending** and LMT's record **\$179 B backlog**, which provides multi-decade revenue visibility. Management has aggressively addressed these legacy operational hurdles, noting they have "basically drowned [troubled programs] in talent and attention" to "put every risk that we can quantify behind us." We believe the market is overly pessimistic regarding program risks, while underappreciating a management team that has **reduced share count by 45% since 2008** and maintained a growing dividend for **24 consecutive years**. By integrating advanced hardware with its **'21st Century Security' digital pivot**, we believe Lockheed Martin remains a high quality, cash-generative franchise essential to global security with a significant margin of safety.

**We exited several positions where our thesis was impaired or where the risk/reward profile deteriorated:**

- **CSX Corp. (CSX)** was sold to fund the purchase of Union Pacific Corp. (UNP). We grew concerned that fundamentals were failing to inflect under the prior CEO, and the new leadership lacks a traditional railroading background. **We believe we upgraded the portfolio quality without compromising on discount.**
- **Talen Energy Corp. (TLN)** was significantly trimmed over the past year, and we eliminated the small remaining position in Q4 as the stock traded near its high case assessed value.

GICS Sector	9/30/2025		12/31/2025		R1V	Change from 9/30	Over / Under
	LCVS	R1V	LCVS	Change from 9/30			
Financials	29.9%	22.6%	30.7%	0.8%	22.3%	-0.4%	8.4%
Industrials	15.1%	13.1%	20.6%	5.5%	13.0%	-0.1%	7.6%
Cons Staples	10.7%	7.6%	10.0%	-0.7%	7.2%	-0.3%	2.7%
Health Care	11.9%	11.7%	9.8%	-2.2%	12.2%	0.5%	-2.4%
Materials	11.3%	4.2%	9.1%	-2.1%	4.0%	-0.1%	5.1%
Cons Disc	14.9%	7.7%	8.8%	-6.1%	7.4%	-0.3%	1.4%
Comm Svcs	-	8.1%	4.1%	4.1%	8.5%	0.4%	-4.3%
Real Estate	3.5%	4.2%	3.4%	-0.1%	4.0%	-0.2%	-0.5%
Energy	-	5.9%	-	-	5.7%	-0.2%	-5.7%
Info Tech	-	10.5%	-	-	11.3%	0.9%	-11.3%
Utilities	1.3%	4.5%	-	-1.3%	4.4%	-0.2%	-4.4%
Cash	1.3%	-	3.4%	2.1%	-	-	3.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>

Information is based on a representative portfolio within the strategy. Sector classifications are defined by GICS. Stocks without a reported sector are not presented.

GICS Sector	12/31/2025				
	LCVS	# of Holdings	Avg Pos Size	Wtd Avg % of AV	Wtd Avg Conviction
Comm Svcs	4.1%	1	4.1%	76.7%	2.5
Real Estate	3.4%	1	3.4%	81.2%	2.5
Cons Staples	10.0%	3	3.3%	82.2%	1.9
Cons Disc	8.8%	4	2.2%	82.7%	2.6
Industrials	20.6%	6	3.4%	83.1%	2.3
Health Care	9.8%	3	3.3%	84.6%	2.7
Financials	30.7%	8	3.8%	86.9%	2.0
Materials	9.1%	2	4.6%	91.8%	1.8
Energy	-	-	-	-	-
Info Tech	-	-	-	-	-
Utilities	-	-	-	-	-
Cash	3.4%	-	-	-	-
<b>Total</b>	<b>100.0%</b>	<b>28</b>	<b>-</b>	<b>84.8%</b>	<b>2.2</b>

Information is based on a representative portfolio within the strategy. Sector classifications are defined by GICS. Stocks without a reported sector are not presented.



- **Fidelity National Information Services Inc. (FIS)** was exited after a short holding period. The company provided **disappointing guidance**, and we perceived **broader industry weakness** based on peer commentary. We proactively exited the position before the company reported Q3 results.
- **AerCap Holdings NV (AER)** was sold above our assessed value. During our holding period, the thesis played out with **aggressive capital returns, attractive industry tailwinds, and disciplined M&A**.
- **Starbucks Corp. (SBUX)** was **eliminated because the thesis deteriorated as the turnaround timing became uncertain** amidst increased competitive pressures and the stock neared its assessed value. Fundamental concerns were reinforced by recent results showing the company took a significant 500 basis point hit to operating margins just to stabilize transactions, while the North American store base actually shrank by 1%, undermining the long-term growth narrative. We sold the stock to make room for more attractive risk/reward profile stocks.

#### ***New purchase...***

The largest new position added during the quarter was the following:

- **Ares Management Corp. (ARES)**

Ares Management is a leading global alternative investment manager with a **strategic focus on credit** (74% of FY 24 management fees), complemented by platforms in private equity (4%), real estate (14%), and strategic initiatives (8%), encompassing direct lending, corporate buyouts, infrastructure, real estate debt/equity, and insurance/Asia-Pacific solutions. **Founded in 1997** by high-yield veterans emerging from Drexel Burnham Lambert's collapse – including Co-Founder and Executive Chairman Antony Ressler, 64, who started at Drexel before co-founding Apollo Global Management, and Co-Founder and CEO Michael Arougheti, 52, formerly of RBC Capital Partners – Ares has built a credit-centric powerhouse, managing approximately **\$596 B** in assets (\$368 B fee-paying) as of September 30, 2025, with over 2,310 professionals across 30 offices worldwide serving pensions (28%), insurance (13%), public entities (16%), high-net-worth individuals (6%), and sovereign wealth funds (8%).

While markets grow increasingly anxious about private credit – fueled by isolated high-profile bankruptcies and fraud cases raising fears of a credit cycle turn – Ares demonstrates **resilient underwriting and portfolio health**, as CEO Arougheti recently emphasized: "these events appear to be idiosyncratic and isolated and not the sign of a turn in the credit cycle," with **no deterioration in fundamentals, improving interest coverage, conservative loan-to-value ratios** (~42% U.S., 48% Europe), and **negligible losses** (cumulative annual rate of 1 bp historically). As management highlighted, these conservative ratios mean "borrowers would have to lose on average more than 50% of their enterprise value... before we lose a \$1 of our principal," providing a massive cushion against volatility.

This overreaction overlooks Ares' **distressed heritage and stellar historical track record**: during the Great Financial Crisis from 2007-2010, flagship BDC Ares Capital Corp. (ARCC) generated **zero aggregate net realized losses** while outperforming leveraged loan indices by over **540 bps** annually; similarly, amid COVID-19 from 2019-2021, Ares achieved a **27% management fee CAGR** through credit outperformance and accelerated deployment, positioning its current lending book – over 93% senior debt with low non-accruals (~1% in ARCC) – to weather volatility with minimal downside.

Ares' business model capitalizes on **secular tailwinds** as **banks retreat from private lending amid regulatory pressures since the Great Financial Crisis** driving robust AUM growth (28% year-over-year in Q3 2025) while filling the void with scalable, high-return strategies. Fees remain resilient at **107 bps with no real pressure**, thanks to long-duration AUM (77% over three years, 50% from permanent vehicles) that locks in predictable revenue, and a **management-fee-centric income stream** (over 80% of earnings versus peers at ~45%) that enhances valuation stability. **The retail wealth channel amplifies this opportunity**, as 401(k)s and advisors increasingly embrace semi-liquid alternatives for diversification; Ares, well-regarded across platforms, commands a 20% share in 1031 exchanges and **raised its 2028 wealth AUM target from \$100 B to \$125 B**, tapping a \$140 T individual investor market still in its early innings.

Shareholder orientation shines through **51% insider ownership** that aligns interests deeply, complemented by Arougheti's track record of smart bolt-on deals **expanding into real estate** (e.g., GCP International for data centers), **international markets** (e.g., Crescent Point Capital in Asia), and **insurance** (e.g., Aspida for annuity solutions). The company's recent inclusion in the **S&P 500** on December 11, 2025 underscores its growing stature, and dividends have compounded at a **23% five-year CAGR**, with management guiding for **~25% annual growth** over the next 3+ years as fee related earnings (FRE) increases.

Financially, we believe Ares boasts a fortress balance sheet with **\$1.2 B** in liquidity, modest 1.1x net debt to FY 25 FRE, and investment-grade ratings (BBB+/A-), providing ample firepower for opportunistic moves amid economic softening. With **\$150 B** in dry powder – the highest among peers – Ares is primed to capitalize on dislocations, potentially pursuing major private equity acquisitions to gain scale, as hinted by management, further diversifying its platform and accelerating growth.



The primary risk stems from a **meaningful economic slowdown** unmasking any underwriting flaws, potentially spiking losses, eroding returns, and hindering future fundraising – though Ares' conservative structuring, idiosyncratic event focus, and proven cycle resilience mitigate this; inorganic expansions carry integration challenges, and incentive fee variability, offset by perpetual capital and light leverage.

ARES is followed by River Road Senior Equity Research Analyst Allen Harris, CFA.

## OUTLOOK

### *Monetary and fiscal policies remain tailwinds*

**We view the monetary backdrop as increasingly constructive.** With inflation moderating – particularly in the sticky housing component – **we expect lower interest rates to provide relief to the economy.** Furthermore, we anticipate a **Trump appointee at the Federal Reserve will likely favor a more dovish policy stance, accelerating the path to lower rates.** We believe our portfolio is **well positioned for this shift, relying on pent-up demand rather than multiple expansion.** This includes **Lennar Corp. (CI A) (LEN)**, which should see increased volume as mortgage rates move lower and housing affordability improves.

We also view this environment as **highly constructive for our alternative asset managers (BN, KKR, and ARES).** While lower rates are a tailwind for transaction activity – a 'thaw' we are already seeing in deployment pipelines – we believe the market underappreciates the structural 'democratization' of private equity. These companies are seeing record inflows from private wealth and insurance channels – new pools of capital that are driving growth independent of the economic cycle. **Finally, lower borrowing costs should also provide a direct benefit to our regional bank holding (FCNCA) and auto dealer holding (LAD).**

**On the fiscal front, the environment is similarly constructive.** We believe the market is only now beginning to feel the tangible impulse of the *One Big Beautiful Bill* (OB BB), specifically the permanent 100% bonus depreciation which incentivizes immediate corporate reinvestment. Ideally positioned alongside this recovery are infrastructure-linked names like **CRH, CSL, and AMRZ.** These companies stand to benefit from a powerful dual tailwind: fiscal incentives driving new demand and lower interest rates unlocking a backlog of projects that were previously stalled by high financing costs.

Within the industrial complex, performance was driven by the 'physical' buildout of the AI and energy economy. While general manufacturing activity has cooled, holdings exposed to data center construction and electrical infrastructure, such as CRH and AMRZ, reported robust pricing power and backlogs. This trend is rippling across the supply chain; current watchlist stock Expeditors International of Washington Inc. (EXPD) noted they “continue to benefit from the significant investments being made by our tech customers in AI infrastructure,” confirming that the capex boom is moving tangible tonnage, not just digital code. Management at Brookfield Corp. (BN) highlighted the tangible reality of this trend, noting massive demand for baseload power to support the digitization of the economy.

**While the real-world impact of tariffs is just beginning to manifest on income statements, we believe the combination of tax relief, deregulation, and potential ‘Tariff Dividends’ for households remains a net positive for the economy and equity markets.** However, we remain mindful that certainty is just as important as incentives. As management at Landstar System Inc. (LSTR), a watchlist stock for LCVS and current holding in our Mid Cap Value portfolio, noted, “you need to have stable trade policy...The more normalization we can see there, I think the better for people deploying capital,” **suggesting that clarity on the tariff front could be the final key to unlocking pent-up industrial spend.**

### *The Sentiment Paradox*

Investor sentiment remains elusive, primarily because **the economy itself has evolved into a K-shaped landscape.** Wealthy consumers and asset owners are buoyed **by record stock market highs and home values,** keeping confidence elevated in certain segments. **CEO confidence has rebounded** into the new year, with leaders moving from a defensive posture to one of strategic execution as interest rate pressure eases and regulatory clarity improves.

While headline economic data suggests resilience, our bottom-up research reveals a distinct bifurcation in the consumer economy. Management teams at our Consumer Staples holdings, including Kroger Co. (KR) and BJ's Wholesale Club Holdings Inc. (BJ), noted a **sharp divergence in behavior: high-income households continue to spend robustly, while middle-and lower-income cohorts are managing budgets through smaller basket sizes and a shift to private label products.** This 'trade-down' dynamic helps explain the disconnect between strong GDP prints and poor consumer sentiment surveys.

This disconnect creates a 'wall of worry': **while the economy performs well, many participants do not feel prosperous.** This is most evident when comparing **'hard' economic data** – such as GDP, industrial production, and retail sales – which consistently surprise to the upside, against **'soft' economic data** such as sentiment surveys, which consistently surprised to the downside. Scott Nuttall, Co-CEO of KKR & Co. Inc. (KKR), captured this dichotomy perfectly, noting that media



narratives are constantly "looking for the next boogeyman" in private markets despite robust fundamentals: "The noise is bad, and the facts are good... We will leave it to you to decide which to pay more attention to." We believe this dispersion – between sentiment and reality and between the 'haves' and 'have-nots' – creates a fertile environment for active stock selection.

### The Consensus Trap

One of our primary concerns for 2026 is the striking uniformity of investor expectations we call the 'Consensus Trap.' The prevailing narrative – a 'perfect soft landing' for inflation, interest rates, and growth – has become so monolithic that the market is now priced for perfection. We are reminded of Mark Twain's warning: "It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."

In a market convinced it 'knows' the path of inflation, interest rates, and growth, the greatest threats to the equity markets are the 'unknown unknowns' – or simply the possibility that the consensus view is wrong. When market participants are this crowded, even a slight deviation from the consensus view can trigger significant volatility as the market reevaluates its certainty.

### Valuations are high; value looks relatively attractive

Elevated valuations further highlight the 'priced for perfection' environment and represent another factor that tempers our outlook. However, we continue to see compelling relative opportunity in value stocks. While the Russell 1000 Value ended the year trading at 16.7x forward earnings – a 24% premium to its long-term average – it appears attractive compared to growth stock valuations. The Russell 1000 Growth ended the year at 27.9x forward earnings, representing a 41% premium to its own history and a staggering 67% premium to the value index.

### Maintaining value in an expensive market

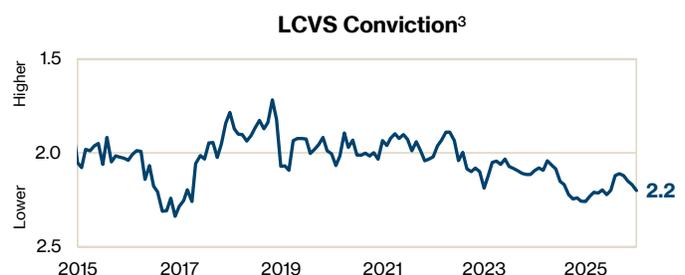
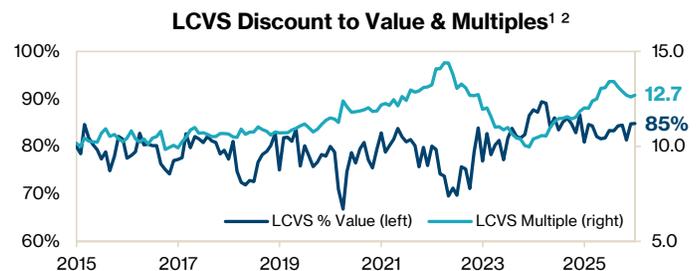
We concluded 2025 with a portfolio discount to value (DTV) of 85%, up from 81% at the start of the year. Although this sits above our long-term average, it represents a compelling value proposition relative to a broad market characterized by extreme valuations. Our active management approach was particularly evident in Q4: the portfolio's DTV remained unchanged at 85% even as the Russell 1000 Value climbed. This 'valuation defense' underscores our commitment to recycling capital into names with the most attractive risk/reward profiles.

Portfolio activity in Q4 focused on reducing or eliminating stocks with less attractive risk/reward profiles (lower or no discount to assessed values). The capital was largely recycled into new investments offering sufficient discounts, which were discussed above. In summary, while fiscal and monetary policies are supportive, elevated valuations and the 'Consensus Trap' temper our optimism. This environment has created a compelling opportunity: 'Quality' stocks – those with high returns on capital and steady earnings – have rarely been so out of favor relative to the broad market. We are aggressively capitalizing on this historic dislocation. Our portfolio currently generates a five-year average return on equity (ROE) of 25.4% – a level that is not only significantly higher than the Russell 1000 Value's 18.2% but also represents the highest quality profile in our strategy's history.

Remarkably, the market is allowing us to acquire this elite profitability at a discount, paying just 12.8x EV/EBITDA versus the benchmark's 13.6x. This creates a portfolio with a rare balance of defensive and offensive positioning: we secure the 'defensive' protection of a significant valuation discount while retaining the 'offensive' power of a superior long-term growth profile (10.3% versus 9.3%). We believe this combination offers an exceptional margin of safety and upside potential regardless of the economic path ahead.

Thank you for investing with River Road!

- January 13, 2026



Charts are shown through December 31, 2025. Information based on a representative portfolio within the strategy. Assessed valuation, multiple, and conviction determinations are made by River Road and are subject to revision. Conviction: 1.0 = highest; 5.0 = lowest. <sup>1</sup>Monthly weighted average price percent of assessed valuation of all portfolio holdings. <sup>2</sup>Monthly weighted average multiple; excludes Financials sector and companies with non-cash flow-based valuations. <sup>3</sup>Monthly weighted average conviction rating.



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**Benchmark Description:** The official benchmark for the composite is the Russell 1000 Value index. All other indices are shown for additional information only. Composite performance may differ materially from the Index as the composite only invests in a subset of the securities contained in the Index and also invests in securities not contained in the Index.

**Performance and Fees:** The U.S. dollar is the currency used to express performance. Performance is presented gross and net of management fees and includes the reinvestment of income. All performance presented is after the deduction of trading costs. Net of fee performance is calculated using actual management fees. For periods including non-fee paying accounts, net is calculated for those accounts by applying the highest fee schedule effective at that time. Composite performance is presented gross of foreign withholding taxes on dividends, interest income, and capital gains. Unless otherwise noted, performance provided for periods greater than one year is annualized.

The Large Cap Value Select composite was created and inception on November 1, 2014.

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**Characteristics:** Unless otherwise noted, share-related characteristics are provided by FactSet. Portfolio and index characteristics are based on companies' most recent filings as of this report date (values for many companies may be as of the prior period). Most company share-related characteristics exclude outliers. Outlier exclusion methods include interquartile and inverse interquartile; the universe for determining outliers is the Russell 3000. For more information, please contact RRAM.

**Attribution:** Sector, Industry Group, Industry, or Sub-industry group levels are determined at the beginning of each month according to the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI, Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"), unless otherwise stated that they have been reclassified or classified by RRAM. Reclassifications/classifications by RRAM are not supported by S&P or MSCI. All GICS data is provided "As Is" with no warranties. RRAM may classify securities that are not automatically classified by MSCI and S&P. Standard & Poor's Financial Services, LLC and its third-party information providers disclaim liability in relation to the information shown and the context from which it is drawn.

**Contribution:** Top and bottom contributors based on portfolio contribution to active return, which is calculated as the portfolio-weighted return relative to the overall index. For the purpose of assessing top and bottom contributors, the contribution of child securities is aggregated with that of the parent for corporate actions that occurred during the most recent calendar quarter. Unless otherwise noted, total effect is used to assess the contribution to relative return. To receive information regarding the methodology for calculating the top/bottom contributors or a list showing every holding's contribution to the overall composite and/or representative portfolio performance contact RRAMCompliance@riverroadam.com.

**Representative Portfolios:** Performance and risk statistics are based on the composite; all other data presented is based on a representative portfolio. If no single representative portfolio is available to represent the strategy since inception, different representative portfolios and/or the composite are used for different periods to create a continuous representative portfolio. The representative portfolio is selected by the firm as a representative account that is deemed to best represent this management style using a pre-defined, objective set of criteria. All representative portfolio data is shown as supplemental information to the composite presentation. Each client portfolio is individually managed and may vary from the information shown for the representative portfolio.

**Assessed Valuation and Conviction:** Determinations are made by River Road and are subject to revision. Conviction: 1.0 = highest; 5.0 = lowest.

**EBITDA:** Excludes banks, thrifts, and insurers.

**Style Analytics:** Style Mine provides a factor perspective of performance that takes a single factor to partition the market into four quartiles. Quartile 1 (top quartile) represents the stocks with highest factor values; the bottom quartile is the lowest. Results are univariate as each single factor is assessed independently. Factor calculations performed by Style Analytics may differ from those provided elsewhere by River Road. Holdings-based analysis is generated for all periods. Holdings based analysis is less precise; performance discrepancies may be greater between sources.

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