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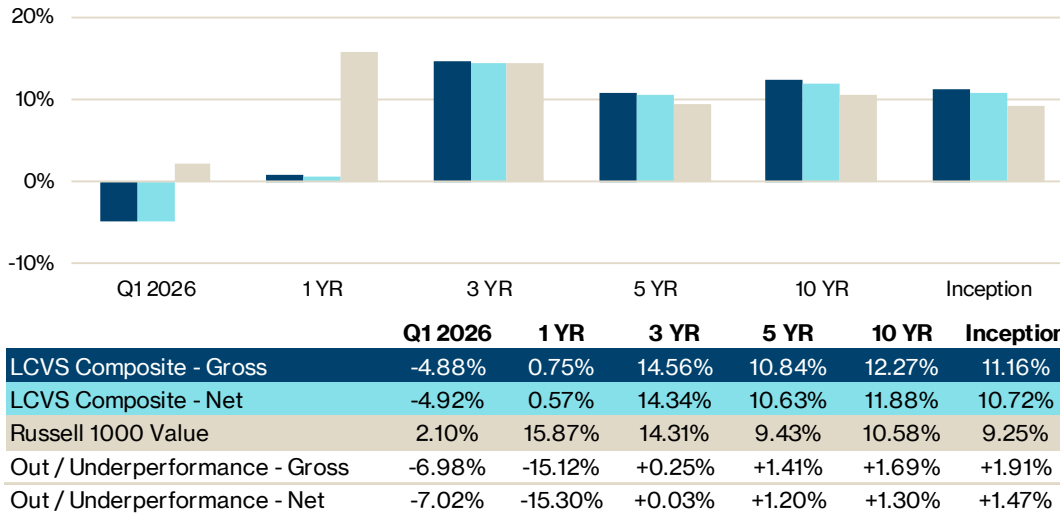
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Market & Portfolio Commentary

Large Cap Value Select

Q1 2026



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MARKET HIGHLIGHTS

- Geopolitical tensions upend the soft landing narrative.
- The rotation to value stocks continues.
- Within the Russell 1000 Value index, **Energy (+38.12%)** and **Materials (+10.60%)** posted the highest total returns, while **Financials (-8.03%)** and **Consumer Discretionary (-4.44%)** posted the lowest.

PORTFOLIO HIGHLIGHTS

- For Q1, the Large Cap Value Select (LCVS) composite returned **-4.88%** (**-4.92%** net) versus **+2.10%** for the Russell 1000 Value benchmark.
- The sectors with the highest contribution to relative return (total effect) in Q1 were **Industrials (+141 bps)** and **Consumer Staples (+63 bps)**.
- The holdings with the highest contribution to active return were **Lockheed Martin Corp. (LMT)** and **Deere & Co. (DE)**.
- The sectors with the lowest contribution to relative return (total effect) in Q1 were **Financials (-236 bps)** and **Consumer Discretionary (-156 bps)**.
- The holdings with the lowest contribution to active return were **Ares Management Corp. (ARES)** and **Universal Music Group N.V. Unsponsored ADR (UNVGY)**.

OUTLOOK

- While **fiscal policy remains supportive and internal valuations have improved**, monetary policy remains constrained and **systemic risks** – spanning sentiment, energy, geopolitics, and AI disruption – **have risen substantially**.



Market & Portfolio Commentary

Large Cap Value Select

Q1 2026

MARKET REVIEW

Geopolitical tensions upend the soft landing consensus

During the first quarter of 2026, global equity markets and the U.S. economy navigated a highly volatile landscape defined by severe geopolitical shocks and a repricing of monetary policy. The outbreak of hostilities in Iran triggered an immediate surge in global oil prices, reigniting structural inflation and recession fears. Consequently, **the interest rate narrative reversed aggressively**: market consensus shifted from anticipating **two Federal Reserve rate cuts to zero**, with several non-U.S. central banks pivoting to contemplate rate hikes. The 10-year Treasury yield ended the quarter at 4.30%, up from 4.18% at year end.

Against this backdrop, the S&P 500 recorded its worst quarter since 2022, declining **-4.33%**. This headline weakness was driven by the **'Magnificent Seven'** cohort, which saw its collective market capitalization **contract by approximately -10%**, as market sentiment abruptly shifted from AI euphoria to anxiety over massive infrastructure capex cycles and the threat of technological disruption. However, while the S&P 500 declined, **market breadth improved**. The S&P 500 Equal Weighted Index posted a **+0.67%** return for the quarter, **outperforming the cap-weighted S&P 500 by +500 bps – its widest year-to-date margin since 2021**. Furthermore, the energy-driven inflation dynamic propelled the **Energy sector to a commanding 38.12% quarterly return**, marking its second-best quarter of relative outperformance against the S&P 500 since Russell 1000 Value inception. Despite the macro headwinds, **the underlying U.S. economic engine remained intact**. The Atlanta Fed's GDPNow model continued to signal a steady Q1 expansion of approximately 2%, supported by a robust corporate foundation where S&P 500 companies delivered **13.9% earnings growth** in Q4, exceeding consensus expectations.

Rotation to value continues; small caps outperform

Starting in mid-November of 2025, the rotation to value stocks continued in the first quarter of 2026. Value stocks outperformed across the market cap spectrum. The Russell 1000 Value outperformed the Russell 1000 Growth by +1,188 bps. Within the Russell 1000 Value index, **Energy (+38.12%)** and **Materials (+10.60%)** delivered the highest total returns for Q1, while **Financials (-8.03%)** and **Consumer Discretionary (-4.44%)** delivered the lowest returns.

After lagging in each of the past nine calendar years, the small cap Russell 2000 index is off to an excellent start in 2026. The Russell 2000 returned **+0.89%** versus **-4.18%** for the large cap Russell 1000.

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)**.

- **Value (EBITDA to EV):** We were overweight low multiple stocks, and they outperformed in Q1.
- **Quality (return on equity):** High quality stocks were neutral to performance in Q1.

LCVS vs R1V Style Mine Performance

Factor	Q1		
	Factor Active Wgt (Top Half)	Relative Return (Top Half)	Asset Allocation (Overall)
EBITDA to EV	28.48	2.52	0.29
Return on Equity	9.52	0.01	-0.02

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PORTFOLIO REVIEW

For Q1, the Large Cap Value Select (LCVS) composite returned **-4.88% (-4.92% net)** versus **+2.10%** for the Russell 1000 Value benchmark. We can attribute the quarter's relative underperformance to three distinct buckets:

AI Disruption Narrative: The market aggressively de-rated businesses perceived to be on the wrong side of AI disruption. This sentiment shift directly impacted capital light business models, penalizing Universal Music Group N.V. Un-sponsored ADR (UNVG) and Willis Towers Watson PLC (WTW). This cost the portfolio **-183 bps** of contribution to active return.

Alternative Asset Managers: The AI disruption panic spilled over into private credit: anxiety spiked over AI's potential to disrupt software companies, raising fears of widespread defaults in software-backed loan portfolios. This narrative, compounded by an industry-wide liquidity squeeze, heavily penalized our alternative asset managers—including Ares Management Corp. (ARES), KKR & Co. Inc. (KKR), and Brookfield Corp. (BN). Together, alternative asset managers cost the portfolio **-260 bps** of contribution to active return. We have produced a piece on alternative asset managers, which is available on request.

The Energy Miss: The outbreak of geopolitical conflict triggered a massive +38.12% return in the Energy sector. Fortunately, we initiated a position in EOG Resources Inc. (EOG) during the quarter, softening the energy headwind. However, the stock quickly reached its assessed value and we exited the position. Our structural underweight to this single, surging sector cost the portfolio **-154 bps** of contribution to active return.

Additional drivers of relative performance included the following:

- **Negative stock selection (-492 bps)**, primarily driven by **Financials (-157 bps)** and **Communication Services (-147 bps)**, which was partially offset by positive stock selection in **Industrials (+101 bps)** and **Consumer Staples (+50 bps)**.
- **Negative sector allocation (-198 bps)**, driven by an underweight to **Energy (-168 bps)** and an overweight to **Financials (-80 bps)**, which was partially offset by overweight positions in **Materials (+46 bps)** and **Industrials (+40 bps)**.
- **All conviction buckets** underperformed the benchmark with high conviction (1.0-2.0 rating) returning **+1.26%**, above average (2.5 rating) returning **-14.43%**, and average/low (3.0-5.0 rating) returning **-2.12%** versus **+2.10%** for the Russell 1000 Value.

Q1 2026			
Conviction	LCVS		
	Avg Wgt	Total Return	Contrib Return
High: 1.0-2.0	49.92	1.26	0.43
Above Average: 2.5	30.51	-14.43	-4.26
Average / Low: 3.0-5.0	16.78	-2.12	-0.84
Cash	2.76	1.79	0.03
Total	100.00	-4.80	-4.80
LCVS Composite - Gross		-4.88	
LCVS Composite - Net		-4.92	
Russell 1000 Value Index		2.10	

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	Q1 2026			Q1 2026			Q1 2026		
	LCVS			Russell 1000 Value			Attribution Analysis		
	Avg Wgt	Total Return	Contrib Return	Avg Wgt	Total Return	Contrib Return	Allocat Effect	Select Effect	Total Effect
GICS Direct Sector									
Industrials	17.45	11.82	2.32	13.65	5.86	0.72	0.40	1.01	1.41
Consumer Staples	10.10	12.97	1.18	7.51	6.65	0.45	0.13	0.50	0.63
Health Care	10.27	-1.16	-0.16	11.87	-2.21	-0.24	0.08	0.10	0.18
Information Technology	--	--	--	11.75	4.56	0.50	-0.31	--	-0.31
Real Estate	3.26	-11.09	-0.38	3.96	2.03	0.06	-0.00	-0.44	-0.45
Utilities	1.25	-12.41	-0.49	4.41	9.00	0.36	-0.19	-0.41	-0.60
Materials	8.71	-5.47	-0.32	4.30	10.60	0.41	0.46	-1.36	-0.90
Communication Services	6.89	-23.40	-1.82	8.15	-4.00	-0.32	0.14	-1.47	-1.33
Energy	1.25	12.84	0.36	6.52	38.12	2.06	-1.68	0.14	-1.54
Consumer Discretionary	8.99	-18.56	-1.83	7.24	-4.44	-0.29	-0.13	-1.42	-1.56
Financials	29.07	-12.99	-3.68	20.64	-8.03	-1.61	-0.80	-1.57	-2.36
Cash	2.76	1.79	0.03	--	--	--	-0.08	--	-0.08
Unassigned	--	--	--	0.00	-0.17	0.00	0.00	--	0.00
Total	100.00	-4.80	-4.80	100.00	2.11	2.11	-1.98	-4.92	-6.90
Gross Composite / Index						2.10			
Net Composite			-4.92						

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What worked...

The holding with the highest contribution to active return in the portfolio during Q1 was **Lockheed Martin Corp. (LMT)**, the world's largest defense contractor. As the dominant prime contractor with an oligopolistic position and high barriers to entry, the company possesses **highly visible long-term earnings**. While the market frequently fixates on near-term F-35 dynamics, we believe Lockheed's broader leadership in missile defense and space systems perfectly positions it to capture **rising demand from persistent global geopolitical tensions**.

LMT shares advanced solidly during the quarter, driven by a **record \$194 B backlog**, the **resolution of prior F-35 production bottlenecks**, and a sentiment boost from administration tweets forecasting **DoD budget growth**. Beyond the headlines, operational execution remains strong, highlighted by landmark framework agreements to drastically scale PAC-3 and THAAD interceptor output. As the stock approached our assessed valuation, we prudently **trimmed the position**.

Another top contributor was **Deere & Co. (DE)**, the world's largest manufacturer of agricultural machinery. Positioned at the **bottom of the agricultural cycle**, we believe the company is primed for a powerful fundamental rebound as an aging fleet forces replacement demand. Furthermore, Deere's dominance in precision agriculture is driving a structural shift toward **higher mid-cycle margins** and **recurring software revenue**.

Q1 2026 Top Contributors

Symbol	Company	Total Return	PCAR
LMT	Lockheed Martin Corp.	25.38	0.65
DE	Deere & Co.	21.16	0.60
CSL	Carlisle Companies Inc.	4.23	0.46

During the first quarter, the stock surged after DE delivered a standout earnings beat and raised full-year guidance, confirming our view that **the agricultural cycle has reached its trough**. The market rewarded the company's strengthening order books and rapid customer adoption of high-margin technology, highlighted by a nearly **80% attach rate for top-tier automation**. As the stock approached our assessed valuation, we **trimmed the position**.

Another top contributor was **Carlisle Companies Inc. (CSL)**, a leading manufacturer of highly engineered commercial roofing systems and weatherproofing technologies. Growth is anchored by a massive **non-discretionary replacement cycle**, as 75% of the commercial roof installed base is now older than 25 years. Exceptional management has successfully executed a disciplined pivot to a pure-play building products platform, driving **sustained margin expansion** and reliable capital return.

During the quarter, CSL exceeded margin expectations despite a modest contraction in organic revenue, as steady commercial re-roofing demand cushioned broader softness in new construction. The market rewarded the company's strong operating leverage and conservative 2026 guidance forecasting continued **EBITDA margin expansion**. With the multi-year multiple re-rating from its business transformation now largely realized, we **trimmed the position** as the stock approached our assessed valuation.

What didn't work...

The holding with the lowest contribution to active return was **Ares Management Corp. (ARES)**, a leading global alternative investment manager. The firm boasts a durable base of **long-duration AUM** that generates stable, **recurring fee income**, with excellent visibility into future growth from its large pool of un-earning AUM. Backed by we believe a fortress balance sheet and **51% insider ownership**, ARES is structurally designed to compound resilient cash flows across market cycles.

Despite reporting record Q4 2025 results, the stock suffered severe multiple compression in the first quarter. Market anxiety spiked around **private-credit underwriting quality** – particularly loans originated during the 2021-2022 vintages – and the threat of AI disruption to software-related debt. Sentiment worsened when ARES was forced to gate retail redemptions on its Strategic Income Fund, mirroring an industry-wide liquidity freeze. We previously awarded ARES a premium multiple for its massive retail growth opportunity. With that engine now stalled, we **reduced valuation multiples** across our alternative asset managers, lowering our valuation assessment for the stock. As the setup quickly devolved into a **'too-hard' situation**, we exited the position entirely to manage portfolio risk, though ARES remains on our watch list.

Q1 2026 Bottom Contributors

Symbol	Company	Total Return	PCAR
ARES	Ares Management Corp.	-36.67	-1.50
UNVG	Universal Music Group N.V. Un-sponsored ADR	-26.36	-1.37
LAD	Lithia Motors Inc.	-25.16	-0.94

Another bottom contributor was **Universal Music Group N.V. Un-sponsored ADR (UNVG)**, the world's largest music company. The firm's unmatched catalog of millions of recordings functions as **must-carry content** for every major streaming service, we believe creating a durable competitive moat driven by the timeless, repeated listening appeal of music. In our view, the business is set to compound as **global streaming adoption widens** and **price increases** from digital service providers (DSPs) flow directly into UNVG's **recurring subscription revenue**.



During the first quarter, shares lagged as investor concerns regarding the **potential threat of AI-generated music** resurfaced. However, fundamentals remained highly resilient, with subscription growth tracking at the high end of management's long-term guidance and proprietary data showing **organic AI consumption remains negligible**. While we trimmed the position for risk-control purposes amid the AI narrative, the outlook shifted dramatically in early April following Bill Ackman's proposed **\$64 B takeover bid**. Ackman's plan to merge Universal Music Group with his acquisition vehicle and move its listing to the NYSE at a 78% premium validates our decision to maintain a core position, as we believe it provides a clear catalyst to unlock the company's true value.

Another poor performer was **Lithia Motors Inc. (LAD)**, one of North America's largest automotive retailers. The company's earnings mix is attractively diversified, with the majority of cash flows generated from **stable, high-margin parts and service** as well as finance and insurance. These recurring segments are largely insulated from new-vehicle cycles and benefit directly from an aging U.S. fleet. This resilient cash-generation engine supports both **aggressive capital returns** and a proven track record of **consolidating a fragmented industry** through high-ROI acquisitions.

During the quarter, shares lagged after the company reported an earnings miss driven by elevated marketing spend and softer new-vehicle volumes. However, the underlying thesis remained robust: used-vehicle performance was resilient, **parts and service revenue grew more than 10%**, and the captive finance arm delivered strong income growth. Management aggressively exploited the stock's weakness, **repurchasing nearly 4% of outstanding shares** in the quarter while adding \$1.6 B in annualized revenue through strategic acquisitions. Viewing the margin pressure as strictly near-term, we **maintained the position**.

Portfolio positioning...

As of March 31, the portfolio held **29** positions, up **1** position from Q4. During Q1, the largest sector increase was **+339 bps** within Utilities, while the largest decrease was **-523 bps** within Industrials. Individual stock dispersion and volatility were high; therefore, portfolio activity was elevated. We established **7** new positions and eliminated **7** positions (including a spin-off). Details are included in the following tables:

Established								
Symbol	Company	Description	Market Cap	Conv @ Purch	Entry Price	AV @ Purch	% AV @ Purch	Purch Date
DIS	Walt Disney Co.	Media, entertainment, and theme park operator	\$202.8 B	2.5	113.21	145	78%	Jan-26
EOG	EOG Resources Inc.	Oil and natural gas explorer and producer	\$60.8 B	3.0	112.08	142	79%	Jan-26
AXP	American Express Co.	Payment network and financial services provider	\$220.6 B	2.5	321.24	437	74%	Feb-26
CEG	Constellation Energy Corp.	Largest independent power producer in N.A.	\$118.0 B	3.0	325.84	408	80%	Feb-26
AMZN	Amazon.com Inc.	E-commerce and cloud computing provider	\$2.3 T	2.0	210.00	320	66%	Feb-26
KDP	Keurig Dr Pepper Inc.	Beverages producer and distributor	\$36.9 B	3.0	27.15	39	70%	Mar-26
WFC	Wells Fargo & Co.	Top-four U.S. bank	\$235.7 B	3.0	76.39	101	76%	Mar-26

Eliminated											
Symbol	Company	Description	Reason	Market Cap	Conv @ Purch	Conv @ Sale	Purch Date	Sale Date	Mos Held	Final PCAR	PCAR per Mos
CASY	Casey's General Stores Inc.	Convenience store and fuel retailer	Target	\$24.4 B	2.5	1.5	Feb-24	Feb-26	24	247	10
WAT	Waters Corp.	Analytical instruments manufacturer	Spin	\$19.0 B	0.0	0.0	Feb-26	Feb-26	0	0	--
QSR	Restaurant Brands International Inc.	Quick service restaurant franchisor	Opportunity Cost	\$31.4 B	2.5	2.5	Feb-25	Feb-26	12	-27	-2
KKR	KKR & Co. Inc.	Global alternative asset manager	Change in Fundamentals	\$83.5 B	2.0	2.5	Nov-20	Feb-26	63	686	11
EOG	EOG Resources Inc.	Oil and natural gas explorer and producer	Target	\$70.6 B	3.0	3.0	Jan-26	Mar-26	1	41	31
ARES	Ares Management Corp.	Global alternative asset manager	Change in Fundamentals	\$35.8 B	2.5	3.0	Nov-25	Mar-26	3	-153	-44
BN	Brookfield Corp.	Alternative asset manager and real assets operator	Change in Fundamentals	\$102.3 B	2.5	3.0	Jun-25	Mar-26	9	-35	-4

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.

Walt Disney Co. (DIS) operates as a premier global entertainment enterprise. **The Experiences segment – comprising its unrivaled global theme parks, resorts, and growing cruise line – remains the company's primary cash flow engine**, poised for sustainable high-single-digit growth driven by Disney's unparalleled ability to monetize its intellectual property and capitalize on secular travel tailwinds. While the Direct-to-Consumer (DTC) segment has historically pressured consolidated earnings, we believe the streaming business has reached a critical inflection point toward profitability. Supported by an **attractive valuation, robust free cash flow generation, and a commitment to capital return**, we believe the stock offers compelling downside protection. Furthermore, we believe the recent announcement that Josh D'Amato, the highly successful Chairman of Disney Experiences, will succeed Bob Iger as CEO perfectly aligns leadership with the company's core cash generator.

EOG Resources Inc. (EOG) is discussed below with the sales, and **American Express Co. (AXP)** is discussed below as the largest new position.



Constellation Energy Corp. (CEG) and **Amazon.com Inc. (AMZN)** provide the portfolio with **LLM-model-agnostic exposure to the secular AI trend at, we believe, asymmetric risk/reward profiles**. CEG is the nation's largest producer of nuclear energy and the largest independent power producer in North America. As CEO Joe Dominguez recently pointed out, *"the cost of replacement megawatts for any kind of firm power generation is now multiples of what it was less than a decade ago."* **The stock offers a compelling asymmetric risk/reward:** downside is protected by its U.S. nuclear portfolio and an inflation-adjusted production tax credits (PTC) cash-flow floor, while upside is driven by agreements with hyperscalers, government support for next-generation technologies, and plant restarts and capacity expansions (uprates) that should drive double-digit earnings growth through 2030. This attractive setup is complemented by **the best management team in the industry**, reasonable net leverage below 2.0x, and a dividend that is expected to grow at a double-digit clip.

Amazon.com Inc. (AMZN) is the global leader in e-commerce and cloud computing. We capitalized on market panic over the company's massive AI capex cycle, viewing the resulting free cash flow burn as a **near-term timing issue** rather than a structural impairment. This overreaction has left AMZN trading at a **10-year valuation trough** and a full **10 turns below Walmart Inc. (WMT)** – a complete reversal of its historical premium. By applying a reasonable multiple to its fast-growing, high-margin AWS, Advertising, and Subscription segments, we are effectively getting an **irreplaceable retail empire for free**. With AWS fundamentals rapidly accelerating on the back of an **inflecting backlog**, we view the AMZN risk/reward as **highly asymmetric**.

Keurig Dr Pepper Inc. (KDP) is a former holding that operates across both the beverage industry (carbonated soft drinks and non-carbonated beverages) and the coffee industry. We have long admired the beverage segment, which has generated market share gains through innovation and partner licensing agreements, but we remain less enthusiastic about the coffee business. **We believe KDP will unlock sum-of-the-parts value when it spins off this coffee segment in 2026.**

Wells Fargo & Co. (WFC) is a top-four U.S. bank. We purchased the stock at 10x earnings after market concerns around private credit and recession fears spiked. WFC is poised to expand its ROTCE to 17-18% following the removal of its asset cap and the resolution of almost all consent orders. **We believe WFC is effectively a 'mini-JPM' trading at a significant discount.** CEO Charlie Scharf, who worked with Jamie Dimon at JPMorgan, appears to have **instilled a similar culture at WFC** since joining the firm in 2019 amidst regulatory scrutiny.

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

- **Ares Management Corp. (ARES), Brookfield Corp. (BN), and KKR & Co. Inc. (KKR)** were significantly trimmed in February, with ARES and BN fully exited in March and KKR sold in late February as challenges emerged, including 2021 vintage loan underperformance, software sector displacement, and redemption pressures. **We exited the positions despite excellent company-specific operational results, underscoring our concern regarding industry-level systemic risk** across these three highly correlated holdings. ARES and BN, which were purchased in 2025, generated negative PCARs of -153 bps and -35 bps, respectively, while KKR, which was purchased in 2020, generated a positive PCAR of +686 bps.

- **Casey's General Stores Inc. (CASY)** was sold above our assessed value. During our holding period, our investment thesis played out through **exceptional operating execution, excellent M&A** (including the Fikes acquisition), and **resilient fuel margins**. Additionally, CASY's differentiated business model – which generates two-thirds of its profit

GICS Sector	12/31/2025		3/31/2026			
	LCVS	R1V	LCVS	Change from 12/31	R1V	Change from 12/31
Financials	30.7%	22.3%	30.1%	-0.6%	20.0%	-2.3%
Industrials	20.6%	13.0%	15.3%	-5.2%	13.5%	0.5%
Cons Staples	10.0%	7.2%	11.6%	1.6%	7.5%	0.3%
Health Care	9.8%	12.2%	10.3%	0.5%	11.7%	-0.5%
Cons Disc	8.8%	7.4%	9.5%	0.7%	7.0%	-0.5%
Materials	9.1%	4.0%	8.6%	-0.6%	4.4%	0.3%
Comm Svcs	4.1%	8.5%	6.7%	2.6%	7.9%	-0.5%
Utilities	-	4.4%	3.4%	3.4%	4.7%	0.3%
Real Estate	3.4%	4.0%	3.2%	-0.3%	4.0%	-0.0%
Energy	-	5.7%	-	-	7.7%	2.0%
Info Tech	-	11.3%	-	-	11.7%	0.4%
Cash	3.4%	-	1.3%	-2.1%	-	-
Total	100.0%	100.0%	100.0%	-	100.0%	-

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	3/31/2026				
	LCVS	# of Holdings	Avg Pos Size	Wtd Avg % of AV	Wtd Avg Conviction
Cons Disc	9.5%	4	2.4%	62.7%	2.6
Comm Svcs	6.7%	2	3.4%	66.6%	2.5
Utilities	3.4%	1	3.4%	71.8%	3.0
Real Estate	3.2%	1	3.2%	73.1%	2.5
Health Care	10.3%	3	3.4%	78.5%	2.5
Financials	30.1%	7	4.3%	78.9%	2.0
Materials	8.6%	2	4.3%	79.1%	1.7
Cons Staples	11.6%	3	3.9%	80.5%	2.1
Industrials	15.3%	6	2.6%	81.4%	2.3
Energy	-	-	-	-	-
Info Tech	-	-	-	-	-
Cash	1.3%	-	-	-	-
Total	100.0%	29	-	76.6%	2.2

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



inside the store and enjoys a durable moat in small towns with limited competition – proved highly effective. CASY generated a positive PCAR of +247 bps.

- **EOG Resources Inc. (EOG)** was exited after a brief holding period. We purchased the position shortly before the onset of the war in Iran, and the stock quickly reached its assessed value. EOG generated a positive PCAR of +41 bps.
- **Restaurant Brands International Inc. (QSR)** was eliminated after a critical concern emerged: **franchisee profitability – a key driver for reinvestment and unit growth – showed signs of stress** and the stock increased toward its assessed value. QSR generated a negative PCAR of -27 bps.
- **Waters Corp. (WAT)** shares were received as a spin-off from our holding in Becton, Dickinson and Co. (BDX). We immediately sold them, as we did not have a fundamental view on the stock.

New purchase...

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

- **American Express Co. (AXP)**

American Express is a global payments leader that operates a **closed-loop network**, directly issuing cards, processing transactions, and managing relationships with both cardholders and merchants – distinct from the open-loop models of Visa and Mastercard that rely on third-party issuers. Revenues are driven by merchant discount fees (52% – the 2-3% fee typically charged to merchants on each card transaction), net card fees (14%, primarily annual membership fees), net interest income (24%), and other revenues (10%). Network volumes break down across U.S. Consumer Cards (~42% of profits, led by premium cards such as Platinum and Delta co-brands), U.S. Corporate Cards (~23%), International (7%), and Global Merchant Services (28%). As of year-end 2025, Amex had **152.8 million** cards-in-force. Founded in **1850** as a joint stock association and headquartered in **New York City**, American Express is led by CEO and Chairman **Stephen Squeri** (67), who has served in those roles since July 2015 and February 2018, respectively.

American Express stands out today because **multiple compression driven by AI disruption and white-collar job displacement concerns** have, in our view, left one of the highest-quality financial franchises in America trading at a meaningful discount to its historical valuation and open-loop peers. While skeptics point to a secondary headwind from a potential travel slowdown, AXP's **high-income base remains notably resilient**. The market discount is driven less by fundamental weakness in their affluent niche and more by **structural anxieties** that **stablecoins or AI agents** could eventually bypass traditional card rails to avoid fees.

At its core, AXP runs a **spend-centric flywheel** built on affluent, high-engagement customers. Cardholders average FICOs around 750 and spend **roughly three times more per card** than on competing networks. That premium spending supports rich rewards and experiences, which in turn drive **exceptional retention (high 90%)** and pricing power on annual fees that have compounded at **double-digit rates for 30 straight quarters**. The **closed-loop structure** provides unmatched data for superior risk underwriting, fraud detection, and targeted marketing.

Momentum remains strong: Squeri's team has refreshed the U.S. Platinum and business Platinum cards with the **strongest early uptake the company has ever seen**, while acquisitions such as Resy and Tock have turned Amex into the indispensable platform for dining and travel experiences that **Millennials and Gen Z crave** – they accounted for **70% of new consumer acquisitions and 36% of total spend in 2025**. Amex has also continued **gaining share in the important U.S. small- and medium-sized enterprise (SME) card segment**, where it already holds a dominant position. With this demographic tailwind, billed business grew a healthy 9% in Q4 25, contributing to full-year revenue growth of 10% and adjusted EPS growth of 15%.

None of this would matter without the disciplined financial foundation underneath. In our view, American Express maintains a **fortress-like balance sheet** with a Common Equity Tier 1 (CET1) capital ratio comfortably inside its conservative 10-11% target – well above the regulatory minimum of 7% – **giving it substantial protection in a downturn**. Customer deposits have grown to fund roughly 72% of the business (a meaningful increase from historical levels), providing a lower-cost, more stable funding source that also boosts net interest income by about \$1 B annually versus 2017 levels. Leverage sits at a prudent nine times (total assets to equity), far more conservative than the 13.7 times seen before the financial crisis. **Management has been an excellent steward of capital**, with multi-billion-dollar share repurchases continuing in 2025 (including \$2.3 B in Q3 25 alone) and a pattern of consistent double-digit dividend hikes over the past four years (FY22–FY25).

Risks include a sharp economic downturn pressuring spending and credit metrics, competitive intensity in premium rewards cards, and emerging technological change. The **rise of agentic AI** – autonomous digital agents capable of optimizing purchases and payment routing – could eventually allow some merchants and consumers to **bypass traditional card networks** (or shift toward stablecoins) in pursuit of lower fees. However, we believe it is **highly unlikely that**



cardmembers would allow an agent to bypass the very rewards and membership benefits that drove them to the card in the first place. Amex's closed-loop data advantage, deep customer relationships, and active investments in generative AI – highlighted by the launch of the **Agentic Commerce Experiences (ACE)** developer kit – give it better tools than most to adapt and seek to ensure its brand remains the non-negotiable settlement layer for the next phase of global commerce.

In short, we believe we own a premium, high-margin payments compounder with a resilient customer base, conservative balance sheet, and proven capital return discipline. The current valuation reflects cyclical worries rather than fundamental weakness, creating an attractive entry point in what remains one of the very best franchises in financial services.

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

OUTLOOK

Nobody Knows Anything

In his 1983 memoir on the film industry, legendary screenwriter William Goldman famously observed that despite all the market research and executive expertise, "Nobody knows anything." We stated last quarter that our primary concern for 2026 was the striking uniformity of investor expectations, a dynamic we called the 'Consensus Trap.' **The prevailing narrative – a perfect soft landing for inflation, interest rates, and growth – turned out to be wrong.** Yet, in an unexpected twist, while individual stock dispersion and volatility were high, overall market volatility remained muted considering what unfolded during Q1.

The Fed's Holding Pattern

At the start of the quarter, inflation appeared contained, and monetary policy was expected to remain dovish globally. That changed abruptly as missile strikes in the Persian Gulf shut down traffic through the Strait of Hormuz. **With inflation expectations rapidly repricing, the conflict in Iran has effectively taken interest rate cuts off the table.** The Federal Reserve's focus has squarely shifted from labor market softness back to inflation. Consequently, we expect the Fed to remain on hold and maintain a data-dependent stance for the foreseeable future.

Compared to the beginning of the year, we have reduced the portfolio's sensitivity to lower interest rates. **Importantly, this reduction was not a top-down macro call in response to shifting monetary policy, but rather the natural result of our bottom-up, idiosyncratic portfolio activity.** We eliminated three alternative asset managers and lowered the portfolio's Industrials weight by -831 bps (-523 bps when adjusting for market performance) primarily because several of these holdings traded at or above their assessed values. While we continue to maintain select positions that benefit from lower rates, such as CRH, CSL, and AMRZ, we have substantially reduced the overall rate sensitivity of the portfolio.

Looking ahead, **we believe our remaining rate-sensitive holdings will remain highly resilient in a 'higher-for-longer' environment.** Because the market aggressively compressed multiples during Q1, much of this new interest rate reality is already priced into our current valuations. Furthermore, we believe our underlying companies boast exceptionally strong balance sheets. This financial strength not only shields them from the punitive refinancing costs that typically plague a sustained high-rate environment, but it also equips management to act opportunistically – deploying capital for accretive M&A or share repurchases – during periods of market weakness. Buoyed by this margin of safety and a favorable fiscal landscape, we believe these select holdings are exceptionally well-positioned.

The Regulatory Impulse

Despite monetary headwinds, domestic fiscal policy remains pro-business. **The growth impulse from the One Big Beautiful Bill Act should build through the first half of 2026.** Beyond that, the approaching midterm elections are likely to constrain additional fiscal action for the remainder of the year. In a normal environment, this resulting legislative inaction might be welcome. However, this White House appears intent on rapidly reshaping the economic and geopolitical order, increasing the risk of unintended consequences. As a result, the burden of policy response is likely to shift toward the executive branch and regulatory measures. **There is meaningful scope to support economic activity through regulatory relief – or intervention – and we expect these tools to be used to extend and build on the effects of the 2025 stimulus.**

We believe the portfolio is well-positioned for this fiscal environment, driven by infrastructure plays such as AMRZ and CRH. **These businesses are directly tethered to massive secular tailwinds;** as CRH CEO **Jim Mintern** noted, the convergence of transportation, water, and reindustrialization represents **"one of the most compelling growth opportunities in decades."** Furthermore, these heavy materials providers are uniquely positioned as secondary AI beneficiaries – **roughly 85% of all U.S. data centers are located within 25 miles of a CRH facility,** and AMRZ expects **over 40% of global data center infrastructure investment to be spent in the U.S. through 2030.** With CRH management highlighting that roughly 50% of the federal IIJA funds have yet to be spent, we believe there is massive, multi-year visibility for both of these wonderful businesses and their excellent management teams.



The Geopolitical Shockwave

Geopolitical volatility has surged as a primary market driver. The administration's foreign policy actions consistently move U.S. equity markets, underscoring its role as a policy wildcard. Specifically, the decision to directly confront Iran – concluding the status quo posed greater risks than retaliation – has fundamentally altered the global energy landscape.

Excluding the COVID-19 anomaly, **energy price shocks have played a leading role in nearly every previous bear market.** While we expect an ultimate de-escalation, the broader geopolitical order has been durably altered. Though our significant underweight to energy was painful during Q1's melt-up, **we believe the portfolio's defensive posturing makes it highly resilient should this energy shock trigger a broader market drawdown.**

We believe cash is king in this environment, and maintaining dry powder is paramount. Our portfolio currently holds two of the top five most cash-rich companies in the world: Berkshire Hathaway Inc. (CI B) (BRK.B) and Amazon.com Inc. (AMZN). Berkshire, our largest position, utilizes its fortress balance sheet and record cash pile – which management noted now exceeds \$370 B – as a defensive anchor that provides immense optionality. Furthermore, the company recently restarted its buyback program, effectively reestablishing the 'Buffett Put.' Across the broader portfolio, our net leverage ratio sits at a highly defensive **1.7x**, down from **2.7x** at this time last year.

A Fragile Divide in Sentiment

Sentiment was mixed in Q1, and the vagaries of war could turn the mood sour in an instant. While CEO sentiment improved sharply early in the quarter, as reflected in both Business Roundtable and Conference Board surveys, consumer sentiment metrics – such as the University of Michigan surveys – pointed to a sharp decline in the mood of Main Street. **To date, the conflict in Iran has not triggered a decisive shift in aggregate sentiment; however, a prolonged conflict could drive a further deterioration among both consumers and corporate leadership.**

Compute over Code

Once the geopolitical conflict stabilizes, **we expect the market to shift its focus back to the AI boom and potential associated disruptions.** We believe the market's fears of immediate, existential AI disruption are likely overblown within our specific investment time horizon, but Goldman's axiom that "nobody knows anything" certainly applies to the long-term technological landscape. **What we do know is that uncertainty is significantly elevated.**

To account for this, we believe terminal multiples must contract for stocks with exposure to AI disruption risks – the degree to which will depend on each company's ability to navigate the new environment. **We refuse to chase surging semiconductor momentum or catch falling software knives.** We are actively managing the portfolio's AI risk by **monitoring net exposure to ensure appropriate sizing and deliberately lowering our conviction scores and valuation multiples for exposed names.** As mentioned, we completely exited positions in Ares Management Corp. (ARES), Brookfield Corp. (BN), and KKR & Co. Inc. (KKR) to mitigate software-loan exposure.

Conversely, **we have hedged our AI risk with two new purchases in the quarter:** AMZN and CEG. Rather than trying to pick the ultimate AI software winner, our AI strategy acts as a hedge – a foundational bet on the exponential increase in overall compute and infrastructure spend required to run these models. By focusing on the physical layer of the AI transition, **we believe we are securing a vastly superior margin of safety and partially hedging the remaining AI disruption risk in the portfolio.**

Moving Up Cap

The combination of strong earnings and the relative outperformance of value versus growth stocks in the large-cap space has reduced the relative attractiveness of value stocks. The Russell 1000 Value ended the quarter trading at **14.6x** forward earnings – an **8%** premium to its long-term average. This compares to the Russell 1000 Growth, which ended the quarter at **22.1x** forward earnings, representing a **12%** premium to its own history. While the absolute multiple premium for growth stocks remains stark at 51%, the relative valuation spread between large growth and large value is now in line with historical averages.

Large caps are now cheap compared to small caps. The Russell 2000 currently trades at 21x forward earnings, compared to just 20x for large caps, even though large-cap stocks are expected to grow at 15.8% versus 12.1% for small caps. **During our search for new ideas, we are increasingly finding greater opportunities in larger-cap companies.** The portfolio's weighted average market cap has increased from \$114 B last year to \$225 B today.

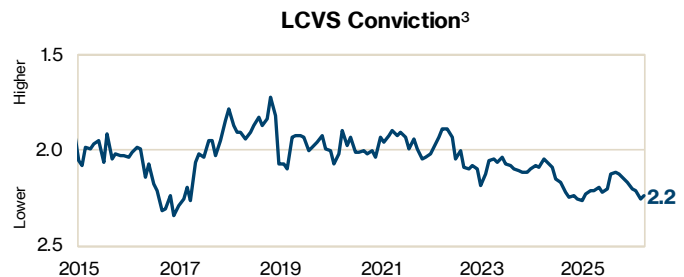
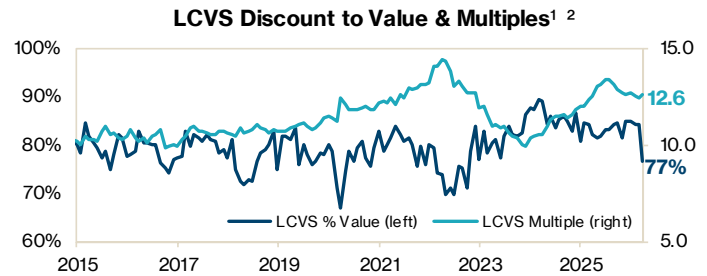


Ultimately, we believe the painful multiple compression we experienced in Q1 has created a deeply attractive entry point for the broader strategy. The portfolio's discount to value (DTV) improved during the quarter to 77%, down from 85% at the start of the year. The portfolio has not traded at this deep of a discount since September 30, 2022.

The Road Ahead

In summary, **while fiscal policy remains supportive and internal valuations have improved**, monetary policy remains constrained and **systemic risks** – spanning sentiment, energy, geopolitics, and AI disruption – **have risen substantially**.

The portfolio ended the quarter with we believe a compelling mixture of value, quality, and financial strength. **Our strategy trades at a discounted 12.3x EV/EBITDA** versus the benchmark's 13.5x, despite **boasting higher quality** (22.7% ROE versus 18.1% for the benchmark) and **financial strength** (1.7x net debt/EBITDA versus 1.8x). While we constantly strive to optimize these fundamental pillars, **it is rare to achieve strong metrics across all of them simultaneously without paying a premium**. Given these metrics, **we believe the portfolio is exceptionally well-positioned for the road ahead**.



Charts are shown through March 31, 2026. 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. ¹Monthly weighted average price percent of assessed valuation of all portfolio holdings. ²Monthly weighted average multiple; excludes Financials sector and companies with non-cash flow-based valuations. ³Monthly weighted average conviction rating.

Thank you for investing with River Road!

- **April 16, 2026**



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

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