



VULCAN VALUE PARTNERS

FIRST QUARTER 2026



PORTFOLIO REVIEW

Our results are detailed in the table below. As we have often said, we place no weight on short-term results, good or bad. When we think we can improve our prospective long-term returns and lower risk, we will make those decisions without regard to their effect on short-term performance.

INVESTMENT STRATEGY	QTD	YTD	Annualized Since Inception*
Large Cap Composite (Gross)	-14.0%	-14.0%	9.4%
Large Cap Composite (Net)	-14.1%	-14.1%	8.6%
Russell 1000 Value Index	2.1%	2.1%	7.7%
S&P 500 Index	-4.3%	-4.3%	10.5%
Small Cap Composite (Gross)	-6.6%	-6.6%	7.8%
Small Cap Composite (Net)	-6.8%	-6.8%	6.9%
Russell 2000 Value Index	5.0%	5.0%	6.8%
Russell 2000 Index	0.9%	0.9%	7.6%
Focus Composite (Gross)	-19.0%	-19.0%	12.8%
Focus Composite (Net)	-19.1%	-19.1%	11.9%
Russell 1000 Value Index	2.1%	2.1%	8.1%
S&P 500 Index	-4.3%	-4.3%	10.6%
Focus Plus Composite (Gross)	-19.1%	-19.1%	12.4%
Focus Plus Composite (Net)	-19.1%	-19.1%	11.3%
Russell 1000 Value Index	2.1%	2.1%	7.7%
S&P 500 Index	-4.3%	-4.3%	10.5%
All Cap Composite (Gross)	-13.3%	-13.3%	9.9%
All Cap Composite (Net)	-13.5%	-13.5%	9.0%
Russell 3000 Value Index	2.2%	2.2%	10.3%
Russell 3000 Index	-4.0%	-4.0%	12.8%

*Inception date is 3/31/2007 for Large Cap, Small Cap, and Focus Plus Composites. Inception date is 11/30/2007 for Focus Composite. Inception date is 4/1/2011 for All Cap Composite. Past performance is no guarantee of future results. Please see important disclosures at the end of this document.

Please reference additional performance information for each of the composites in the strategy reviews that follow and important disclosures at the end of this document.

The opinions expressed in this letter are those of the Registered Investment Advisor and are subject to change. This material includes forward-looking statements that involve risks and uncertainties. Past performance is not indicative of future results.



We generally write a detailed annual letter focusing on the long term and more abbreviated quarterly letters. This first quarter 2026 letter is an exception. Throughout 2025, accelerating in the fourth quarter, and reaching a fever pitch during the first quarter of 2026, “the market” has become frantic about AI disruption fears. We believe investors are prudent to consider the positive and negative impacts that AI might have. However, this proper response to what we believe will be transformative technology has morphed into hysteria. As a result, some of the best businesses in the world, that are rarely ever cheap, have become significantly discounted. We believe that some companies will be disrupted by AI but that others will benefit from it and for some it will have a neutral impact. The market is not differentiating between the three.

The current panic over AI disruption reminds me of the financial crisis when any company that had anything to do with financial services was thrown into the trash heap. It was sell first and ask questions later. We did differentiate and avoided ALL banks while making Mastercard one of our largest positions. Its average weight in 2009 was approximately 6.5% in Large Cap and approximately 9.7% in Focus and Focus Plus. Mastercard has delivered a nearly 23% gross compounded annual return during the 17 plus years we have owned it versus 14.1% for the S&P 500 over that same time period. Our money weighted return is even better because, following our investment discipline, we have added to it when it was more discounted and trimmed it when it became more fully valued. Obviously, not every investment follows this path and outcomes will vary, but our experience with Mastercard demonstrates the importance of hard-nosed, objective, deep research instead of following the whims of “Mr. Market.”

We believe that we are buying Mastercard quality businesses at financial crisis era discounts. We have owned some of these businesses in the past and sold them many years ago. Some we have followed for many years, but we have never been able to own them because they have always been overvalued by our math. The same math today suggests they are extremely discounted. How discounted? \$0.50 on the dollar. Just over \$0.40 on the dollar. Consequently, we have been very active in executing our investment discipline. We have sold more fully valued companies to buy more discounted companies. Moreover, we believe the deeply discounted companies we are buying are even more competitively entrenched than the businesses we are selling.

This once in a decade opportunity has resulted in two outcomes. Very importantly, we have improved our price to value ratios across the board. Every portfolio has a weighted average price to value ratio approaching \$0.50 on the dollar and some are in the upper 40's. This accomplishment means that we have reduced risk in our portfolios and have also improved our prospective returns. We have done so within the context of a market that is certainly not cheap by historical standards. While the market averages have remained relatively steady there has been violence below the surface with individual names. The second outcome is that we are paying a price in terms of short term performance. In every letter we have ever written we have said we will willingly sacrifice short term performance when we can reduce risk and improve our prospective long term returns. That is exactly what we have done starting in last year's fourth quarter and continuing through the first quarter of 2026.

In our view, stock price volatility is not risk if we limit ourselves to companies with inherently stable values. It is an

opportunity to improve our margin of safety. That begs the question, are our values stable? From a financial point of view our companies are very stable – more on this below. Our companies produce prodigious amounts of free cash flow and have strong balance sheets. From a qualitative perspective they are competitively entrenched. That leaves disruption risk from AI. The fear is that even though our companies are doing well financially now, they will be negatively impacted by AI in the future so that our terminal values are at risk. How do we have conviction that the companies we are buying will not be disrupted?

We have always been hyper-focused on disruptions of any kind. We exited “old media” stocks approximately ten years ago because we believed their business models would be disrupted by streaming. In the first decade of our operations they were a large and successful part of our portfolios. On the other hand, we have continued to successfully own a number of companies in the payments industry, which we first started buying during the financial crisis. Those businesses also faced potential disruption from fintechs, blockchain, cryptocurrencies, digital currencies, and most recently, AI agents. Unlike the old media companies, we believed that the payments companies we owned were competitively entrenched enough to withstand potential disruption and, in some cases, benefit from it.

We have been evaluating AI related disruption risks for years and have been especially active in evaluating those risks since OpenAI released ChatGPT. We feel like we have some insights in this area having internally developed our own AI models years before anyone heard of ChatGPT. We maintained our investment in Alphabet in the face of AI related worries because we believed their competitive strengths would enable them to defend their core business and that they were more likely to benefit from AI than to be disrupted by it. That decision has paid off extremely well. What kind of research do we do to assess disruption risks facing the businesses we own? We talk to everyone all the time. Who exactly is everyone? We spend a lot of time talking to people who disagree with us. Many of them are on the sell side. Many of them are journalists. We talk to independent consultants who advise Chief Technology Officers as to how to allocate their resources. We talk to the chief “AI decision makers” at very large organizations. We talk to the companies we own and to companies that we might own. We talk to key investors in OpenAI and Anthropic. We talk to CEOs who are making strategic decisions regarding AI. Some of them are the CEOs of companies we own and some of them we do not own but they are our friends. We talk to people who have made investments in software companies and in AI companies.

We place more weight on insights from operators and decision makers who have capital at risk. As mentioned above we spend a lot of time talking to people who disagree with us. We compare their negative thesis to ours and try our best to objectively determine which argument is more valid. When new facts emerge, we change our minds. Our research has led us to several insights which are incorporated into our capital allocation decisions. They are:

AI disruption fears are valid in general.

We avoid businesses with a higher risk of AI disruption.

AI disruption risk is unknowable for a number of businesses. We avoid them as well. If we do not know we do not play.

The AI disruption narrative has been extended to a number of businesses that we believe have low AI disruption risk.

These businesses sell at steep discounts to our estimate of intrinsic worth, so we own them with a large margin of safety if we are wrong.

We see three basic categories of businesses with real and/or perceived risk of AI disruption. They are:

Software

Alternative Asset Managers

Indirectly impacted businesses which include insurance, credit ratings, financial data providers, real estate service providers, and payments among others. Who knows, soon it might include fast food companies (our feeble attempt at humor).

SAP is in the first category - software. We owned it a number of years ago. We also owned its primary competitor, Oracle. Since we sold it, it has not been discounted enough to be even remotely interesting until recently. During the first quarter, SAP reported double digit earnings growth in 2025, forecasted continued double digit earnings growth in 2026 and accelerating earnings growth in 2027. Its stock price declined 16% that day. We started buying it a couple of weeks later.

SAP and Oracle both dominate Enterprise Resource Planning software or ERP. ERP is an extremely complex software system used by larger, complex companies to manage their core operations and coordinate activities across all functional areas. They enable managers to have the information they need across the organization to allocate resources, make real time decisions, and execute those decisions across multiple intertwined aspects of the business. For example, Mercedes-Benz Group uses SAP to coordinate its global operations – everything from supply chain management, inventory management, factory utilization optimization, and retooling, to sales and marketing forecasts, human resource management, compliance with regulations from multiple jurisdictions around the world, finance, budgeting, and financial reporting. The company could not produce audited financial statements without SAP's ERP system. Delta Airlines also uses SAP's ERP. I could describe the complexities of its global operations, but I am trying to write a letter instead of a book. Some have described trying to "rip out" an ERP system akin to attempting to remove the circulatory system from a human being. In other words, it is impossible.

We have bought businesses at discounts because they were missing their quarterly projections due to the difficulty of implementing a new ERP system. ERP is a system of software, not a single product, operating across the enterprise, which creates a powerful network effect. It is extremely unlikely that a company would use AI to build and maintain its own software application for a specific part of an operation. However, if they did it would still have to communicate with and coordinate through the entire organization to be effective. How would it do so? It would have to use ERP. CEOs and AI leaders we have talked to tell us that ERP drives AI, not the other way around. We believe that SAP will be able to use AI to make its ERP systems more useful and therefore even more valuable to their customers.

Ares is in the second category. It is an alternative asset manager widely considered to be the leading private credit provider globally. Its value has compounded at double digit rates while we have owned it. Its stock price declined

6.2% last year and 31.6% during the first quarter on AI related fears. Specifically, bears are worried about its exposure to software companies and about clients allocating capital away from ARES because of AI related fears about that same software exposure. Let us dissect both related arguments.

First, ARES exposure to software is a relatively small proportion of its portfolio. Second, its exposure is in credit, so ARES has the most senior position if the companies begin to struggle. Their loan to value ratio is approximately 37%. The companies are not struggling, and default rates are close to zero. The average duration of their loans is about three and a half years so they will get all of their money back or refinance relatively soon, before AI causes financial stress, if it ever does. ARES has been aware of AI risks for many years and has been very selective in the types of companies in which they invest. Assuming we are wrong and 15% of their software loans default we estimate it would only reduce the company's growth rate by 3% or 4% for one year and that ARES would continue to grow at a double digit rate.

Second, ARES has a very impressive track record minimizing credit losses going back to the financial crisis. Most of the funds they manage are institutional, which provides stability. Their assets under management continue to grow nicely. Their primary "wealth channel" or "retail" related assets under management comes from ARCC, a business development company that acts like a closed end fund. Investors can sell ARCC's stock but they cannot force ARES to liquidate ARCC's loans. Bears have cited meaningful fund withdrawals at Blue Owl, a smaller ARES competitor that is much more retail oriented with less stable capital than ARES, as a reason to sell ARES. We looked at Blue Owl several years ago and decided it did not qualify for investment precisely because its structure is inferior compared to ARES. We believe that fears expressed by the bears are not supported by facts so that ARES' value is stable and that its stock price decline represents a compelling buying opportunity. We have been buying.

Ryan Specialty Holdings (RYAN) is in the third category of perceived indirect AI risks.

Ryan was founded by Pat Ryan, who also founded AON and turned it into the second largest insurance broker in the world. RYAN is one of three Excess and Surplus or E&S brokers that dominate the U.S. market. E&S is more complicated, specialized insurance that is sold to manage risks not adequately covered by the highly regulated admitted or standard insurance market. The E&S market is growing much faster than the admitted market and RYAN is gaining market share, so it has been growing at a solid double digit rate for many years. E&S and RYAN continue to gain market share, but the insurance market is inherently cyclical with regard to price. We are entering a soft market with price declines for certain segments, especially property. As a result, RYAN's growth is slowing in the short run and its stock price declined meaningfully in 2025.

More recently, RYAN's stock price has declined meaningfully again on AI related fears. During the first quarter, OpenAI announced a partnership with Insurify, a privately held company using an app to sell auto insurance to consumers. They are adding AI functionality to the app. Most auto insurance is sold through the admitted market. RYAN does not sell any consumer auto insurance. RYAN mostly sells very complex E&S insurance for its clients, who include very large insurance companies. They trust RYAN to help them manage risks that can be as much as several hundred million dollars. We asked the CEO of one of these large insurance companies if they would consider using AI instead of an E&S broker such as RYAN to place these large, complex risks. The answer was an emphatic, "No."

On the other hand, RYAN is using AI to lower costs and provide faster, better risk assessment by making its brokers more efficient. We believe that RYAN will benefit from AI as opposed to being harmed by it. We have been buying RYAN.

You will learn more about these businesses and see other examples as you read the portfolio activity in each of our strategies.

To give you a sense of what you and we own together we are going to share some characteristics of our Focus and Focus Plus portfolios with you. The companies in Focus and Focus Plus are among the largest weights in our Large Cap portfolio and also feature prominently in All Cap. We cannot reveal details about individual names because that could interfere with our ability to trade on your behalf. Instead, we have taken a weighted average of the key metrics of each company and combined them to form one “company” we can analyze together. We will call it Focus Industries¹.

What does Focus Industries look like? It is one of the global leaders in every business in which it participates. It produces a large and growing free cash flow coupon. It has a strong balance sheet. Its value is stable and grows consistently. Its management team members are excellent operators, hyper focused on improving their competitive position, ethical, shareholder oriented, and very good at capital allocation. They have a strong sense of what the business is worth and are using its free cash flow to repurchase its discounted shares, which is increasing our value per share growth over and above the company’s organic growth rate.

Some numbers: Focus Industries’ return on invested capital is approximately 37%. Think about that number for a moment. When this company retains capital instead of paying it out to us in the form of dividends or share repurchases, we enjoy a 37% return on that capital. Focus Industries grew its revenue approximately 13% over the last twelve months. Profits, most of which are in the form of free cash flow, grew approximately 15%. Combined with intelligent reinvestment of the free cash flow coupon, its value per share grew approximately 21% over the past year. Its “stock price” as measured by our Focus and Focus Plus trailing twelve month total return was -12%. This disconnect caused its price to value ratio to improve dramatically.

Please note that approximately 1/3 of the improvement in our price to value ratio was from a lower price and two-thirds was from value growth.

How about recent results? In the most recent quarter, revenue growth was approximately 12% year over year. Profits grew approximately 13% year over year. Free cash flow was robust. Focus Industries continued to repurchase its stock at ever more attractive prices. During the first quarter of 2026 when its “stock price” declined by -21%. Its value per share increased approximately 2.35% compared to the fourth quarter of 2025. That 2.35% increase in value per share over the last three months does not sound very impressive but it is certainly stable.

These numbers demonstrate Vulcan Value Partners’ dual discipline. We limit ourselves to companies with inherently stable values. We only purchase them when we can do so with a meaningful margin of safety in terms of value over

¹ Focus Industries provides a hypothetical, aggregated representation based on internal assumptions and is subject to limitations. It does not reflect any actual client portfolio or performance

price. We cannot protect you or us from short term stock price volatility but we can take advantage of it to lower risk and improve our long term prospective returns, following our investment discipline. Said differently, our investment philosophy is not designed to shelter us from short term volatility. It is designed to take advantage of it to lower risk and improve returns for long term investors.

The value is very stable compared to its stock price which gives us the opportunity to buy more at an extremely attractive price to value ratio. Client-partners, this means you. You have the opportunity to buy more by adding capital to your accounts. Those of you who have done so at these price to value ratios in the past have been well rewarded.

We can back up this statement with numbers. Call us and we will be happy to share it with you. Here is one piece of data: In the first 23 months of our operations, just one month shy of two years, our best strategy had a compounded return of negative 24.49%. We avoided the overvalued names that had their last gasp of outperformance in 2007. We then allocated capital into some of the best businesses in the world at \$0.60 on the dollar in 2008 as the great financial crisis began to unfold. Their prices continued to fall, and we added to them at \$0.40 on the dollar in early 2009. Our weighted average price to value ratios were similar to today. Ten years from our inception date, a period of time that included the first two years of dismal performance, Large Cap was in the top 2% of its peer group, Small Cap was in the top 2% of its peer group, and Focus Plus was in the top 3% of its peer group. Focus and All Cap did not have ten year track records at that time. I repeat, those of you who have added capital at these price to value ratios in the past have been well rewarded.



C.T. Fitzpatrick, CFA
Chief Investment Officer

In the discussion that follows, we generally define material contributors and detractors as companies having a greater than 1% impact on the portfolio and should be viewed in context with the performance information provided for each strategy. With respect to the discussion of contributors and detractors or the performance of any individual holding shown here, no individual investment is intended to be representative of any particular strategy. For a complete understanding, please see the performance and accompanying disclosures at the end of this letter.



As of 03/31/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
Large Cap Composite (Gross)	-14.0%	-14.0%	-4.7%	11.4%	2.5%	9.0%	9.4%
Large Cap Composite (Net)	-14.1%	-14.1%	-5.3%	10.7%	1.9%	8.4%	8.6%
Russell 1000 Value Index	2.1%	2.1%	15.9%	14.3%	9.4%	10.6%	7.7%
S&P 500 Index	-4.3%	-4.3%	17.8%	18.3%	12.1%	14.2%	10.5%

Inception 03/31/2007

We purchased two new positions during the quarter: SAP SE and ServiceNow, Inc.

We sold six positions during the quarter: CoStar Group, Inc., Diageo plc., Bureau Veritas SA, Stanley Black & Decker, Inc., Crown Holdings, Inc., and Qorvo, Inc.

There were no material contributors to performance.

There were six material detractors to performance: Salesforce, Inc., Ryan Specialty Holdings, Inc., Ares Management Corporation, TPG Inc., SAP SE, and Microsoft Corporation.

SAP SE is the global leader in enterprise resource planning (ERP) software, which serves as the operating system for many of the world's largest companies. SAP's software manages many functions across an organization, including financial accounting, supply chains, customer relationships, human capital, and procurement. SAP and Oracle dominate the global ERP market. We have owned both businesses in the past and we are thrilled to have the opportunity to own SAP again with a substantial margin of safety.

We believe SAP is one of the best businesses in the world. They have over 425,000 customers, including 98 of the 100 largest companies globally. SAP's ERP solutions often have decades of embedded data, business processes, and software customizations. It is extremely rare for companies to switch ERP vendors due to the cost, time, and disruption risk that switching creates, particularly for large, global enterprises that make up SAP's core customer base.

SAP's stock price is down significantly due to concerns about AI disruption. SAP is the system-of-record for its customers. All their business data, context, and business logic sits within SAP. AI-enabled agents do not work without this data and business context. Customers would be taking on significant risk by using AI to recreate business processes that SAP already handles well. SAP's core customers are global businesses with enormous complexity, thousands of employees, and a vast web of customers, suppliers, and distribution networks, in addition to many different tax and regulatory jurisdictions. The time and difficulty to replicate all this using AI is enormous. SAP is currently investing in agentic AI solutions that enable their customers to be more productive. As the incumbent

with a broad array of software solutions, SAP is in a superior position to develop AI agents that work effectively across an organization in an integrated fashion. Even if SAP's customers adopt third party AI agents instead of SAP's agentic agents, we believe that SAP will still benefit. The ERP system drives AI. Any enhancement to the ERP system increases its value which makes SAP even more competitively entrenched. Either way, we believe that SAP will ultimately be an AI beneficiary, helping to make themselves more efficient internally while also creating more value for their customers.

We believe that ServiceNow is also one of the best businesses in the world. ServiceNow automates workflows in large and complex enterprises. Their platform sits on top of all of an enterprise's data and systems of record. This very unique and enviable position allows ServiceNow to orchestrate and automate work across departments, enterprise wide. To use an analogy, if a large enterprise is an airport, and its multiple software applications are planes, ServiceNow is the control tower coordinating all of these planes/applications. The company has grown from its roots in IT and now has very large businesses in sales and service, HR, finance, supply chain, operations, and security, as well as in industry specific verticals like Financial Services, Healthcare, and Government.

ServiceNow grew revenue 21%, adjusted EBIT 28%, and free cash flow per share 33% in 2025. This growth at scale puts ServiceNow in elite company. Despite the strong performance, the stock is down approximately 40% year to date and 60% since the beginning of 2025. The company has been on our MVP list for over 5 years and has compounded its value at an incredible rate over that period. It has never been materially discounted until recently. We are thrilled to be able to own this wonderful business with a substantial margin of safety.

Bears fear that ServiceNow will be disrupted by AI. We believe that AI makes ServiceNow's platform better. ServiceNow has long been the best, most trusted, workflow automation vendor. By embedding AI into their existing workflows and providing needed context, execution infrastructure, and governance for AI agents, they are enabling their customers to accelerate automation and generate a real ROI on their investments. The company has significant domain expertise, data, and distribution advantages. The company is very well managed, has a net cash balance sheet, produces significant free cash flow, and is accelerating share repurchases at what we believe is a significant discount to intrinsic value.

CoStar Group is a premier information services provider to the commercial and residential real estate industries. Its core businesses are dominant, have high barriers to entry, produce copious amounts of free cash flow, and historically have grown at a double digit rate. We bought CoStar because of these businesses. Several years ago, after we purchased CoStar, the company bought Homes.com. They have taken virtually all of the company's free cash flow and reinvested it into Homes.com in an attempt to disrupt the residential brokerage portal industry. Stated simply, it has not worked and the company continues to reinvest virtually all of its free cash flow into Homes.com, which management now says will not be profitable until 2030, 8 years after it launched the business. We no longer qualify CoStar Group for investment because of poor capital allocation. Following our discipline we sold it to reallocate capital into more discounted companies with better management teams.

We sold Diageo in the first quarter to take advantage of opportunities to improve the portfolio's overall price to value ratio. Diageo still qualifies, but it was a disappointing investment for us while we held it. We are optimistic about

Diageo's long term prospects and we would have continued to hold it had we not had so many other compelling opportunities with substantially lower price to value ratios come our way during the quarter.

We sold Bureau Veritas, Crown Holdings, Qorvo, and Stanley Black & Decker to reallocate capital into more discounted businesses. They were all good investments for us.

Salesforce is the world's leading SaaS vendor for customer relationship management (CRM) and salesforce automation (SFA) software, including AI agents. Salesforce's stock price has been negatively impacted by AI disruption fears. Salesforce largely has a seat-based subscription model. Bears fear that AI agents will replace human beings and that Salesforce's seat count will decline. We believe that AI will enhance incumbent platforms such as Salesforce, which are also in the best position to keep software updated and maintained in the future. We also believe that Salesforce will be a net beneficiary if seats do decline as clients adopt its agentic AI solution, Agentforce. For example, on average Salesforce charges approximately \$2,000 per seat for its product suite. A typical user might make \$40,000 per year. Salesforce is able to charge approximately 10-20% of the cost of a human for Agentforce. If that human user is replaced by Salesforce's AI agent, Salesforce's revenue will increase 2x to 4x to approximately \$4,000 to \$8,000.

Ryan Specialty Holdings was founded by Pat Ryan, who also founded AON and turned it into the second largest insurance broker in the world. RYAN is one of three Excess and Surplus or E&S brokers that dominate the U.S. market. E&S is more complicated, specialized insurance that is sold to manage risks not adequately covered by the highly regulated admitted or standard insurance market. The E&S market is growing much faster than the admitted market and RYAN is gaining market share, so it has been growing at a solid double digit rate for many years. E&S and RYAN continue to gain market share, but the insurance market is inherently cyclical with regard to price. We are entering a soft market with price declines for certain segments, especially property. As a result, RYAN's growth is slowing in the short run and its stock price declined meaningfully in 2025.

More recently, RYAN's stock price has declined meaningfully again on AI related fears. During the first quarter OpenAI announced a partnership with Insurify, a privately held company using an app to sell auto insurance to consumers. They are adding AI functionality to the app. Most auto insurance is sold through the admitted market. RYAN does not sell any consumer auto insurance. RYAN mostly sells very complex E&S insurance for its clients, who include very large insurance companies. They trust RYAN to help them manage risks that can be as much as several hundred million dollars. We asked the CEO of one of these large insurance companies if they would consider using AI instead of an E&S broker such as RYAN to place these large, complex risks. The answer was an emphatic, "No." On the other hand, RYAN is using AI to lower costs and provide faster, better risk assessment by making its brokers more efficient. We believe that RYAN will benefit from AI as opposed to being harmed by it. We have been buying RYAN.

Ares Management Corporation is an alternative asset manager widely considered to be the leading private credit provider globally. Its value has compounded at double digit rates while we have owned it. Its stock price declined 6.2% last year and 31.6% during the first quarter on AI related fears. Specifically, bears are worried about its exposure to software companies and about clients allocating capital away from ARES because of AI related fears about that same software exposure. Let us dissect both related arguments.

First, ARES exposure to software is a relatively small proportion of its portfolio. Second, its exposure is in credit, so ARES has the most senior position if the companies begin to struggle. Their loan to value ratio is approximately 37%. The companies are not struggling, and default rates are close to zero. The average duration of their loans is about three and a half years so they will get all of their money back or refinance relatively soon, before AI causes financial stress, if it ever does. ARES has been aware of AI risks for many years and has been very selective in the types of companies in which they invest. Assuming we are wrong and 15% of their software loans default we estimate it would only reduce the company's growth rate by 3% or 4% for one year and that ARES would continue to grow at a double digit rate.

Second, ARES has a very impressive track record minimizing credit losses going back to the financial crisis. Most of the funds they manage are institutional, which provides stability. Their assets under management continue to grow nicely. Their primary "wealth channel" or "retail" related assets under management comes from ARCC, a business development company that acts like a closed end fund. Investors can sell ARCC's stock but they cannot force ARES to liquidate ARCC's loans. Bears have cited meaningful fund withdrawals at Blue Owl, a smaller ARES competitor that is much more retail oriented with less stable capital than ARES, as a reason to sell ARES. We looked at Blue Owl several years ago and decided it did not qualify for investment precisely because its structure is inferior compared to ARES. We believe that fears expressed by the bears are not supported by facts so that ARES' value is stable and that its stock price decline represents a compelling buying opportunity. We have been buying.

We bought TPG, Inc. in the first quarter of last year during a similar market overreaction caused by the tariff tantrums. In this year's first quarter, TPG is down due to AI disruption fears around its software investments. As was the case last year, we believe that the market is overreacting again. TPG's software exposure is approximately \$34 billion and represents approximately 11% of its total assets under management. TPG has been investing in software for years and has a very strong track record. Their flagship buyout fund, TPG VII, which was started in 2015, invested in several software companies. They sold all of their holdings by the end of 2021 at very good valuations.

Subsequent funds have had the benefit of learnings from those successful exits. The investment period for these newer funds has had the unique benefit of occurring during the period that AI was becoming more visible. We believe that TPG will have some losers, but in the aggregate, the growth in value creation from the winners is going to more than offset the laggards.

Like us, TPG is focused on identifying businesses with sustainable competitive advantages. We believe that they have allocated capital intelligently across their portfolios, including software. Some of the competitive advantages they look for include proprietary data over public data, transaction processing where precision is mission critical, and vertical software. Factory automation is an example of vertical software. In 2025, TPG's fee earning AUM grew 21% and its fee related earnings grew 25%. We expect another strong year of growth in 2026.

Microsoft Corporation is the world's largest software company with a broad range of offerings including Microsoft office, gaming, Azure cloud computing, LinkedIn, and more. Microsoft also has a large investment in OpenAI which allows them to have full access to all of OpenAI's intellectual property. We think Microsoft is one of the most competitively entrenched businesses in the world and will be a beneficiary from AI.

Microsoft delivered another strong quarter, with revenues up +15% and operating profits up +19% on a constant currency basis. Our value grew nicely. Microsoft's cloud business, Azure, grew at a robust +38% constant currency rate. Microsoft continues to invest heavily in capital spending as it continues to build cloud capacity to meet customer demand, which continues to outstrip supply. Despite this heavy capital spending, which has attractive returns, free cash flow remains very robust.

We believe the company is trading at a remarkably attractive valuation. We believe we are paying roughly fair value for its intelligent cloud business, including Azure, and getting the software business for free. Alternatively, we are paying roughly fair value for the software business and getting its intelligent cloud business for free. We think we own Microsoft with a substantial margin of safety.

As mentioned above, we purchased SAP during the quarter. It was also a material detractor. We continued to add to our position in SAP throughout the quarter. We believe that we own one of the best businesses in the world with a substantial margin of safety.



As of 03/31/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
VVP Small Cap (Gross)	-6.6%	-6.6%	7.6%	5.5%	-2.6%	5.2%	7.8%
VVP Small Cap (Net)	-6.8%	-6.8%	6.9%	4.8%	-3.3%	4.4%	6.9%
Russell 2000 Value Index	5.0%	5.0%	28.1%	13.8%	5.8%	9.6%	6.8%
Russell 2000 Index	0.9%	0.9%	25.7%	13.0%	3.8%	9.9%	7.6%

Inception 03/31/2007

We purchased four positions during the quarter: Ryan Specialty Holdings, Inc., TransUnion, StandardAero, Inc., and CTS Eventim.

We sold five positions during the quarter: Virtus Investment Partners, Crown Holdings, Inc., The Middleby Corporation, The Timken Company, and Sealed Air Corporation.

There was one material contributor to performance: Littelfuse, Inc.

There were four material detractors to performance: Ryan Specialty Holdings, Inc., Ibstock Plc., MillerKnoll, Inc., and Premium Brands Holdings Corporation.

Ryan Specialty Holdings, Inc. was founded by Pat Ryan, who also founded AON and turned it into the second largest insurance broker in the world. RYAN is one of three Excess and Surplus or E&S brokers that dominate the U.S. market. E&S is more complicated, specialized insurance that is sold to manage risks not adequately covered by the highly regulated admitted or standard insurance market. The E&S market is growing much faster than the admitted market and RYAN is gaining market share, so it has been growing at a solid double digit rate for many years. E&S and RYAN continue to gain market share, but the insurance market is inherently cyclical with regard to price. We are entering a soft market with price declines for certain segments, especially property. As a result, RYAN's growth is slowing in the short run and its stock price declined meaningfully in 2025.

More recently, RYAN's stock price has declined meaningfully again on AI related fears. During the first quarter OpenAI announced a partnership with Insurify, a privately held company using an app to sell auto insurance to consumers. They are adding AI functionality to the app. Most auto insurance is sold through the admitted market. RYAN does not sell any consumer auto insurance. RYAN mostly sells very complex E&S insurance for its clients, who include very large insurance companies. They trust RYAN to help them manage risks that can be as much as several hundred million dollars. We asked the CEO of one of these large insurance companies if they would consider using AI instead of an E&S broker such as RYAN to place these large, complex risks. The answer was an emphatic, "No." On the other hand, RYAN is using AI to lower costs and provide faster, better risk assessment by making its brokers more

efficient. We believe that RYAN will benefit from AI as opposed to being harmed by it. We are thrilled to own this outstanding business with a substantial margin of safety.

TransUnion is one of the three leading credit bureaus in the US. Over 95,000 lending institutions self-report their consumer lending and payment data to TransUnion. That data is then aggregated as a credit report and credit score and sold back to lenders to evaluate the creditworthiness of borrowers. The combined revenue that the three credit bureaus generate from selling mission critical proprietary credit data accounts for just three basis points of total US household debt of \$19 trillion.

TransUnion has also used its existing data on consumers to expand into new verticals, including marketing, fraud, identity verification, insurance and tenant screening. The company has evolved from being solely a credit bureau to being a global data and analytics company. Depressed volumes in mortgage lending, as well as investor concerns over AI disruption, have weighed on the stock price, giving us an opportunity to own its shares.

We believe that TransUnion will benefit from AI and that AI disruption fears are misplaced. TransUnion's non-public consumer data is proprietary, regulated, and highly sensitive. Therefore, it is impossible for a new entrant, using AI or any other method, to replicate.

TransUnion's data and decisioning solutions are also embedded in lenders' workflows, making it costly for customers to switch.

TransUnion historically has grown its organic revenues at a high single digit rate. The company has an attractive 30% operating profit margin, generates very high returns on capital, and produces strong free cash flow. They have been successfully deleveraging their balance sheet and are now placing a much greater emphasis on share buybacks. We have followed this business for many years and are happy to own it with a substantial margin of safety.

StandardAero provides maintenance, repair, and overhaul (MRO) services for aircraft engines. 60% of revenue is generated from commercial markets, 20% from business aviation, and 20% from the military. 80% of profit is generated from core MRO activities and 20% from Component Repair Services which provide engine piece part and accessory repair. StandardAero generates 77% of its revenue from long-term agreements and serves approximately 5,000 customers, including airlines, fleet operators, engine OEMs, and the U.S. military. 80% of revenue is generated from platforms where StandardAero has the #1 or #2 market position. The company maintains a network of 55 test cells, the largest among independent MROs, which serves as a significant barrier to entry. Its relationships with OEMs span 20-60 years. Engine MRO is highly regulated and non-discretionary. Engine maintenance is highly regulated at prescribed intervals or following specific operational events.

StandardAero's revenues are primarily driven by Global Commercial Air Traffic which has grown at a resilient 5.6% annually for the past 40 years. In addition, the company enjoys strong pricing power. We are thrilled to own this outstanding business with a substantial margin of safety.

CTS Eventim is the largest live entertainment company in Europe. The company operates a dual-model business that

includes both a high-margin ticketing platform as well as a live entertainment division that promotes major tours and manages concert venues. Its scale and vertical integration have secured Eventim's position as the number one ticketing provider and concert promoter in Europe. Today, live performances make up 90% of artist income. Designing a concert tour is extremely complex and requires years of experience, global reach, and localized pricing data in order to achieve the artist's dual goals of selling out venues and maximizing tour revenue. Ticketing tends to be a winner-take-most market within a geographic region, and the largest concert promoters continue to take market share. Being vertically integrated enables Eventim to produce more concerts, which in turn drives high-margin ticketing revenue. More revenue in the industry drives artists to tour more, which further feeds the flywheel. Eventim's revenue has grown at a low-double digit rate for many years with attractive margins and returns on capital. The business is asset-light, has a net cash balance sheet, and generates a lot of free cash flow. We are pleased to be shareholders and to be able to own this outstanding business with a substantial margin of safety.

We sold Virtus Investment Partners, Crown Holdings, Inc., The Middleby Corporation, The Timken Company, and Sealed Air Corporation to reallocate capital into more discounted businesses. They were all good investments for us.

Littelfuse is an industrial manufacturing company focused on developing circuit protection, sensing, and power control products used to safeguard electrical systems in automotive, industrial, and electronics end markets. Its portfolio includes fuses, power semiconductors, relays, sensors, and surge protection devices that help prevent electrical damage and enhance reliability. The company reported strong results for the quarter with revenues rising 12% and margins improving by over 500 basis points. In addition, their data center business is growing very strongly and is now up to a double-digit percentage of revenue. Data center design wins doubled in 2025 and next generation data centers use significantly more of Littelfuse's content, often double or more. We expect the data center opportunity to contribute meaningfully to growth and continued margin expansion going forward.

Ibstock is the largest manufacturer of clay bricks and concrete products in the United Kingdom. There is a structural supply and demand imbalance in UK housing. Demand for housing exceeds supply. In addition, the UK brick market is also structurally undersupplied. There is not enough domestic capacity to meet demand and the gap is made up by imports, which are more costly to ship and not very profitable. This structural imbalance gives Ibstock a cost advantage over imports. There are very high barriers to entry to adding new brick capacity in the United Kingdom. The company is currently underearning due to a housing downturn in the UK caused by higher interest rates and a weak economy. We remain confident in the company's long-term outlook and the fundamentals of the British brick market.

MillerKnoll is a global leader in providing premium grade commercial and residential furnishings. MillerKnoll's results are being negatively impacted by the Iran War. Despite this short-term dynamic, the company's fundamentals remain strong. Order trends continue to be healthy, gross margins continue to expand, and the company continues to generate strong free cash flow. We believe that MillerKnoll's premium brands, multi-channel distribution model, and global reach reinforce the value stability of the company. We also believe that depressed volume trends in both its commercial and residential end markets are holding back the company's normal earnings power, which is materially higher than today's earnings. In the meantime, we own an iconic company supported by a strong balance sheet and a tenured management team with a substantial margin of safety.

Premium Brands is a high-quality, diversified specialty food business focused on protein-based foods. The stock price declined in the quarter, despite very strong results. Organic revenue grew 12% and EBITDA grew 21% in the quarter. The company has added significant capacity over the past few years to meet rising demand for its products and is now benefiting from those investments. As we expected, volume growth accelerated meaningfully in 2025, driving margins and returns on capital higher. We expect another very strong year of growth in 2026 with robust free cash flow production. We are pleased to be long-term shareholders in this wonderful business.

As mentioned above, we purchased RYAN during the quarter. It was also a material detractor. We continued to add to our position in RYAN throughout the quarter. We believe that we own one of the best businesses in the world with a substantial margin of safety.



As of 03/31/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
VVP Focus (Gross)	-19.0%	-19.0%	-7.7%	13.1%	8.7%	15.0%	12.8%
VVP Focus (Net)	-19.1%	-19.1%	-8.1%	12.6%	8.2%	14.3%	11.9%
Russell 1000 Value Index	2.1%	2.1%	15.9%	14.3%	9.4%	10.6%	8.1%
S&P 500 Index	-4.3%	-4.3%	17.8%	18.3%	12.1%	14.2%	10.6%

Inception 11/30/2007

We purchased two new positions during the quarter: TransUnion and SAP SE.

We sold two positions during the quarter: CoStar Group, Inc. and Salesforce, Inc.

There were no material contributors to performance.

There were seven material detractors to performance: Ares Management Corporation, Ryan Specialty Holdings, Inc., Microsoft Corporation, Salesforce, Inc., UnitedHealth Group Incorporated, Amazon.com, Inc., and SAP SE.

TransUnion is one of the three leading credit bureaus in the US. Over 95,000 lending institutions self-report their consumer lending and payment data to TransUnion. That data is then aggregated as a credit report and credit score and sold back to lenders to evaluate the creditworthiness of borrowers. The combined revenue that the three credit bureaus generate from selling mission critical proprietary credit data accounts for just three basis points of total US household debt of \$19 trillion.

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operating profit margin, generates very high returns on capital, and produces strong free cash flow. They have been successfully deleveraging their balance sheet and are now placing a much greater emphasis on share buybacks. We have followed this business for many years and are happy to own it with a substantial margin of safety.

SAP SE is the global leader in enterprise resource planning (ERP) software, which serves as the operating system for many of the world's largest companies. SAP's software manages many functions across an organization, including financial accounting, supply chains, customer relationships, human capital, and procurement. SAP and Oracle dominate the global ERP market. We have owned both businesses in the past and we are thrilled to have the opportunity to own SAP again with a substantial margin of safety.

We believe SAP is one of the best businesses in the world. They have over 425,000 customers, including 98 of the 100 largest companies globally. SAP's ERP solutions often have decades of embedded data, business processes, and software customizations. It is extremely rare for companies to switch ERP vendors due to the cost, time, and disruption risk that switching creates, particularly for large, global enterprises that make up SAP's core customer base.

SAP's stock price is down significantly due to concerns about AI disruption. SAP is the system-of-record for its customers. All their business data, context, and business logic sits within SAP. AI-enabled agents do not work without this data and business context. Customers would be taking on significant risk by using AI to recreate business processes that SAP already handles well. SAP's core customers are global businesses with enormous complexity, thousands of employees, and a vast web of customers, suppliers, and distribution networks, in addition to many different tax and regulatory jurisdictions. The time and difficulty to replicate all this using AI is enormous. SAP is currently investing in agentic AI solutions that enable their customers to be more productive. As the incumbent with a broad array of software solutions, SAP is in a superior position to develop AI agents that work effectively across an organization in an integrated fashion. Even if SAP's customers adopt third party AI agents instead of SAP's agentic agents, we believe that SAP will still benefit. The ERP system drives AI. Any enhancement to the ERP system increases its value which makes SAP even more competitively entrenched. Either way, we believe that SAP will ultimately be an AI beneficiary, helping to make themselves more efficient internally while also creating more value for their customers.

CoStar Group is a premier information services provider to the commercial and residential real estate industries. Its core businesses are dominant, have high barriers to entry, produce copious amounts of free cash flow, and historically have grown at a double digit rate. We bought CoStar because of these businesses. Several years ago, after we purchased CoStar, the company bought Homes.com. They have taken virtually all of the company's free cash flow and reinvested it into Homes.com in an attempt to disrupt the residential brokerage portal industry. Stated simply, it has not worked and the company continues to reinvest virtually all of its free cash flow into Homes.com, which management now says will not be profitable until 2030, 8 years after it launched the business. We no longer qualify CoStar Group for investment because of poor capital allocation. Following our discipline we sold it to reallocate capital into more discounted companies with better management teams.

We sold Salesforce to fund the purchase of SAP. Our goal is to always lower risk in our portfolios. SAP and Salesforce have similar price to value ratios. However, while we continue to like and own Salesforce in Large Cap and All Cap, we believe that the risk of AI disruption to SAP's business model is the lowest of any software company that we follow. To use an analogy, in terms of risk, we think that Salesforce is an investment grade bond and that SAP is a risk free treasury.

Ares Management Corporation is an alternative asset manager widely considered to be the leading private credit provider globally. Its value has compounded at double digit rates while we have owned it. Its stock price declined 6.2% last year and 31.6% during the first quarter on AI related fears. Specifically, bears are worried about its exposure to software companies and about clients allocating capital away from ARES because of AI related fears about that same software exposure. Let us dissect both related arguments.

First, ARES exposure to software is a relatively small proportion of its portfolio. Second, its exposure is in credit, so ARES has the most senior position if the companies begin to struggle. Their loan to value ratio is approximately 37%. The companies are not struggling, and default rates are close to zero. The average duration of their loans is about three and a half years so they will get all of their money back or refinance relatively soon, before AI causes financial stress, if it ever does. ARES has been aware of AI risks for many years and has been very selective in the types of companies in which they invest. Assuming we are wrong and 15% of their software loans default we estimate it would only reduce the company's growth rate by 3% or 4% for one year and that ARES would continue to grow at a double digit rate.

Second, ARES has a very impressive track record minimizing credit losses going back to the financial crisis. Most of the funds they manage are institutional, which provides stability. Their assets under management continue to grow nicely. Their primary "wealth channel" or "retail" related assets under management comes from ARCC, a business development company that acts like a closed end fund. Investors can sell ARCC's stock but they cannot force ARES to liquidate ARCC's loans. Bears have cited meaningful fund withdrawals at Blue Owl, a smaller ARES competitor that is much more retail oriented with less stable capital than ARES, as a reason to sell ARES. We looked at Blue Owl several years ago and decided it did not qualify for investment precisely because its structure is inferior compared to ARES. We believe that fears expressed by the bears are not supported by facts so that ARES' value is stable and that its stock price decline represents a compelling buying opportunity. We have been buying.

Microsoft Corporation is the world's largest software company with a broad range of offerings including Microsoft office, gaming, Azure cloud computing, LinkedIn, and more. Microsoft also has a large investment in OpenAI which allows them to have full access to all of OpenAI's intellectual property. We think Microsoft is one of the most competitively entrenched businesses in the world and will be a beneficiary from AI.

Microsoft delivered another strong quarter, with revenues up +15% and operating profits up +19% on a constant currency basis. Our value grew nicely. Microsoft's cloud business, Azure, grew at a robust +38% constant currency rate. Microsoft continues to invest heavily in capital spending as it continues to build cloud capacity to meet customer demand, which continues to outstrip supply. Despite this heavy capital spending, which has attractive returns, free cash flow remains very robust.

We believe the company is trading at a remarkably attractive valuation. We believe we are paying roughly fair value for its intelligent cloud business, including Azure, and getting the software business for free. Alternatively, we are paying roughly fair value for the software business and getting its intelligent cloud business for free. We think we own Microsoft with a substantial margin of safety.

Salesforce is the world's leading SaaS vendor for customer relationship management (CRM) and salesforce automation (SFA) software, including AI agents. Salesforce's stock price has been negatively impacted by AI disruption fears. Salesforce largely has a seat-based subscription model. Bears fear that AI agents will replace human beings and that Salesforce's seat count will decline. We believe that AI will enhance incumbent platforms such as Salesforce, which are also in the best position to keep software updated and maintained in the future. We also believe that Salesforce will be a net beneficiary if seats do decline as clients adopt its agentic AI solution, Agentforce. For example, on average Salesforce charges approximately \$2,000 per seat for its product suite. A typical user might make \$40,000 per year. Salesforce is able to charge approximately 10-20% of the cost of a human for Agentforce. If that human user is replaced by Salesforce's AI agent, Salesforce's revenue will increase 2x to 4x to approximately \$4,000 to \$8,000.

The evening before UnitedHealth Group reported fourth quarter earnings, which were in line with our expectations, the Centers for Medicare and Medicaid Services (CMS) released its 2027 Medicare Advantage Advance Rate Notice. The notice called for a 0.1% payment increase. Cost trend in Medicare Advantage is running high-single-digits. The 0.1% increase is clearly inadequate relative to cost trend. This announcement put pressure on the entire industry and UnitedHealth Group was no exception. On April 6, CMS released its 2027 Final Rate Announcement of 2.48% and UnitedHealth Group's stock price has rallied since then. We believe that UnitedHealth Group serves a critical function in the healthcare system in the U.S. and that its role is entrenched despite short-term volatility associated with Medicare Advantage funding headwinds. We believe that value-based care must play a critical role in bringing down the cost of healthcare in the United States. In our opinion, no company is better positioned to drive better outcomes at lower cost through value-based care than UnitedHealth Group.

Amazon reported strong results for its fiscal year and fourth quarter. During the fourth quarter, AWS's revenue increased 24% and highly profitable advertising revenue grew 22%. AWS is benefitting from AI driven demand for its cloud services and its growth is accelerating. In addition, Amazon is aggressively building out its promising Leo satellite service that will compete with Starlink. As a result, Amazon's capital spending is forecast to increase over 50% in 2026 to approximately \$200 billion. We expect a solid return on this capital spending. Bears believe that Amazon is investing too much money in capital spending. Our view is that it is a darn good problem to have and that Amazon will become even more competitively entrenched as the leading cloud services provider in the world.

As mentioned above, we purchased SAP during the quarter. It was also a material detractor. We continued to add to our position in SAP throughout the quarter. We believe that we own one of the best businesses in the world with a substantial margin of safety.



As of 03/31/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
VVP Focus Plus (Gross)	-19.1%	-19.1%	-8.0%	13.6%	9.0%	15.2%	12.4%
VVP Focus Plus (Net)	-19.1%	-19.1%	-8.6%	12.5%	8.0%	14.2%	11.3%
Russell 1000 Value Index	2.1%	2.1%	15.9%	14.3%	9.4%	10.6%	7.7%
S&P 500 Index	-4.3%	-4.3%	17.8%	18.3%	12.1%	14.2%	10.5%

Inception 03/31/2007

We did not write any options contracts during the quarter. We use options to lower risk. Equity-like returns are possible when option prices reflect higher levels of implied volatility. If exercised, these options give us the right to purchase stakes in companies we want to own at a lower price than the market price at the time the option was written. We would like for these options to be exercised and have set aside cash for that purpose. We employ no leverage. In effect, we are being paid while we wait for lower prices and a corresponding larger margin of safety. We also use options to exit positions. Generally, we write covered calls with the strike price being our estimate of fair value. As with our puts, we are being paid to do something we would do anyway at a given price.

We purchased two new positions during the quarter: TransUnion and SAP SE.

We sold two positions during the quarter: CoStar Group, Inc. and Salesforce, Inc.

There were no material contributors to performance.

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All Cap Review

As of 03/31/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
VVP All Cap (Gross)	-13.3%	-13.3%	0.7%	9.9%	1.7%	8.3%	9.9%
VVP All Cap (Net)	-13.5%	-13.5%	-0.1%	9.1%	1.0%	7.5%	9.0%
Russell 3000 Value Index	2.2%	2.2%	16.4%	14.3%	9.2%	10.5%	10.3%
Russell 3000 Index	-4.0%	-4.0%	18.1%	17.9%	10.9%	13.7%	12.8%

Inception 04/01/2011

We purchased one new position during the quarter: SAP SE.

We sold one position during the quarter: ISS A/S.

There was one material contributor to performance: Littelfuse, Inc.

There were five material detractors to performance: TPG Inc., Salesforce, Inc., Ibstock Plc, Ryan Specialty Holdings, Inc., Premium Brands Holdings Corporation.

SAP SE is the global leader in enterprise resource planning (ERP) software, which serves as the operating system for many of the world's largest companies. SAP's software manages many functions across an organization, including financial accounting, supply chains, customer relationships, human capital, and procurement. SAP and Oracle dominate the global ERP market. We have owned both businesses in the past and we are thrilled to have the opportunity to own SAP again with a substantial margin of safety.

We believe SAP is one of the best businesses in the world. They have over 425,000 customers, including 98 of the 100 largest companies globally. SAP's ERP solutions often have decades of embedded data, business processes, and software customizations. It is extremely rare for companies to switch ERP vendors due to the cost, time, and disruption risk that switching creates, particularly for large, global enterprises that make up SAP's core customer base.

SAP's stock price is down significantly due to concerns about AI disruption. SAP is the system-of-record for its customers. All their business data, context, and business logic sits within SAP. AI-enabled agents do not work without this data and business context. Customers would be taking on significant risk by using AI to recreate business processes that SAP already handles well. SAP's core customers are global businesses with enormous complexity, thousands of employees, and a vast web of customers, suppliers, and distribution networks, in addition to many different tax and regulatory jurisdictions. The time and difficulty to replicate all this using AI is enormous. SAP is currently investing in agentic AI solutions that enable their customers to be more productive. As the incumbent

with a broad array of software solutions, SAP is in a superior position to develop AI agents that work effectively across an organization in an integrated fashion. Even if SAP's customers adopt third party AI agents instead of SAP's agentic agents, we believe that SAP will still benefit. The ERP system drives AI. Any enhancement to the ERP system increases its value which makes SAP even more competitively entrenched. Either way, we believe that SAP will ultimately be an AI beneficiary, helping to make themselves more efficient internally while also creating more value for their customers.

ISS A/S is an outstanding company. Its stock price has risen materially over the last 12 months. We sold it to buy even better businesses at meaningfully lower price to value ratios. We continue to own it in our small cap portfolio.

Littelfuse is an industrial manufacturing company focused on developing circuit protection, sensing, and power control products used to safeguard electrical systems in automotive, industrial, and electronics end markets. Its portfolio includes fuses, power semiconductors, relays, sensors, and surge protection devices that help prevent electrical damage and enhance reliability. The company reported strong results for the quarter with revenues rising 12% and margins improving by over 500 basis points. In addition, their data center business is growing very strongly and is now up to a double-digit percentage of revenue. Data center design wins doubled in 2025 and next generation data centers use significantly more of Littelfuse's content, often double or more. We expect the data center opportunity to contribute meaningfully to growth and continued margin expansion going forward.

We bought TPG, Inc. in the first quarter of last year during a similar market overreaction caused by the tariff tantrums. In this year's first quarter, TPG is down due to AI disruption fears around its software investments. As was the case last year, we believe that the market is overreacting again. TPG's software exposure is approximately \$34 billion and represents approximately 11% of its total assets under management. TPG has been investing in software for years and has a very strong track record. Their flagship buyout fund, TPG VII, which was started in 2015, invested in several software companies. They sold all of their holdings by the end of 2021 at very good valuations.

Subsequent funds have had the benefit of learnings from those successful exits. The investment period for these newer funds has had the unique benefit of occurring during the period that AI was becoming more visible. We believe that TPG will have some losers, but in the aggregate, the growth in value creation from the winners is going to more than offset the laggards.

Like us, TPG is focused on identifying businesses with sustainable competitive advantages. We believe that they have allocated capital intelligently across their portfolios, including software. Some of the competitive advantages they look for include proprietary data over public data, transaction processing where precision is mission critical, and vertical software. Factory automation is an example of vertical software. In 2025, TPG's fee earning AUM grew 21% and its fee related earnings grew 25%. We expect another strong year of growth in 2026.

Salesforce is the world's leading SaaS vendor for customer relationship management (CRM) and salesforce automation (SFA) software, including AI agents. Salesforce's stock price has been negatively impacted by AI disruption fears. Salesforce largely has a seat-based subscription model. Bears fear that AI agents will replace human beings and that Salesforce's seat count will decline. We believe that AI will enhance incumbent platforms such as Salesforce, which

are also in the best position to keep software updated and maintained in the future. We also believe that Salesforce will be a net beneficiary if seats do decline as clients adopt its agentic AI solution, Agentforce. For example, on average Salesforce charges approximately \$2,000 per seat for its product suite. A typical user might make \$40,000 per year. Salesforce is able to charge approximately 10-20% of the cost of a human for Agentforce. If that human user is replaced by Salesforce's AI agent, Salesforce's revenue will increase 2x to 4x to approximately \$4,000 to \$8,000.

Ibstock is the largest manufacturer of clay bricks and concrete products in the United Kingdom. There is a structural supply and demand imbalance in UK housing. Demand for housing exceeds supply. In addition, the UK brick market is also structurally undersupplied. There is not enough domestic capacity to meet demand and the gap is made up by imports, which are more costly to ship and not very profitable. This structural imbalance gives Ibstock a cost advantage over imports. There are very high barriers to entry to adding new brick capacity in the United Kingdom. The company is currently underearning due to a housing downturn in the UK caused by higher interest rates and a weak economy. We remain confident in the company's long-term outlook and the fundamentals of the British brick market.

Ryan Specialty Holdings was founded by Pat Ryan, who also founded AON and turned it into the second largest insurance broker in the world. RYAN is one of three Excess and Surplus or E&S brokers that dominate the U.S. market. E&S is more complicated, specialized insurance that is sold to manage risks not adequately covered by the highly regulated admitted or standard insurance market. The E&S market is growing much faster than the admitted market and RYAN is gaining market share, so it has been growing at a solid double digit rate for many years. E&S and RYAN continue to gain market share, but the insurance market is inherently cyclical with regard to price. We are entering a soft market with price declines for certain segments, especially property. As a result, RYAN's growth is slowing in the short run and its stock price declined meaningfully in 2025.

More recently, RYAN's stock price has declined meaningfully again on AI related fears. During the first quarter OpenAI announced a partnership with Insurify, a privately held company using an app to sell auto insurance to consumers. They are adding AI functionality to the app. Most auto insurance is sold through the admitted market. RYAN does not sell any consumer auto insurance. RYAN mostly sells very complex E&S insurance for its clients, who include very large insurance companies. They trust RYAN to help them manage risks that can be as much as several hundred million dollars. We asked the CEO of one of these large insurance companies if they would consider using AI instead of an E&S broker such as RYAN to place these large, complex risks. The answer was an emphatic, "No." On the other hand, RYAN is using AI to lower costs and provide faster, better risk assessment by making its brokers more efficient. We believe that RYAN will benefit from AI as opposed to being harmed by it. We have been buying RYAN.

Premium Brands is a high-quality, diversified specialty food business focused on protein-based foods. The stock price declined in the quarter, despite very strong results. Organic revenue grew 12% and EBITDA grew 21% in the quarter. The company has added significant capacity over the past few years to meet rising demand for its products and is now benefiting from those investments. As we expected, volume growth accelerated meaningfully in 2025, driving margins and returns on capital higher. We expect another very strong year of growth in 2026 with robust free cash flow production. We are pleased to be long-term shareholders in this wonderful business.



CLOSING

We know that short term volatility, especially downward volatility, creates stress. However, when we limit ourselves to companies that we believe to have stable values, as we have, it creates a wonderful opportunity for long term investors. We are gratified to have this opportunity and have added capital recently.

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Important Definitions

TERM	VULCAN DEFINITION*
Competitive Advantage/Position Moat or Economic Moat	A company's ability to maintain competitive advantages over its competitors in order to protect its long-term profits and market share from competing firms.
Discount	The difference between Vulcan's estimated intrinsic value and the market price of a company.
EBITDA	EBITDA is earnings before interest, taxes, depreciation, and amortization.
Fair Value/ Intrinsic Value/ Value/ Intrinsic Worth	Vulcan's estimate of the price a willing buyer would pay and a willing seller would accept, assuming neither was compelled to enter into a transaction.
Firm Assets	Vulcan's fully discretionary assets under management.
Free Cash Flow	The amount of cash that a company has left over after a company has paid all of its expenses, including investments.
Free Cash Flow Yield (FCF Yield)	A company's free cash flow divided by its market price.
High Quality Business	A company that meets Vulcan's standards for investment.
Investment Team	Vulcan's Investment Team includes members from both its Research and Trading Teams.
Investment Time Horizon	Investment holding period considered by Vulcan when evaluating a potential investment.
Macro Factors	The general economic and business environment.
Margin of Safety	A favorable difference between the price of a company's shares and Vulcan's estimated fair value of those shares. A quantitative Margin of Safety is measured by discount (defined above). Qualitative Margin of Safety is measured by our assessment of the quality of a business.
MVP List	A proprietary list of qualifying businesses that Vulcan believes have identifiable, sustainable competitive advantages and the ability to consistently produce free cash flow through Vulcan's five-year investment horizon. This list includes Vulcan portfolio companies in addition to others but is not representative of any existing Vulcan client accounts, composites, or funds.
Name Turnover	The number of companies bought plus the number of companies sold divided by 2 and then divided by the average number of companies in the portfolio during the relevant time period.
Portfolio Improvement	Overall improvement of the quality of the businesses in the applicable portfolio.
Position Size	A security's weight in the applicable portfolio or composite.
Price to Value Ratio	A calculation that compares the price of a company's stock to our appraisal of the company's intrinsic value.
Risk Reduction/ Risk Management	Reducing the portfolio's price to value ratio by either buying (or adding to existing positions) high quality companies which are trading well below fair value as estimated by Vulcan or selling positions which are trading at or near their fair values.
Stable Value Companies	Companies with intrinsic values that Vulcan believes will remain stable over its investment horizon of five years.
Total Addressable Market (TAM)	Also referred to as total available market, is the opportunity that would be available to a product or service if 100% market share was achieved.
Value Growth	The sum of the growth in a company's profitability and its free cash flow yield.

*These definitions should be referenced in the context of Vulcan commentary and do not necessarily represent the meanings that are used in all contexts.



DISCLOSURES

Vulcan Value Partners LLC is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training. The performance presented is for our Large Cap Composite, Focus Composite, Focus Plus Composite, Small Cap Composite, and All Cap Composite. The model composite portfolio performance figures reflect the deduction of brokerage or other commissions and the reinvestment of dividends and capital gains. We have presented returns gross and net of fees. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated net of management fees and transaction costs and gross of custodian fees, taken at the highest applicable fee. The performance figures do not reflect the deduction of any taxes an investor might pay on distributions or redemptions. Our standard fees are presented in Part 2 of our ADV.

Opinions and views expressed constitute the judgment of Vulcan Value Partners as of the date shown and may involve a number of assumptions and estimates which are not guaranteed and subject to change without notice. No representation is being made with respect to their accuracy on any future date. Although the information and any opinions or views given have been obtained from or based on sources believed to be reliable, no warranty or representation is made as to their correctness, completeness or accuracy. Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice, including any forward-looking estimates or statements which are based on certain expectations and assumptions. The views and strategies described may not be suitable for all clients. This document does not identify all the risks (direct or indirect) or other considerations which might be material when entering any financial transaction.

Vulcan focuses on long-term capital appreciation; purchasing publicly-traded companies that we believe are competitively entrenched and emphasize a margin of safety in terms of price as compared to our estimation of their intrinsic value. Value is our estimate of the intrinsic worth of a company based on our assessment of certain quantitative and qualitative factors. Vulcan defines risk reduction as reducing the portfolio's price to value ratio by either buying (or adding to existing positions) high quality companies which are trading well below fair value as estimated by Vulcan or selling positions which are trading at or near their fair values.

References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations. There is no assurance that any securities discussed herein will remain in the composite or that the securities sold will not be repurchased. The specific securities identified and described are not representative of all the securities purchased, sold, or recommended for client accounts. Actual holdings may vary for each client and there is no guarantee that a particular client's account will hold all of the securities described. The securities discussed do not represent the composite's entire portfolio. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. There may be market or economic conditions which affect our performance, or that of our relevant benchmarks, that may have changed Vulcan Value Partners' views regarding the prospects of any particular investment. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities discussed in this letter. Vulcan buys concentrated positions for our portfolios, at times averaging 5% in our model portfolios, which may make our performance more volatile than that of our benchmark indices, and our performance may diverge from an index, positively or negatively, as a result. Our focus is on long term capital appreciation, so our clients should consider at least a five year time horizon for an investment with Vulcan.

The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index. The Russell 1000® Value Index measures the performance of the large cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 2000® Index includes the 2000 firms from the Russell 3000® Index with the smallest market capitalizations. The Russell 2000® Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Index figures do not reflect deductions for any fees, expenses, or taxes. Investors cannot invest directly in an index.

Peer ranking information sourced from eVestment using Vulcan Value Partners Large Cap, and Focus Plus Composites versus peer group of US Large Cap Value Equity Universe, Vulcan Value Partners Small Cap Composite versus peer group of US Small Cap Value Equity Universe.

Vulcan Value Partners claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Vulcan Value Partners' composites and a presentation that adheres to the GIPS standards, please contact Anne Jones at 205.803.1582 or write Vulcan Value Partners, Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, AL 35223.

Large Cap Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients would hold 20 names diversified across various industries. It is very rare that enough companies are sufficiently discounted to warrant this level of concentration so concentration will vary with the price to value ratio. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of \$50,000 are not included in the composite.

Focus Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. This is a very concentrated portfolio holding between seven and fourteen positions. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on November 30, 2007. Portfolios below the minimum asset level of \$50,000 are not included in the composite.

Focus Plus Composite Information: This portfolio strategy invests in companies with larger market capitalizations. Subject to price, any publicly traded company with above average economics that is too large to be included in our small capitalization composite would be a potential investment in this portfolio. This is a very concentrated portfolio holding between seven and fourteen positions. We will use options instead of limit orders to acquire and/or sell the stock. We do not intend to employ any leverage, but will utilize options to sell volatility when it is expensive and buy volatility when it is cheap. We will focus on options which give our clients the right to buy or sell stock in companies at prices that we would buy or sell anyway, and we will generate revenue through option premiums. Generally, we plan to use options instead of buying stock directly when we can earn double digit returns from selling options. We only intend to purchase options under rare circumstances, and to continue to focus on reducing risk through the purchase of qualifying companies at attractive prices. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the S&P 500 which is an index of 500 stocks selected based on market size, liquidity, and sector and is designed to provide a broad snapshot of the overall U.S. equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of \$50,000 are not included in the composite.

Small Cap Composite Information: This portfolio strategy invests in companies with smaller market capitalizations. Subject to price, any publicly traded company with above average economics that is not "large" would be a potential investment in this portfolio. While we do not have any defined cutoffs, we use the Russell 2000 as a guide to define small cap, and any small publicly traded company with reasonable economics would be a potential investment in this portfolio. A core position is 5% so that theoretically our clients would hold 20 names diversified across various industries. It is very rare that enough companies are sufficiently discounted to warrant this level of concentration so concentration will vary with the price to value ratio. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the Russell 2000 Index which measures the performance of the small-cap segment of the U.S. Equity universe and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on March 31, 2007. Portfolios below the minimum asset level of \$50,000 are not included in the composite.

All Cap Composite Information: This portfolio strategy invests in companies across all market capitalizations. Generally, positions held in this strategy will also be held in either the Large Cap or Small Cap strategies, though sometimes with differing weights. As with those strategies, a core position in this portfolio is 5% so that theoretically we would hold 20 positions diversified across various industries. Because it is rare that we would find 20 companies meeting our investment guidelines, concentration will vary with the price to value ratios we determine for companies in which we invest. We will invest client assets in positions as small as 1% when price to value ratios are higher. We will not invest client assets in any business that is trading above our estimate of fair value. The composite benchmark is the Russell 3000 Index which measures the performance of the largest 3000 US companies representing approximately 98% of the investable US Equity market. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The composite was created on April 1, 2011. Portfolios below the minimum asset level of \$50,000 are not included in the composite.