



VULCAN VALUE PARTNERS
THIRD 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)	7.6%	1.5%	10.0%
Large Cap Composite (Net)	7.4%	1.0%	9.3%
Russell 1000 Value Index	2.6%	19.3%	8.3%
S&P 500 Index	2.3%	12.7%	11.1%
Small Cap Composite (Gross)	-1.0%	4.9%	8.3%
Small Cap Composite (Net)	-1.2%	4.3%	7.3%
Russell 2000 Value Index	-4.9%	17.0%	7.2%
Russell 2000 Index	-7.2%	13.7%	8.1%
Focus Composite (Gross)	9.0%	-2.5%	13.6%
Focus Composite (Net)	8.9%	-2.7%	12.6%
Russell 1000 Value Index	2.6%	19.3%	8.7%
S&P 500 Index	2.3%	12.7	11.2%
Focus Plus Composite (Gross)	8.9%	-2.5%	13.2%
Focus Plus Composite (Net)	8.8%	-2.7%	12.1%
Russell 1000 Value Index	2.6%	19.3%	8.3%
S&P 500 Index	2.3%	12.7%	11.1%
All Cap Composite (Gross)	7.7%	1.9%	10.7%
All Cap Composite (Net)	7.5%	1.3%	9.8%
Russell 3000 Value Index	2.3%	19.2%	11.1%
Russell 3000 Index	1.4%	12.4%	13.5%

**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 are pleased with the third quarter's results. As detailed in the table above, all strategies except Small Cap delivered positive absolute results. Small Cap was down approximately 1%. All strategies outperformed their benchmarks. What is more impressive is that all our strategies maintained or improved their historically low price-to-value ratios. These historically low price-to-value ratios have improved since the beginning of the year based on our estimate of intrinsic value. As a reminder, the lower the price-to-value ratio, the higher the margin of safety.

In recent letters, which are still very relevant today, we have written about the strong underlying value growth of our businesses and our opportunities to allocate capital to outstanding businesses at very attractive price-to-value ratios. At a time of rapidly rising interest rates, we find very few asset classes that are bargains. We find individual parts of the global stock market are overvalued and that the capitalization weighted market indices are at best "not cheap." Within this broader context, we believe that we own some of the best businesses in the world at significant discounts to our estimate of intrinsic value. Historically, when our estimated price-to-value ratios are this low, the entire market is under stress. Examples include the Great Financial Crisis and COVID. To have portfolios of outstanding businesses that are compounding their values consistently at a significant discount when the aggregate market indices are at or above fair value is very rare. We believe that it is a compelling time to add capital to our investment strategies, as we have personally done.

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 09/30/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
Large Cap Composite (Gross)	7.6%	1.5%	0.1%	15.5%	3.4%	10.5%	10.0%
Large Cap Composite (Net)	7.4%	1.0%	-0.5%	14.9%	2.8%	9.9%	9.3%
Russell 1000 Value Index	2.6%	19.3%	23.8%	20.1%	11.9%	11.4%	8.3%
S&P 500 Index	2.3%	12.7%	15.7%	22.9%	13.8%	15.3%	11.1%

Inception 03/31/2007

We did not purchase any new positions during the quarter.

We sold two positions during the quarter: IQVIA Holdings Inc. and CarMax, Inc.

There were four material contributors to performance: IQVIA Holdings Inc., ServiceNow, Inc., Microsoft Corporation, and SAP SE.

There were no material detractors to performance.

We sold IQVIA Holdings during the quarter. The company is the largest healthcare contract research organization (CRO) in the world. CROs are hired by sponsors ranging from large pharma to small biotech and medical device companies to support research, development and ultimately the commercialization of drugs, vaccines and devices. We purchased IQVIA in the summer of 2025 at a time when large pharma clients were re-prioritizing and pausing work in response to persistent inflation, higher rates, and policy uncertainty. At the same time, small biotech clients were experiencing a more difficult funding environment due to similar dynamics. Given our long-term time horizon, admiration for the business, and confidence in IQVIA's management, we looked through these short-term headwinds and purchased the business at below 50 cents on the dollar of our estimate of intrinsic value. Over our ownership period, our value per share grew, supported by healthy earnings, billions of dollars of free cash flow, and management's intelligent deployment of that cash. Fast forward to today and IQVIA's customers are now spending at a more normal cadence, and revenue growth has accelerated. As a result, the company's share price has risen and is now trading closer to our estimate of value per share. Given how attractive other opportunities are within our portfolio, we have exited IQVIA to fund more deeply discounted businesses.

CarMax, a company which struggled operationally in 2025, was extremely discounted earlier this year. Recent operating results have improved since the changes in management. We think highly of the new CEO, Keith Barr, and note his long, successful tenure as CEO of InterContinental Hotels Group, another MVP company that we have owned successfully in the past. CarMax's stock price has rallied strongly this year, and we sold it to allocate capital to more discounted names.

ServiceNow was a new purchase earlier in the year. We followed our discipline and purchased this stable value business at a significant discount to our estimate of intrinsic value at a time when market sentiment toward the company was negative. What gave us the conviction to buy ServiceNow? ServiceNow has been on our MVP list for years, and we have spent those years following the company and deepening our understanding of the business. We said last quarter that we believed ServiceNow was one of the most competitively entrenched and resilient businesses in the world. We continue to believe that today. The combination of business quality and margin of safety, in terms of price relative to our estimate of intrinsic value, reinforced by the work we have done, is what gave us the conviction to capitalize on the whims of Mr. Market. ServiceNow reported very strong second quarter earnings, and its value grew quarter over quarter. We expect the company's value to continue to compound, and the stock remains discounted. We will continue to follow our investment discipline.

Going into the quarter, Microsoft was one of our most discounted names and also one of our highest quality businesses. The stock was up after reporting fiscal fourth quarter results. Most notably, Azure growth accelerated to 43%, its highest growth rate in four years. Management noted that demand for Azure services continues to exceed supply, and annual Azure revenue now exceeds \$100 billion. Microsoft's commercial remaining performance obligation grew 84% year-over-year, or 25% excluding its contracts with OpenAI. Also, after an initial lukewarm response to Microsoft's Copilot, paid Copilot subscribers now exceed 30 million, demonstrating broad enterprise adoption. Microsoft also introduced autonomous agent features within Copilot that make the product more useful and stickier for its users. Lastly, while free cash flow is down as Microsoft invests in additional compute capacity, it was still quite substantial. Microsoft generated \$20 billion in free cash flow in fiscal fourth quarter and \$67 billion in fiscal year 2026. Microsoft's value has grown meaningfully, its competitive advantages are intact, and shares remain significantly discounted.

SAP 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 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. SAP's second quarter results were very strong, with total revenue up 11% and EBIT up 6%. Cloud revenue grew 24% and their current cloud backlog growth accelerated to 26% year over year. Our value continues to compound and shares remain materially discounted.



As of 09/30/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
VVP Small Cap (Gross)	-1.0%	4.9%	8.5%	10.2%	-4.4%	5.7%	8.3%
VVP Small Cap (Net)	-1.2%	4.3%	7.7%	9.4%	-5.0%	4.9%	7.3%
Russell 2000 Value Index	-4.9%	17.0%	20.8%	17.9%	7.8%	9.4%	7.2%
Russell 2000 Index	-7.2%	13.7%	16.2%	17.7%	6.3%	9.8%	8.1%

Inception 03/31/2007

We purchased three positions during the quarter: Tyler Technologies, Inc., NICE Ltd., and Skyworks Solutions, Inc.

We sold three positions during the quarter: Qorvo, Inc., ISS A/S, and CarMax, Inc.

There were no material contributors to performance.

There were three material detractors to performance: Fortune Brands Innovations, Inc., PROG Holdings, Inc., and StandardAero, Inc.

Tyler Technologies is the leading vertical market software provider for local and state governments. Tyler's software is the system of record for many local municipalities and runs essential Enterprise Resource Planning (ERP) functions including finance, accounting, budgeting, procurement, billing, payroll, land records, appraisals and taxes. Additionally, it handles payments for state parks, fishing and hunting licenses, and motor vehicle departments. Finally, its software runs local courts and public safety systems. Tyler grew revenue and EBIT 9% and 16% in 2025, respectively. Cloud and transaction-based software revenues grew 21% and 16%, respectively. The company expects another strong year of growth in 2026. Despite the strong underlying business momentum, the stock is down approximately 25% year to date through the end of September in sympathy with the rest of the application software sector. We believe Tyler is one of the most resilient businesses on our MVP list due to the mission-critical nature of its software suite and its focus on the local and state government end markets. The public sector is unique in that it is extremely slow moving, risk averse, and unmotivated by profit. Replacement cycles are very long. Tyler is often replacing software that is decades old and at end of life. The sales cycle is also very long and requires building relationships with local leaders across thousands of jurisdictions nationwide. Reputations are critical as these entities rely heavily on peer references when selecting vendors. Data privacy and security are equally paramount. Local governments lack the expertise, resources, and incentives to build their own software or to cut costs by lowering seat counts. AI is a complement to Tyler's software, not a substitute. Over the long term, we view AI as just another driver of growth for Tyler and believe the company will lean on its core strengths including its proprietary data, domain expertise, integrated platform, embedded workflows, and trusted customer relationships to win. We have followed Tyler for many years and have long admired the quality of the business, as well as the management team's

focus on long-term value creation. The company has a very strong balance sheet, produces significant free cash flow, and is buying back shares aggressively at a large discount to our estimate of intrinsic value. We are thrilled with the opportunity to buy such a great business at such a discounted price.

NICE is a market leading enterprise software company that provides mission critical contact center software. We have followed the company for years and currently own NICE in our large cap strategy. Bears fear that NICE will be disrupted by AI. We believe that these fears are misplaced and that NICE is an AI winner. The company is on offense and has been aggressively investing to strengthen its competitive position and win this large and growing market. NICE has one of the best enterprise-grade AI products available and their AI-related revenues are growing rapidly. Call volumes and seats continue to increase and personal agents, like Meta's Muse, have the potential to drive a massive influx of interactions to already overburdened contact centers. Cloud revenues are growing in the low teens, and we are seeing early signs of an acceleration. The company has a net cash balance sheet, produces meaningful free cash flow, is in discussions to potentially sell a non-core asset, and is buying back shares at a significant discount to our estimate of intrinsic value.

During the quarter, we sold Qorvo and used that capital to purchase shares of Skyworks. Both companies design and manufacture radio frequency (RF) semiconductors that enable wireless connectivity across mobile devices, industrial equipment, autos, broadband infrastructure, WiFi devices, and aerospace & defense systems. Apple is a major customer for both Skyworks and Qorvo. The two companies benefit from increasing complexity in RF semiconductors driven by increasing bandwidth, higher levels of data throughput, lower latency, and increasingly smaller form factors.

In October 2025, Skyworks announced that it intended to acquire Qorvo, which it completed on October 5, 2026. We think this acquisition makes a lot of sense. Management is targeting over \$500 million of cost synergies on approximately \$8 billion of combined revenue. These synergies will come from consolidating underutilized fabs and R&D capacity, as well as from SG&A redundancies. The acquisition price included both Skyworks stock as well as a cash component. Because both businesses were discounted and Qorvo shareholders would receive cash, we found it more advantageous to own Skyworks and have 100% exposure to upside in the equity value. We therefore sold our stake in Qorvo and purchased Skyworks. Skyworks' price increased meaningfully in the third quarter. The stock benefitted from increasing certainty around the regulatory approval of the acquisition. Additionally, Skyworks reported a solid third quarter and its iPhone 17 content came in better than anticipated. We continue to like Skyworks and believe its acquisition of Qorvo will unlock meaningful value for shareholders.

We sold ISS A/S in the third quarter. ISS is a facilities management company based in Denmark that specializes in services that are non-core to their customers, including routine cleaning, food management and catering, building maintenance, and security. Its scale, global footprint, wide array of services, and strong customer relationships provide ISS with a sustainable competitive advantage. During the more than 6 years that we owned it, ISS grew organic revenue 4% annually and expanded margins by over 100bps from 4.1% to north of 5%, a 20% increase. They also reduced their diluted share count by 15% through share repurchases so that our value per share growth exceeded the underlying growth in the company's value. This combination of solid operating results and intelligent capital allocation contributed to value per share growth. Its share price rose meaningfully over our holding period, and we reallocated capital into more discounted names.

CarMax, a company which struggled operationally in 2025, was extremely discounted earlier this year. Recent operating results have improved since the changes in management. We think highly of the new CEO, Keith Barr, and note his long, successful tenure as CEO of InterContinental Hotels Group, another MVP company that we have owned successfully in the past. CarMax's stock price has rallied strongly this year, and we sold it to allocate capital to more discounted names.

Fortune Brands Innovations is a leading manufacturer of home and security products, with a diverse portfolio of well-known brands. The company sells faucets, shower heads, and other plumbing products with its primary brand being Moen. Other products include security doors, composite decking, locks, and safes. Fortune Brands Innovations has a portfolio of iconic and trusted brands with strong consumer recognition and loyalty. Additionally, the company has a global supply chain, reputation for quality, and strong relationships with distributors, retailers, plumbers, and others in the industry. These brands and relationships have been in place for decades, and the company holds leading market positions in many of its product categories. Last quarter, activist and board member Ed Garden increased his stake in the company, Fortune Brands initiated a strategic review of its composite decking business, and Jesse Singh was announced as the new CEO. We remain pleased with Jesse's selection. Jesse is a highly respected leader, having previously been CEO at The AZEK Company, a competitor to Fortune Brands, where he tripled revenue and meaningfully expanded margins during his tenure, delivering a significant increase in shareholder value. The recent spike in interest rates has negatively impacted housing related stocks including Fortune Brands. The weak housing market is reflected in our value and we think the company can compound its value in the current challenging environment. An eventual housing recovery is upside that we are not paying for. We are pleased to be owners at a significant discount to our estimate of intrinsic value, and added to the position during the quarter.

PROG Holdings (Progressive) provides lease-to-own financing to retailers and their non-prime customers. These are short duration contracts which generate strong free cash flow and returns on capital. This counter-cyclical business is performing in line with our expectations, but with the recent rise in interest rates, it has once again become meaningfully discounted. The stock price is much more volatile than its underlying business value which creates opportunities to execute our portfolio management discipline.

StandardAero provides maintenance, repair, and overhaul (MRO) services for aircraft engines. Engine MRO is highly regulated and non-discretionary. StandardAero's stock was pressured during the third quarter along with other aerospace aftermarket businesses as jet fuel prices rose more than 75% over comparable 2025 levels. Despite high jet fuel prices, travel demand remains robust. Demand would have to decline materially from today's levels to meaningfully impact aircraft retirement rates. In fact, industry retirement rates have actually declined year to date. Moreover, tight industry capacity makes customers reluctant to give up MRO slots. As a result, the company enjoys a significant backlog, which stretches into the next decade for its leading engine platforms.

As evidence of the company's resiliency, StandardAero significantly outperformed the aerospace aftermarket through both the Global Financial Crisis and the COVID pandemic. Fluctuations in fuel prices and demand cyclicity are inherent to the industry. We account for this cyclicity in our valuation. As long-term investors we were pleased to have the opportunity to add to our position late in the quarter at a significant discount to our estimate of intrinsic value, while other market participants were more focused on short-term noise rather than the company's excellent long-term prospects.



As of 09/30/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
VVP Focus (Gross)	9.0%	-2.5%	-2.3%	16.9%	9.9%	16.8%	13.6%
VVP Focus (Net)	8.9%	-2.7%	-2.7%	16.4%	9.4%	16.2%	12.6%
Russell 1000 Value Index	2.6%	19.3%	23.8%	20.1%	11.9%	11.4%	8.7%
S&P 500 Index	2.3%	12.7%	15.7%	22.9%	13.8%	15.3%	11.2%

Inception 11/30/2007

We did not purchase any new positions during the quarter.

We did not sell any positions during the quarter.

There were two material contributors to performance: Microsoft Corporation and SAP SE.

There was one material detractor to performance: TransDigm Group Inc.

Going into the quarter, Microsoft was one of our most discounted names and also one of our highest quality businesses. The stock was up after reporting fiscal fourth quarter results. Most notably, Azure growth accelerated to 43%, its highest growth rate in four years. Management noted that demand for Azure services continues to exceed supply, and annual Azure revenue now exceeds \$100 billion. Microsoft's commercial remaining performance obligation grew 84% year-over-year, or 25% excluding its contracts with OpenAI. Also, after an initial lukewarm response to Microsoft's Copilot, paid Copilot subscribers now exceed 30 million, demonstrating broad enterprise adoption. Microsoft also introduced autonomous agent features within Copilot that make the product more useful and stickier for its users. Lastly, while free cash flow is down as Microsoft invests in additional compute capacity, it was still quite substantial. Microsoft generated \$20 billion in free cash flow in fiscal fourth quarter and \$67 billion in fiscal year 2026. Microsoft's value has grown meaningfully, its competitive advantages are intact, and shares remain significantly discounted.

SAP 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 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. SAP's second quarter results were very strong, with total revenue up 11% and EBIT up 6%. Cloud revenue grew 24% and their current cloud backlog growth accelerated to 26% year over year. Our value continues to compound and shares remain materially discounted.

Our estimate of TransDigm's value has grown at a strong double digit rate over the last 12 months. The company's revenue, profits, and FCF are all meaningfully higher than a year ago. In addition, the company is repurchasing its

discounted shares so that our value per share growth exceeds the underlying growth in the business's value. We took advantage of the stock price decline during the third quarter which gave us the opportunity to buy more of this outstanding business at a deeper discount to our estimate of intrinsic worth.



As of 09/30/2026

INVESTMENT STRATEGY	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
VVP Focus Plus (Gross)	8.9%	-2.5%	-2.3%	17.4%	10.2%	17.1%	13.2%
VVP Focus Plus (Net)	8.8%	-2.7%	-2.6%	16.4%	9.4%	16.1%	12.1%
Russell 1000 Value Index	2.6%	19.3%	23.8%	20.1%	11.9%	11.4%	8.3%
S&P 500 Index	2.3%	12.7%	15.7%	22.9%	13.8%	15.3%	11.1%

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 did not purchase any new positions during the quarter.

We did not sell any positions during the quarter.

There were two material contributors to performance: Microsoft Corporation and SAP SE.

There was one material detractor to performance: TransDigm Group Inc.

Going into the quarter, Microsoft was one of our most discounted names and also one of our highest quality businesses. The stock was up after reporting fiscal fourth quarter results. Most notably, Azure growth accelerated to 43%, its highest growth rate in four years. Management noted that demand for Azure services continues to exceed supply, and annual Azure revenue now exceeds \$100 billion. Microsoft's commercial remaining performance obligation grew 84% year-over-year, or 25% excluding its contracts with OpenAI. Also, after an initial lukewarm response to Microsoft's Copilot, paid Copilot subscribers now exceed 30 million, demonstrating broad enterprise adoption. Microsoft also introduced autonomous agent features within Copilot that make the product more useful and stickier for its users. Lastly, while free cash flow is down as Microsoft invests in additional compute capacity, it was still quite substantial. Microsoft generated \$20 billion in free cash flow in fiscal fourth quarter and \$67 billion in fiscal year 2026. Microsoft's value has grown meaningfully, its competitive advantages are intact, and shares remain significantly discounted.

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Our estimate of TransDigm's value has grown at a strong double digit rate over the last 12 months. The company's revenue, profits, and FCF are all meaningfully higher than a year ago. In addition, the company is repurchasing its discounted shares so that our value per share growth exceeds the underlying growth in the business's value. We took advantage of the stock price decline during the third quarter which gave us the opportunity to buy more of this outstanding business at a deeper discount to our estimate of intrinsic worth.



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VVP All Cap (Net)	7.5%	1.3%	2.6%	14.7%	0.9%	8.9%	9.8%
Russell 3000 Value Index	2.3%	19.2%	23.7%	20.0%	11.7%	11.3%	11.1%
Russell 3000 Index	1.4%	12.4%	15.1%	22.3%	12.6%	14.7%	13.5%

Inception 04/01/2011

We purchased one new position during the quarter: Skyworks Solutions, Inc.

We sold two positions during the quarter: IQVIA Holdings Inc. and Qorvo, Inc.

There were four material contributors to performance: ServiceNow, Inc., Veeva Systems Inc., Microsoft Corporation, and SAP SE.

There were no material detractors to performance.

During the quarter, we sold Qorvo and used that capital to purchase shares of Skyworks. Both companies design and manufacture radio frequency (RF) semiconductors that enable wireless connectivity across mobile devices, industrial equipment, autos, broadband infrastructure, WiFi devices, and aerospace & defense systems. Apple is a major customer for both Skyworks and Qorvo. The two companies benefit from increasing complexity in RF semiconductors driven by increasing bandwidth, higher levels of data throughput, lower latency, and increasingly smaller form factors.

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We bought ServiceNow and Veeva earlier this year. We followed our discipline and purchased these stable value businesses at significant discounts to our estimate of intrinsic value at a time when market sentiment toward these companies was negative. What gave us the conviction to buy them? Both companies have been on our MVP list for years and we have spent those years following and deepening our understanding of these businesses. We said last quarter that we believed ServiceNow and Veeva were two of the most competitively entrenched and resilient businesses in the world. We continue to believe that today. The combination of the business quality and the margin of safety, in terms of price relative to our estimate of intrinsic value, reinforced by the work we have done, gave us the conviction to capitalize on the whims of Mr. Market. Both companies reported very strong second quarter earnings and their values grew quarter over quarter. We expect our values to continue to compound, and both stocks remain discounted. We will continue to follow our investment discipline.

Going into the quarter, Microsoft was one of our most discounted names and also one of our highest quality businesses. The stock was up after reporting fiscal fourth quarter results. Most notably, Azure growth accelerated to 43%, its highest growth rate in four years. Management noted that demand for Azure services continues to exceed supply, and annual Azure revenue now exceeds \$100 billion. Microsoft's commercial remaining performance obligation grew 84% year-over-year, or 25% excluding its contracts with OpenAI. Also, after an initial lukewarm response to Microsoft's Copilot, paid Copilot subscribers now exceed 30 million, demonstrating broad enterprise adoption. Microsoft also introduced autonomous agent features within Copilot that make the product more useful and stickier for its users. Lastly, while free cash flow is down as Microsoft invests in additional compute capacity, it was still quite substantial. Microsoft generated \$20 billion in free cash flow in fiscal fourth quarter and \$67 billion in fiscal year 2026. Microsoft's value has grown meaningfully, its competitive advantages are intact, and shares remain significantly discounted.

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CLOSING

As we said at the beginning of this letter, we are pleased with this quarter's results, but what really matters to us is the material improvement in our price-to-value ratios since the beginning of the year. Our companies are compounding their values at attractive rates and our price-to-value ratios are at historic lows in an environment where few things are undervalued. We have added capital to our portfolios. If you are a long-term investor, as we know you are, we think it would be prudent for you to follow our lead. We encourage you to reach out to us with questions.

We hope everyone enjoys the cooler weather and upcoming holiday season. We look forward to talking to you soon.

The Vulcan Value Partners Investment Team,

C.T. Fitzpatrick, CFA

Stephen W. Simmons, CFA

Colin Casey

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Brad Headley, CFA

Robert Smith, CFA

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 lens. 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 Stephanie Suttles 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