



CAMPBELL NEWMAN

MARCH 31, 2026



LARGE CAP DIVIDEND GROWTH

1Q 2026 COMMENTARY

MARKET OVERVIEW

Rapid shifts in narratives defined 1Q 2026 U.S. stock market action. AI-driven optimism at the beginning of the year hit the software sector, calling into question the seat-based recurring revenue business model. These concerns also negatively affected the private credit sector, which has favored SaaS businesses for their predictability. Next, geopolitical shock hit on February 28 with the commencement of the U.S. and Israel's bombing of Iran, which further stoked the rise in the price of oil (Brent crude almost doubled from roughly \$60/bbl in January to close 1Q around \$120/bbl) reigniting inflation fears and pushing interest rates higher. The result was a volatile quarter in which major indices declined due to the sharp sell-off in March, as leadership rotated and expectations of Fed policy

tipped away from easier toward tighter while macro/geopolitical risks became the top concerns.

The S&P 500 recorded a -4.33% quarterly return due to the war-induced -4.98% sell-off in March. Energy, unsurprisingly, was the big 1Q winner with a sector return of 38.25%. Materials (9.73% return), Utilities (8.27%), Consumer Staples (7.69%), Industrials (4.66%) and Real Estate (2.76%) also posted positive returns. All other sectors underperformed the benchmark, with Financials (-9.35%), Consumer Discretionary (-9.19%) and Information Technology (-9.17%) posting the worst returns. Also worth noting, Health Care, which tends to hold up during times of tumult, underperformed with a -4.88% return.



PERFORMANCE

	1Q 2026	1 YEAR	5 YEARS	10 YEARS
Large Cap Dividend Growth Composite (Gross)	-4.28%	11.51%	10.75%	13.43%
Large Cap Dividend Growth Composite (Net)	-4.44	10.75	10.02	12.67
S&P 500 Index	-4.33	17.80	12.06	14.16

Returns greater than 1 year are annualized.

PORTFOLIO REVIEW

The Large Cap Dividend Growth portfolio's performance was in line with the S&P 500's at -4.28% before fees and -4.44% after fees.

The greatest detractor from relative performance was the portfolio's underweight to the outperforming Consumer Staples sector, costing 58 bps. Recall that sector weights are a residual of the team's bottom-up stock selection methodology, reflecting where they have identified the best risk/return within the confines of their disciplined approach. Until the February purchase of Pepsico (PEP), the portfolio had no exposure to this sector which had generally been a positive.

Stock selection in Health Care (-10.45% portfolio return vs. -4.88% for the benchmark) cost 56 bps, with Eli Lilly (LLY, -14.27%) and Abbott Labs (ABT, -9.12%) underperforming. ABT was sold in January due to slowing organic growth and a meaningful reduction in management's guidance for future growth.

Stock selection in Information Technology (-5.02% return vs. the benchmark's -9.17%) added 160 bps. Seven of the portfolio's 11 holdings outperformed with standout performance from KLA Corp. (KLAC, 21.33% return), Analog Devices (ADI, 17.69%), new purchase Motorola Solutions (MSI, 11.26%) and Texas Instruments (TXN, 12.64%). An overweight to Industrials added 64 bps, as well.

TOP CONTRIBUTORS

KLA Corp. (KLAC) delivered strong fiscal 2Q 2026 results, supported by ongoing strength in process control and better-than-expected services performance. Revenue was

\$3.30 billion, up 3% sequentially and 7% year-over-year, coming in above consensus on the back of robust services growth. KLA continues to benefit from accelerated buildouts of advanced-node and advanced-packaging capacity. Non-GAAP gross margin was 62.6%, ahead of the 62.1% consensus, reflecting the richer services mix and improved operating efficiencies, and EPS of \$8.85 solidly exceeded the \$8.78 consensus estimate. Management guided F3Q revenue and EPS above Street expectations, with the advanced-node ramp remaining strong given significant exposure to Taiwan Semiconductor and leading-edge DRAM customers, along with continued momentum in advanced packaging.

Deere & Co. (DE) has been struggling with a challenging farm machinery market over the past couple of years as farmer incomes declined due to the combination of high interest rates, elevated input costs and geopolitical headwinds as China significantly slowed its purchases of soybeans. However, shares rallied over 40% from the lows seen last October on hopes the industry is near the bottom of the cycle. While only time will tell if that is true, Deere's recently reported F1Q 2026 earnings continued to call for a challenging FY2026 (October). With the recent rally resulting in the stock trading at over 27x 2027 estimated earnings, we believe much of the recovery story is being priced in despite lingering challenges and sold the stock.

Eaton Corp. plc (ETN) reported strong 4Q results, highlighted by accelerating orders and continued backlog growth. The 12-month rolling average for orders in Electrical Americas rose 16%, driven by data center momentum, while Aerospace orders grew 11%. Backlog increased 29% year-over-year in the Electrical sector and 16% in Aerospace. Fourth quarter earnings per share were a record \$3.33, up 18% versus 2024, and for full-year 2026 management expects EPS of \$13.00-\$13.50, implying roughly 10% growth at the midpoint over 2025.



BOTTOM CONTRIBUTORS

Microsoft Corp. (MSFT) F2Q 2026 results were solid with Azure growing a robust 38%, ahead of guidance, but MSFT emphasized that this quarter's cloud results were capacity-driven, not demand-driven, which naturally limited the scope for outperformance vs. expectations. The stock was further pressured by fears that emerging AI agents could automate or replace traditional, seat-based enterprise software usage, creating uncertainty around longer-term application revenue. At current levels, we view the shares favorably as Microsoft remains well positioned to deliver a third consecutive year of double-digit earnings growth, supported by its leadership across cloud, AI and productivity software.

Intuit, Inc. (INTU) reported a solid F2Q result with 17% revenue growth and 25% earnings growth. However, shares were notably weak during the quarter as valuation multiples across the software universe de-rated as investors became increasingly worried that AI could disrupt software business models. Management vigorously defended the business during the quarter, as well as halted scheduled management stock sales and announced an accelerated share buyback. While valuation is inexpensive relative to its expected

growth, the company will likely need to deliver multiple quarters of strong and accelerating growth to disprove AI fears.

Broadcom, Inc. (AVGO) reported better-than-expected F1Q 2026 results and issued a strong F2Q revenue outlook, driven by continued upside in its AI semiconductor business. AI revenue reached \$8.4 billion in F1Q, up roughly 30% sequentially and about 105% year-over-year, and is expected to grow to \$10.7 billion in F2Q, an increase of 27% quarter-over-quarter and roughly 140% year-over-year, ahead of consensus. Notably, AI networking represented about one-third of total AI revenue in F1Q and is projected to rise to around 40% in F2Q, implying sequential growth of more than 50% for that segment. This trajectory puts Broadcom on pace to generate more than \$65 billion of AI revenue in FY26, and, more importantly, management now has line of sight to achieving at least \$100 billion in AI chip revenue in 2027 as visibility into customer programs has improved significantly.

PORTFOLIO POSITIONING

The market's short-term action likely depends upon what happens in Iran and it's too soon to tell. We expect volatility if the conflict persists or escalates or a rally in the case of a ceasefire/resolution. With thoughts of binary outcomes like these, along with our quality, longer-term focus, we do not see this as the time to make significant changes.

That said, it's noteworthy that 2026 S&P 500 earnings growth is expected at around 16% with Information Technology providing much of the fuel as valuations have come down

with the recent sell-off. Further, despite issues among some private credit funds, credit spreads remain tight. Concern about oil-induced inflation has changed most commentators' Fed outlook – now looking for one 25 bps increase this year.

The portfolio's largest allocations remained in Information Technology (37.1% weight), Financials (18.8%), Industrials (15.3%) and Health Care (7.1%). Early in the quarter, a Consumer Staples stock was added, providing new exposure to that sector.

**TOP AND BOTTOM ABSOLUTE CONTRIBUTORS**

1Q 2026 TOP CONTRIBUTORS	WEIGHT	RETURN (GROSS)	IMPACT (GROSS)
KLA Corp.	5.19%	21.33%	91 bps
Deere & Co.	0.99	35.26	43
Eaton Corp. plc	4.23	12.64	43
The William's Companies, Inc.	2.96	21.94	41
Analog Devices, Inc.	2.81	17.69	39

1Q 2026 BOTTOM CONTRIBUTORS	WEIGHT	RETURN (GROSS)	IMPACT (GROSS)
Microsoft Corp.	4.67%	-23.28%	-119 bps
Intuit, Inc.	1.43	-34.61	-62
Broadcom, Inc.	4.71	-10.39	-51
Cognizant Technology Solutions Corp.	1.67	-25.72	-46
Arthur J. Gallagher & Co.	1.60	-16.54	-45

IMPORTANT DISCLOSURES:

Past performance is not indicative of future results. All investments involve risk, including possible loss of principal. There is no guarantee investment objectives will be met. Gross returns are presented before deducting management fees (and custodian fees) and include the reinvestment of all income. Net returns are presented after the deduction of a model fee based on the highest fee paid then in effect for the period shown and include the reinvestment of all income. The current assumed model fee is 0.68% annually. Performance returns are calculated using a time-weighted formula with appropriate adjustments for cash flows, and include all dividends and interest, accrued income, and realized and unrealized gains or losses. Indexes are unmanaged and do not incur fees or expenses. It is not possible to invest directly in an index. The portfolio characteristics are based on a composite. Other portfolios may differ. Portfolio sector weights reflect a composite and are subject to change without notice. It should not be assumed that an investment in the sectors listed were, or will be, profitable. Portfolio holdings reflect a composite and are subject to change. Other accounts within the strategy may have different holdings. Portfolio holdings should not be considered a recommendation to buy, hold or sell securities. Current and future portfolio holdings are subject to risk.

Portfolio/Investment Characteristics shown do not reflect the deduction of all fees and expenses that a client or investor has paid or would have paid. Please see full composite performance on page 2 to understand the overall effect of fees.

DGC033126-01