LARGE CAP DIVIDEND GROWTH

2Q 2026 COMMENTARY

MARKET OVERVIEW

The prospect of an end in hostilities with Iran and lower oil prices, along with the continuation of the AI capital spending/investment boom powering earnings growth, provided the fuel to drive a very strong 15.20% 2Q 2026 S&P 500 return. This was the Index's best performance since 2Q 2020's 20.54% return and only the second >15% quarterly return since the beginning of the recovery from the Great Financial Crisis, which saw back-to-back 15%+ performance in 2Q and 3Q 2009.

The quarter also witnessed a long-awaited surge in smaller capitalization stocks, with the Russell 2000 producing a 21.49% return.

Importantly, exceptionally strong earnings momentum has provided the underpinning for the ongoing rally. The S&P 500's 1Q 2026 year-over-year earnings growth was 28.6%, representing the sixth quarter in a row of double-digit increases. The current 2Q estimate calls for 23.3% growth vs. a year ago, with the full-year 2026 estimate implying almost 24% growth, according to FactSet. The Information Technology sector is the greatest contributor to this growth, propelled by the AI/data center buildout spending.

Accordingly, Information Technology was the sole sector to outperform the S&P 500. Its 31.81% return was more than double the Index's, with exceptional strength among companies in the Semiconductor and Semiconductor Equipment industry group (49.77% return). In fact, six of this industry's 19 constituents had returns >100%, with two logging >200% performance for the quarter. The Industrials delivered a close-to-benchmark return of 14.87%, primarily reflecting the benefit of its constituents' AI exposures. All other sectors underperformed markedly, with 1Q's best performer, Energy, recording 2Q's worst sector performance of -13.38%.

While noting the quarter's strong returns and the oversized

PERFORMANCE

	2Q 2026	1 YEAR	5 YEARS	10 YEARS
Large Cap Dividend Growth Composite (Gross)	14.43%	17.24%	12.11%	14.49%
Large Cap Dividend Growth Composite (Net)	14.23	16.42	11.36	13.71
S&P 500 Index	15.20	22.32	13.41	15.51

Returns greater than 1 year are annualized.

role AI-related stocks played in creating them, it should also be mentioned that market leadership rotated somewhat in June. The S&P 500 recorded a -0.95% return in the month, with Information Technology underperforming (-3.27% return). Industrials were the top performing group (7.30%), followed by Health Care (6.62%), Financials (4.38%) and Utilities (2.73%). To be sure, the market's narrow focus has created overlooked opportunities but it's too soon to tell if the new leadership has staying power.

PORTFOLIO REVIEW

The Large Cap Dividend Growth composite's 14.43% return (14.32% net of fees) was just behind the S&P 500 benchmark's 15.20% performance. Stock selection in the Information Technology (27.95% portfolio return vs. 31.81% benchmark return) and Industrials (9.54% vs. 14.87%) sectors were the greatest detractors from relative performance, costing 147 and 78 bps, respectively. Conversely, stock selection in the Energy (2.89% vs. -13.38%) and Health Care (15.42% vs. 8.77%) sectors added a total of 152 bps relative.

TOP CONTRIBUTORS

KLA Corp. (KLAC) continues to benefit from accelerated buildouts of advanced-node and advanced-packaging capacity. Management guided fiscal 4Q revenue and EPS above 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. We believe KLA remains well positioned to gain further market share moving forward as capital intensity at the leading edge remains elevated and KLAC's process control tools remain critical to optimizing performance, yield and costs.

Texas Instruments, Inc. (TXN) delivered strong 1Q results, driven by continued strength in the Industrial and Data Center markets. Management expects this momentum to continue in 2Q with ~8% sequential revenue growth, above typical seasonal trends and is further supported by a broader recovery across the company's more traditional end markets.

Amphenol Corp. (APH) delivered strong 1Q results driven by robust revenues and resilient margins, both above consensus expectations. Revenues tracked to $7.62 billion versus guidance of $6.9-$7.0 billion, led by 80% organic growth for IT & Datacom market, along with better inorganic contribution from the recently closed CCS acquisition. Visibility in demand trends is also further supported by record orders of $9.40 billion or a book-to-bill of 1.24x, with all end markets exhibiting strong trends.

BOTTOM CONTRIBUTORS

Cognizant Technology Solutions Corp. (CTSH) exhibited solid EPS growth and healthy bookings with 1Q results, but management's outlook pointed to continued pressure from cautious client IT spending and challenged discretionary budgets. Further, the business still faces competitive and margin headwinds as it attempts to reposition from legacy outsourcing toward higher value, AI driven consulting. With limited top-line acceleration, ongoing restructuring and execution risk, and a need to prove that large deal wins can translate into sustainably better growth and profitability, the stock was sold during the quarter as we no longer saw a clear pathway to durable share gains and margin expansion.

PepsiCo, Inc. (PEP) delivered better-than-expected 1Q results with organic revenue growth of 2.6%, a sequential improvement from the previous quarter, including the much-awaited positive inflection in the North America Food segment implying recent investments are paying off. However, shares underperformed in the quarter as defensive consumer staple stocks fell out of favor during a quarter in which the information technology sector was the only outperforming sector.

Intuit, Inc. (INTU) was sold early in the quarter amid mounting concerns that AI could disrupt its core business model, either through commoditization of its flagship products like TurboTax and QuickBooks, or via lower cost competition entering the market. Additionally, weaker-than-expected 3Q guidance for 10% revenue growth versus 17% previously reinforced worries about a slowing growth trajectory and amplified market questions about the sustainability of double-digit growth in an AI driven environment.

PORTFOLIO POSITIONING

Earnings trends have been exceptionally strong with analysts' expectations for 2026 and 2027 rising as time progresses – compared to the typical estimate cuts. FactSet's current 2026 S&P 500 bottom-up EPS estimate of $340.62 represents a 23.9% increase over the 2025 EPS of $274.42 and the 2027e of $398.32 implies a 16.9% year-over-year increase. While valuations on forward P/Es are above their 20-year medians, they are supported by the stronger-than-average projected growth. The current 2027e P/E is 18.8x, compared to the 20-year median of 16.0x and high of 23.41x. The portfolio's largest allocations changed modestly to Information Technology (36.0%), Financials (14.8%), Health Care (13.7%) and Industrials (13.0%). The sales of Intuit and Cognizant, along with the 5% rule trims of Broadcom, KLA Corp. and Amphenol, resulted in Information Technology's reduction from 37.1% last quarter. Health Care exposure increased from 7.1% through the initiation of the UnitedHealth position and increases in the Eli Lilly holding. Also noteworthy is the Financials exposure declined from 18.8% due to the sale of Intercontinental Exchange and the 5% rule trim of State Street.

TOP AND BOTTOM ABSOLUTE CONTRIBUTORS

2Q 2026 TOP CONTRIBUTORS	WEIGHT	RETURN (GROSS)	IMPACT (GROSS)
KLA Corp.	5.66%	105.18%	424 bps
Texas Instruments, Inc.	4.36	54.31	183
Amphenol Corp.	4.88	39.77	173
State Street Corp.	4.72	34.89	147
Broadcom, Inc.	5.49	22.25	118

2Q 2026 BOTTOM CONTRIBUTORS	WEIGHT	RETURN (GROSS)	IMPACT (GROSS)
Cognizant Technology Solutions Corp.	0.63%	-24.94%	-36 bps
PepsiCo, Inc.	2.60	-11.90	-33
Intuit, Inc.	0.14	-18.57	-26
Jacobs Solutions, Inc.	0.86	-11.41	-22
Lowe's Companies, Inc.	2.98	-6.23	-19