



SEPTEMBER 30, 2026

CAMPBELL NEWMAN

LARGE CAP DIVIDEND GROWTH

3Q 2026 COMMENTARY

MARKET OVERVIEW

The backdrop of the last three months has been tumultuous. Investors have been buffeted by negatives such as ongoing hot wars, escalating trade wars, rising global interest rates, energy constraints and higher energy prices, the demise of a ~\$45 billion hedge fund in a matter of weeks, multi-year highs in mortgage rates and the noise/hyperbole associated with midterm elections, while also being warned that AI could end the human race by 2030.

Yet, the S&P 500 delivered a 3Q return of 2.30% with the AI juggernaut's capital spending largesse making it the primary driver of current and projected growth and, therefore, market strength. Estimated combined 2026 spending by Amazon, Alphabet, Microsoft and Meta is currently over \$700 billion, almost 3x the 2024 level, and 2027 estimates are around \$1 trillion, another ~40% increase.

This spending phenomenon has translated into strong earnings growth (albeit among a narrow group that is raising the

aggregate numbers) and the expectation of more of the same. According to FactSet's 9/25/26 update, the estimated 3Q 2026 year-over-year earnings growth rate for the S&P 500 is 29.1% which, if accurate, would represent the third-straight quarter of >25% earnings growth for the Index. As well, full-year S&P 500 earnings projections for 2026 and 2027 have increased at unprecedented rates since the beginning of the year (2026E ~18% to ~\$361 and 2027E ~20% to ~\$417). With 2025's earnings at \$274.72, current 2026 and 2027 estimates imply year-over-year earnings growth rates of 31.7% and 15.4%, respectively—the type of growth typically only seen during recoveries.

In 3Q, the AI theme again drove the S&P 500's performance, with Information Technology accounting for 2.66 percentage points of the Index's 2.30% return due to its 7.29% performance and 37.62% average weight. However, the ramp up in oil prices catapulted Energy's return to 17.21%, making it the top performer, followed by Information Technology



PERFORMANCE

	3Q 2026	1 YEAR	5 YEARS	10 YEARS
Large Cap Dividend Growth Composite (Gross)	-2.48%	7.60%	11.39%	14.13%
Large Cap Dividend Growth Composite (Net)	-2.64	6.85	10.64	13.36
S&P 500 Index	2.30	15.74	13.79	15.33

Returns greater than 1 year are annualized.

(7.29%), Health Care (6.36%) and Communication Services (3.15%, also AI related). All other market sectors recorded negative 3Q returns, with Utilities (-12.39%) and Industrials (-9.67%) the worst laggards.

PORTFOLIO REVIEW

The current bull market's four-year anniversary is 10/12/26. From 9/30/22 to 9/30/26, the S&P 500 generated an outsized total return of 22.57% annually while the benchmark and participation has become increasingly narrow/AI focused--making it a more difficult period for rules-based stock pickers/risk-mitigating portfolio managers like us to outperform. Still, the Dividend Growth composite has delivered net-of-fees annual performance of 16.66% in the period, a strong competitive return vs. style-based peers.

Recall the Large Cap Dividend Growth strategy was conceived during the post-dot.com bear market of 2000-2003 based on the investment philosophy that a company's dividend policy is tangible evidence of management's confidence in future earnings growth. It is designed to outperform over a market cycle at lower levels of volatility by providing upside participation with downside protection, as well as a higher-than-average current yield and a growing stream of income over time. Critical to the strategy's risk management and downside protection disciplines are its minimum screening criteria of five years of annual dividend increases and the requirement to manage the portfolio to have a higher current yield than the S&P 500 (currently 1.5% vs. 1.0%, a 50% premium) at a time when the S&P 500's yield is at all-time low levels.

In this current environment, the Large Cap Dividend Growth portfolio underperformed its S&P 500 benchmark in 3Q due to stock selection. Information Technology cost 275 bps relative with a return of -0.59% vs. 7.29% for the benchmark. Health Care cost 145 bps relative with performance of -4.35% vs. 6.36% and Energy cost 106 bps with performance of -7.91% vs. 17.21%.

Positive contributions included stock selection in Financials (78 bps relative, 4.93% return vs. -0.12%) and Industrials (82 bps, -3.80% vs. -9.67%).

TOP CONTRIBUTORS

Microsoft Corp. (MSFT) reported strong fiscal 4Q 2026 results with revenue of \$90.0 billion and earnings of \$0.74, growing 17% and 23%, respectively. Azure growth of 43% exceeded expectations, driven by efficiency gains and process improvements that enabled earlier delivery of new capacity which was quickly monetized. Impressively, Azure growth forecast for F1Q 2027 was raised to 45%, consistent with commentary implying accelerating demand. Microsoft is poised to continue compounding EPS at a mid-teens rate for the foreseeable future on the back of increasingly tangible AI capex monetization positioning it as a key facilitator of enterprise-wide AI value creation.

Apple, Inc. (AAPL) F3Q 2026 results reinforced the view that the current product cycle has considerably more momentum than investors anticipated. Revenues of \$109.4 billion grew by 16% led by robust iPhone and Mac momentum, partly offset by softer Services revenues. iPhone revenues grew by 22% to \$54.3 billion while Mac revenues increased by 29% despite significant supply constraints. Services revenue of \$30.7 billion fell modestly short of expectations, driven primarily by incremental foreign exchange headwinds and greater-than-expected softness in mobile gaming and impact of link-outs.

Nasdaq, Inc. (NDAQ) delivered strong 2Q revenue of \$1.50 billion and \$1.70 in EPS, with growth of 15% and 25%, respectively. Within its divisions, Capital Access Platforms generated 18% revenue growth and 8% annual recurring revenue growth (ARR). Financial Technology delivered 15% revenue growth and 16% ARR growth and Market Services delivered 11% net revenue growth. Overall, these results demonstrate the strength of a business increasingly driven by recurring revenue from deeply embedded platforms



and long-term growth trends, such as AI adoption and market modernization, including tokenization and always-on markets.

BOTTOM CONTRIBUTORS

KLA Corp. (KLAC) reported stellar F4Q 2026 results, delivering a record \$3.66 billion in revenue and \$1.05 earnings per share. However, these better-than-expected results weren't enough to sustain the stock's momentum following its staggering 105% rally in the preceding quarter, which also raised its valuation and caused the team to trim roughly a third of the holding toward the end of June. The stock then corrected by 35% in the quarter as broader market dynamics decoupled from the company's strong performance. Despite this near-term pullback, KLA's structural growth remains highly resilient, fueled by accelerating AI infrastructure investments, leading-edge foundry/logic demand, and rising process control intensity in memory and advanced packaging. Ultimately, these results underscore KLA's enduring market leadership and the critical role of process control as semiconductor architectures grow increasingly complex.

Lennox International, Inc. (LIH) 2Q results continue to be impacted by a weak housing market while commercial end market remains relatively strong. Total revenue increased 3% to \$1.5 billion, while earnings per share were flat at \$7.72. Within Home Comfort Solutions, year-over-year quarterly performance improved sequentially, though the pace of end market recovery remained muted. Elevated mortgage rates, inflationary pressures and historically low consumer confidence are constraining underlying demand. Looking ahead, channel confidence is growing, and consumer confidence is starting to rebound albeit slowly, which supports a positive long-term outlook for the market. Building Climate Solutions once again performed well driven by momentum in emergency replacement and strong execution in the field leading to market share gains and expanding margins.

WEC Energy Group, Inc. (WEC) shares underperformed during the quarter amid a broader sell-off in utilities, the worst performing sector in the quarter. The two primary drivers were higher interest rates, which increase costs and make fixed income a viable alternative to the higher dividend yields offered by utilities like WEC, and political risk tied to affordability and data center growth concerns. While investor

sentiment is low, we believe the data-center load growth remains intact and stay positive on WEC's growth outlook.

PORTFOLIO POSITIONING

The Large Cap Dividend Growth's positioning reflects the strategy's quality, dividend growth focus. Technology remained the portfolio's most heavily weighted sector (38.0%), followed by Financials (15.9%), Health Care (15.4%) and Industrials (12.8%). The quarter had turnover of < 1% because there were no sales. Thermo Fisher Scientific (TMO) in the Health Care sector was a new addition while existing holdings Microsoft and KLA Corp. were increased.

Given the focused drivers of projected growth, our team maintains a view of cautious optimism regarding the Artificial Intelligence infrastructure buildout. While the promise of this technology is undeniable, we recognize the inherent risks tied to mounting corporate debt and circular vendor financing. As we enter the 3Q earnings season, the estimated earnings growth rate for the S&P 500 stands at an astounding 29.1%, marking the third consecutive quarter exceeding 25%. Unsurprisingly, the Technology sector leads this charge with a 65% earnings growth expectation, ranking second only to Energy at 114%.

The market's upward progress relies heavily on a remarkably narrow foundation. Seven of the eleven S&P 500 economic sectors are expected to grow at half the market's rate or less. The Federal Reserve remains locked in a strict tightening cycle, shifting away from the brief "one-or-two and done" pauses previously anticipated. The 10-Year Treasury Note is currently yielding 5.35%, forcing investment hurdle rates higher, and energy costs remain highly elevated as the conflict involving Iran lingers on.

All of this suggests that the market's current trajectory is being held up by fewer anchors than a diversified investor would prefer. Looking further out, expectations project S&P 500 earnings growth of 15.4% for 2027, which fundamentally supports higher long-term market valuations. However, fully embracing a more aggressive, bullish view will require a bit more cooperation from Treasury yields and the price of oil.



TOP AND BOTTOM ABSOLUTE CONTRIBUTORS

3Q 2026 TOP CONTRIBUTORS	WEIGHT	RETURN (GROSS)	CONTRIBUTION (GROSS)
Microsoft Corp.	5.01%	37.76%	145 bps
Apple, Inc.	6.84	15.19	91
Nasdaq, Inc.	2.82	17.13	39
Emerson Electric Co.	3.22	8.72	26
Motorola Solutions, Inc.	3.13	7.67	20

3Q 2026 BOTTOM CONTRIBUTORS	WEIGHT	RETURN (GROSS)	CONTRIBUTION (GROSS)
KLA Corp.	4.31%	-35.32%	-200 bps
Lennox International, Inc.	1.55	-37.80	-75
WEC Energy Group, Inc.	3.55	-12.95	-49
UnitedHealth Group, Inc.	4.08	-11.15	-46
Lowe's Companies, Inc.	2.60	-15.91	-44

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.

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