

Market Commentary

Although the first quarter began with plenty of uncertainties on the horizon, sentiment was generally positive and the arrow pointed upwards for domestic equities. In fact, the S&P 500® registered a new all-time high, even breaching the 7000 level, in late January. Much of this optimism was based on the expectation that the Federal Reserve would continue cutting interest rates, while the more widespread adoption of AI might also boost earnings and push economic growth above consensus expectations. Investors were sanguine to start the year.

There were, however, some meaningful changes underway regarding market internals. Since the beginning of the year, we've witnessed a decisive shift in market leadership and a rotation away from the mega-cap growth and AI-driven themes that dominated the previous year. The NASDAQ® and S&P 500® faced pressure from valuation compression and "higher-for-longer" interest rate expectations, while value-oriented benchmarks have been buoyed by a resurgence in "old economy" sectors.

This shifting market leadership—and the importance of valuations—was underscored as volatility and turmoil gripped the market during the latter parts of the first quarter. In late February, the launch of new military actions in Iran roiled markets, The VIX spiked and the sell-off deepened when it appeared this conflict might persist and severely disrupt energy markets. Investors worried that any sustained oil price shock would work its way into inflation numbers. In turn, this could tie the Federal Reserve's hands with regard to further eases in monetary policy. Although the price of oil has receded somewhat and the market rebounded with a sharp rally on the last day of the quarter, the situation remains tenuous at best.

For the first quarter, the S&P 500®, the most popular proxy for the U.S. stock market that has become dominated by a handful of mega-caps, declined by 4.6%. Not surprisingly Energy stocks were among the standout winners during the quarter. Materials, Utilities, and Consumer Staples also delivered positive performance, while previous leaders like Information Technology and Communications Services were among the laggards. In general, Value stocks, which tend to trade at lower multiples, held up better than their growth-oriented counterparts given the turmoil and elevated volatility.

In terms of domestic value-oriented strategies, our area of focus, the Russell 3000® Value Index managed to deliver positive returns of 2.2% during the first quarter of 2026. This is a stark contrast to a decline of roughly 9.5% for the Russell 3000® Growth Index. In terms of market capitalization, small-cap value stocks, as represented by the Russell 2000® Value Index, returned almost 5.0% for the quarter, while the Russell Midcap® Value Index returned 3.7%. Large cap value stocks, as represented by the Russell 1000® Value Index, also delivered positive returns of roughly 2.1% during the same period.

Looking Ahead

Given the expanded conflict in the Middle East and the uncertainty surrounding energy prices, we've seen Treasury yields also rise. Markets are fretting about the return of inflation, and that's not

exactly an ideal backdrop for equities, especially richly valued domestic equities. As we've written in the past, the highest valuation stocks tend to be the most vulnerable when sentiment shifts and the momentum runs out, and thus we continue to be more optimistic about the value-oriented segments of the market. We were particularly encouraged by the fact that value-oriented benchmarks across the cap spectrum delivered positive first quarter returns in the face of the market turmoil.

It's not just the war and energy prices concerning investors. Many investors are worried about weak economic growth, while others worry that AI might boost earnings of individual companies but at the expense of overall employment. Are we entering a new era of low or no job growth, and will this eventually impact consumer spending? In addition, AI has already shifted the narrative and caused multiple compression among previously lauded software stocks. Which sector might be the next to be disrupted and re-valued?

There's little doubt that periods of heightened volatility are likely to continue in the coming quarters. Thus, we still believe that risk management and downside protection will prove to be more important than ever looking out to the remainder 2026. However, as patient, long-term investors, we are also prepared to take advantage of any market turmoil and periods of price dislocations. In this uncertain environment, we think that companies with sound balance sheets should be favored. Our team will continue to search for companies with a combination of improving ROIC (return on invested capital) and stock prices trading at what we perceive as a discount to intrinsic value. We believe this gives us the best opportunity to generate attractive risk-adjusted returns over longer time periods in all environments.

Performance Review

For the three months ended March 31, 2026, the RS Large Cap Value strategy underperformed its benchmark Russell 1000® Value Index (the "Index") and returned 1.08% (gross), 0.95% (net), versus a return of 2.10% for the Index.

Throughout the period, positive sector positioning was impacted by unfavorable stock selection, which served as the primary driver of underperformance. While six of the 11 major economic sectors saw positive returns, only five managed to outpace the broader Russell 1000® Value Index. Energy emerged as the leading sector with a 38.12% return, while Financial Services ranked as the weakest performer at -8.03%.

Focusing on portfolio drivers, selection within Information Technology, Industrials, Consumer Discretionary, and Communication Services acted as the main detractors from relative performance. These results were somewhat balanced by effective selection in Financial Services, Utilities, and Consumer Staples. Nevertheless, an overweight position in Financial Services tempered the gains from selection in that area, while an underweight in Materials provided an additional modest drag to relative returns for the quarter.

Investment Strategy

The RS Value Team seeks to invest in good companies, led by strong management teams, that are attractively valued. Our decision to invest in any company starts with business analysis and an understanding of the company's unit-level economics. Our work on unit-level economics helps us determine the quality and key drivers of the business. We are ROIC-focused investors and seek to invest in companies that we believe have the potential to create shareholder value due to an improvement in the returns of the existing assets or through attractive reinvestment opportunities. We are long-term investors who use our investment time horizon as a key differentiator and are attracted to out-of-favor and/or misunderstood companies in the market.

The next step in our process is to assess the management team. Our evaluation of a company's management team is critical to our investment decision. We regularly meet with management to gauge how they think about their business: Are they focused on (and compensated for) growing earnings at any cost, or do they understand ROIC and how value is created? Additionally, we perform detailed historical analyses of management's capital decisions—looking at acquisitions, asset sales, and measures of capital stewardship. This analysis provides us with the conviction to invest with strong management teams that we expect will be able to navigate through short-term market volatility and appear to be poised to deliver long-term shareholder value.

The final step in our analysis is valuation. To the RS Value Team, value investing is buying a business at a discount to what we believe it is actually worth. We determine what a company is worth by assessing a company's current share price versus its expected cash flow streams or long-term net asset value based upon the management team's plan for value creation. ROIC is the lens through which we analyze that value creation. Our research has shown that, over time, stock price performance has a strong correlation to improving ROIC as opposed to traditional valuation measurements like price to earnings (P/E). We seek to invest in companies that we believe can create shareholder value due to an improvement in the returns of the company's existing assets or through attractive reinvestment opportunities. We pay close attention to a company's financial strength, scrutinizing financial statements, and we run various financial models to understand our downside risk. This quantitative analysis gives us confidence in our investment thesis and helps us determine at what stock price we are comfortable investing.

Select Position Review

Below, we review two businesses in an effort to use tangible examples to highlight our investment process.

FDX (FedEx Corporation)

FedEx Corporation is a globally recognized brand operating a logistics network that delivers packages and freight to individuals and businesses worldwide. We originally initiated a position in

FedEx as the company shifted its compensation metrics to focus more heavily on Return on Invested Capital (ROIC). This strategic pivot signaled the potential for improved returns driven by expanded margins and lower capital intensity. Recently, the company's successful execution of this strategy has contributed to the stock's outperformance. Additionally, FedEx is approaching the completion of the spin-off of its freight trucking business, a move that will allow both the Express Delivery and Freight segments to optimize their respective paths toward higher ROIC. We continue to hold FedEx, as we believe internal cost savings and disciplined pricing will drive further margin expansion. We expect incremental free cash flow to continue accruing to shareholders through ongoing share repurchases.

MAT (Mattel, Inc.)

Shares of Mattel, the world's second-largest toy manufacturer, underperformed this quarter following management's strategic decision to significantly increase spending in 2026. This investment will temporarily depress margins and bottom-line profitability. While the scale of this spending surprised many investors, our discussions with management have convinced us that this is the correct long-term decision for the business. Our thesis is predicated on Mattel's ability to effectively monetize its expansive intellectual property through growth beyond the traditional toy market—specifically in digital gaming, entertainment, and brand licensing. These revenue streams are significantly more profitable than traditional toy sales and are expected to drive Return on Invested Capital (ROIC) higher. The increased spending in 2026 is directly tied to accelerating top-line growth within these high-margin categories. We believe these investments will bear fruit in 2027 and beyond, and we maintain our position.

Outlook

Investor sentiment has grown more cautious as signs of improving economic activity—driven by the potential for reshoring, electrification, infrastructure spending, and deregulation—are increasingly weighed against the uncertainty of the Iran conflict. While these industrial tailwinds provide a constructive backdrop, the potential for escalation in the Middle East remains a source of unpredictability, threatening to disrupt energy markets and keep inflation elevated. This geopolitical volatility introduces a layer of macro instability that challenges the sustainability of recent gains and the resilience of the US economy. Consequently, our strategy continues to prioritize businesses with improving returns on invested capital (ROIC) and strong balance sheets, maintaining a disciplined margin of safety as the market navigates these evolving regional tensions.

We thank you, as always, for your support.

Sincerely,

RS Value Team

Top Contributors (Representative Account—Gross of Fees)

As of March 31, 2026

Holding	% Contribution to Return
Exxon Mobil Corporation	1.07
Valero Energy Corporation	0.68
FedEx Corporation	0.47
US Foods Holding Corp.	0.46
Applied Materials, Inc.	0.41

Source: FactSet.

Top Detractors (Representative Account—Gross of Fees)

As of March 31, 2026

Holding	% Contribution to Return
Salesforce, Inc.	-0.62
SS&C Technologies Holdings, Inc.	-0.51
Check Point Software Technologies	-0.47
Mattel, Inc.	-0.45
Zebra Technologies Corporation	-0.31

Holdings are subject to change and should not be construed as investment advice or a recommendation to buy, sell, or hold any security.

Composite Performance

Average Annual Returns as of March 31, 2026

RS Large Cap Value Composite	First Quarter 2026	1-Year	3-Year	5-Year	10-Year	Since Inception*
Gross of fees	1.08%	16.10%	17.83%	12.16%	12.17%	12.74%
Net of fees	0.95%	15.52%	17.24%	11.60%	11.61%	12.11%
Russell 1000® Value Index	2.10%	15.87%	14.31%	9.43%	10.58%	11.95%

Past performance does not guarantee future results. Performance prior to January 1, 2017, occurred while the portfolio management team was affiliated with a prior firm. Such members of the portfolio management team were responsible for investment decisions at the prior firm, and the decision-making process has remained intact. Returns for periods greater than one year are annualized. Returns are expressed in U.S. dollars and reflect the reinvestment of dividends and other earnings. Composite and benchmark returns are presented net of non-reclaimable withholding taxes, if any. Gross-of-fees returns are presented before management and custodial fees but after all transaction costs. Net-of-fees returns reflect gross performance less investment management fees. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV. *05/31/2009.

All investing involves risk, including the possible loss of principal. An investment should be made with an understanding of the risks involved with owning a particular security or asset class.

Contributors and Detractors Source: FactSet. The top contributors and detractors are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments.

Information and data presented has been obtained or derived from sources believed to be reliable; however, the accuracy and/or completeness of the information cannot be guaranteed.

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to change without notice and are not intended as individual investment advice. The securities highlighted, if any, were not intended as individual investment advice.

The RS Large Cap Value Strategy primarily invests in a diversified portfolio of large-cap companies.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines, and other factors.

Advisory services offered by Victory Capital Management Inc.

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