

Market Commentary

Although there seems to be an undercurrent of unease in the current economic and market backdrop, investors seemed largely unfazed during the third quarter. Are investors being excessively optimistic in the face of weakening economic and (especially) jobs data? Is the third quarter market action reflecting just a little bit of irrational exuberance, even if the Federal Reserve did finally begin a new rate-cut cycle? Are investors suffering from FOMO (fear of missing out)? Or maybe the third quarter market action is totally justified, and the indexes are right where they need to be? Only time will tell.

What's not debatable is that the S&P 500® Index, a proxy for the overall domestic stock market, continued to register new all-time highs and tacked on an additional 8.1% for the third quarter. This brings the year-to-date return to 14.8%, which is quite impressive considering the dreadful first quarter. The "Liberation Day" tariff announcement that roiled markets seems but a distant memory, even though there is still no absolute clarity on trade policy. Tariff news can (and periodically still does) impact markets.

The biggest news during the third quarter was that the Federal Reserve finally cut the federal funds rate by 25 basis points in September. Pressure from the White House notwithstanding, the Fed likely moved to cut interest rates in response to an alarming decline in new jobs creation and an unemployment rate that trended higher to 4.3% over the summer, according to data from the U.S. Bureau of Labor Statistics. This rate cut helped fuel the technology and communication services sectors, which continued to see strong earnings from the AI infrastructure build-out, among other factors. The start of a new rate-cut cycle might also be responsible for finally rekindling investors' interest in small-cap stocks, which have been lagging the overall market move higher.

In terms of investment styles, growth once again outperformed value in the third quarter. The Russell 3000® Growth Index rallied 10.4% during the quarter compared to the 5.6% gain delivered by the Russell 3000® Value Index. Investors' love affair with all things AI-related and mega-cap growth showed no sign of abating despite some remarkable valuations in that cohort of stocks.

All that said, it's important to reiterate that domestic value-oriented equities—our specific area of focus—also participated in the third-quarter rally. Of particular note was the impressive jump in small-cap value stocks, illustrated by the 12.6% return posted by the Russell 2000® Value Index. This is one area of the market where we see intriguing potential and an attractive risk-reward tradeoff, in our view. The Russell Midcap® Value Index increased 6.2% during the third quarter, while large-cap value stocks, as represented by the Russell 1000® Value Index, increased 5.3% during the same period.

Looking Ahead

Ever since the first quarter, equity markets have been nothing short of remarkable, and the march to all-time highs has been driven by a combination of investor optimism and rate cuts. Yet there are very real signs that suggest the economy is slowing. Ample challenges remain, and the highest valuation stocks may be most vulnerable if

and when the momentum runs out. We think risk management and downside protection may prove to be more important than ever in the fourth quarter and looking out to 2026.

That said, there are also encouraging signs, particularly if investors are once again appreciating that beneath the market headlines there are countless individual businesses that move independently of the generic market action. The move higher in smaller value-oriented stocks during the third quarter may just be getting started, and this trend could continue as we don't think markets are fully rewarding the true earnings potential of many small companies. That's fine by us, as we are long-term investors eager to take advantage of price dislocations and are willing to be patient.

We continue to believe that actively managed, value-oriented approaches should be well positioned going forward. And 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, not just when sentiment is improving.

Performance Review

For the three months ended September 30, 2025, the RS Large Cap Value strategy underperformed its benchmark Russell 1000® Value Index (the "Index") and returned 4.47% net versus a return of 5.33% for the Index.

In the third quarter, performance was negatively impacted by adverse stock selection in the Consumer Discretionary and Consumer Staples sectors.

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.

Valero Energy Corporation (VLO) is a multinational manufacturer and marketer of liquid transportation fuels. The company owns 15 petroleum refineries in the U.S., Canada and the U.K. and 12 ethanol plants in the U.S., and it is a joint venture partner in an operation producing renewable diesel. Given the capital intensity of the business, VLO focuses on optimizing its return on invested capital and producing strong free cash flow through a business cycle. In the third quarter, the company produced strong shareholder returns for a few reasons. First, it operated its assets exceptionally well and returned excess capital to shareholders. Second, the company has a structural advantage through U.S. natural gas which allows the company to have a lower cost base relative to many refiners in other parts of the world. Finally, recent industry consolidation and the closure of high-cost refineries in the United States have resulted in additional economic value accruing to Valero. We continue to hold VLO and believe that the shares will provide additional outperformance for our funds.

LKQ Corporation (LKQ) is the largest provider of alternative vehicle products to the collision repair industry in North America, with unmatched size and scale that is multiple times the size of its closest competitors. Historically, the company has been able grow at GDP+ in a fairly recession-resistant industry given the breadth of its offerings, the scale of its distribution, and the general trend toward the use of less expensive alternative parts vs. OEM parts. The last 18 months have been anything but typical for the historically stable collision repair industry. As a result of the cumulative effects of inflation on automobile insurance rates, as well as parts and labor inflation impacting the cost of collision repair, the industry has seen a cumulative decline of more than 15% in vehicle repair volumes during this time period. LKQ's

business has fared better but has still been down a cumulative 8%–9% on volumes. To put that decline in perspective, the only other worse period (inclusive of previous recessions) was during the first few months of the Covid pandemic, when vehicle miles traveled were down meaningfully for a brief period of time. LKQ's stock underperformed in the quarter as the anticipated stabilization of the North American collision repair market simply has not materialized yet. With incremental tariffs on certain auto parts imported from outside of the U.S. expected to add to the already high cost of collision repair, we decided to exit our position in LKQ for the time being and put the name back on the farm team. We will continue to monitor the industry and reassess the potential for a future investment as the environment warrants.

Outlook

In recent months, the economic landscape has shifted significantly. The new administration's focus on an "economic renaissance" emphasizes revitalizing American manufacturing, implementing tax cuts, and advancing deregulation. Early policies targeting U.S. trade deficits, including strategic tariffs, triggered volatility in global currencies, equities, and fixed income markets. An exceptional rebound in equities and corporate fixed income reflects investor optimism regarding anticipated fiscal stimulus, deregulation, and the potential for lower interest rates. Although the Federal Reserve has adopted a more accommodative stance as labor markets softened, persistent inflation creates uncertainty about the extent of rate cuts.

The housing market continues to face pressure from elevated interest rates and affordability challenges. However, a persistent housing shortage, driven by over a decade of underinvestment since the 2008 global financial crisis, should prevent significant home price declines. Lower-income consumers are most impacted by recent inflationary pressures, but consumer balance sheets generally remain resilient, though we are closely monitoring potential deterioration in consumer credit quality. Short-term inflationary pressures from tariffs are likely to pose challenges.

Current conditions suggest a more inflationary and higher interest rate environment than in the past decade, with heightened recession risks amid ongoing uncertainty. Consistent with our focus on quality, we aim to balance downside risk mitigation with participation in potential upside opportunities. We are optimistic that the administration's policies will foster a less restrictive regulatory environment and support a more favorable merger and acquisition landscape.

We continue to seek investment opportunities in businesses with strong balance sheets and consistent cash flows, where returns on invested capital (ROIC) are improving and share prices appear misaligned with underlying fundamentals.

We thank you, as always, for your support.

Sincerely,

RS Value Team

Top Contributors (Representative Account)

As of September 30, 2025

Holding	% Contribution to Return
Alphabet Inc. Class A	0.82
Citigroup Inc.	0.74
Teva Pharmaceutical Industries	0.48
AbbVie, Inc.	0.36
Valero Energy Corporation	0.35

Source: FactSet.

Top Detractors (Representative Account)

As of September 30, 2025

Holding	% Contribution to Return
Cigna Group	-0.40
Keurig Dr Pepper Inc.	-0.33
LKQ Corporation	-0.33
Salesforce, Inc.	-0.24
Corpay, Inc.	-0.20

Composite Performance

Average Annual Returns as of September 30, 2025

RS Large Cap Value Composite	Third Quarter 2025	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception*
Gross of fees	4.60%	10.29%	9.94%	19.34%	16.81%	11.94%	12.68%
Net of fees	4.47%	9.88%	9.39%	18.75%	16.23%	11.39%	12.05%
Russell 1000® Value Index	5.33%	11.65%	9.44%	16.96%	13.87%	10.72%	11.94%

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 trading expenses. 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 investments carry a certain degree of risk, including the possible loss of principal, and 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.

The information in this article is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in this report are subject to change without notice and are 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. The representative account is believed to most closely reflect the current portfolio management style.

Advisory services offered by Victory Capital Management Inc.

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