

Market Commentary

Investors have much on their minds as we forge ahead into a new year, and it certainly may not feel like blue skies and clear sailing ahead. There are many things that could give investors pause, including the economy, interest rates, valuations, and geopolitics. Nevertheless, it's hard to quibble with the overall performance of domestic equities as we look back on the fourth quarter and the past year. Equities across investing styles and up and down the cap spectrum moved markedly higher, with most popular indexes delivering double-digit returns. The S&P 500® Index, the proxy for the overall domestic stock market, printed new all-time highs in December and delivered a fourth quarter return of 2.7%, bringing the year-to-date return to 17.9%.

What has been the catalyst for the march higher? Once the market digested the (improving) tariff news that temporarily roiled markets early in the year, all eyes became fixed on monetary policy. Investors waited patiently throughout most of 2025 for the Federal Reserve to finally pivot to a more accommodative policy stance, and in September the Fed began a new rate-cut cycle with a modest quarter-point cut. Two more quarter-point cuts came during the fourth quarter in October and December, and investors were clearly in no mood to “fight the Fed.” Risk assets moved higher despite some lingering concerns with the economic backdrop. Employment growth in particular remains a sticking point, with total nonfarm payroll employment rising by just 64,000 in November, according to the U.S. Bureau of Labor Statistics. The unemployment rate also continued moving higher, reaching 4.6%.

Of course, sometimes bad news is interpreted as good news, at least according to markets. The troubling labor data seems to have given the Fed cover to lower the federal funds rate despite the fact that inflation remains above their preferred 2% target. That monetary easing, along with continued excitement for all things AI-related, was among the primary catalysts driving major market indexes higher.

In terms of investment styles, value stocks bested their growth counterparts in the fourth quarter. The Russell 3000® Value Index gained 3.8% during the quarter compared to the more modest 1.1% gain delivered by the Russell 3000® Growth Index. Perhaps investors have begun to look more closely at relative valuations? Only time will tell; however, it was encouraging to see value stocks across the cap spectrum delivering positive returns during the fourth quarter. Small-cap value stocks, represented by the Russell 2000® Value Index, were solid performers and increased 3.3% during the fourth quarter. The Russell Midcap® Value Index increased 1.4% during the same period, while large-cap value stocks, as represented by the Russell 1000® Value Index, increased 3.8% during the quarter.

Looking Ahead

These certainly are interesting times for investors, and although there are ample uncertainties and possible headwinds, there are also encouraging signs. In our corner of the market—value-oriented equities—we continue to see many companies with intriguing potential and attractive valuations, in our opinion.

Ironically, one reason for our excitement for value investing is a manifestation of investors' love affair with the AI story, which has been a key theme driving the popular equity indexes ever higher. Yet this dynamic also has resulted in an unusual market. On one hand we see elevated concentration risk, while on the other hand we see intriguing investment opportunities in value-oriented stocks that are being largely ignored. This creates an attractive backdrop for stock pickers in 2026, in our view.

We maintain that this is an exciting time to be a value-oriented investor, and we believe there are a growing number of companies with improving return stories that are now trading at deep discounts to their intrinsic value. The move higher in smaller value-oriented stocks during the third and fourth quarter is particularly encouraging, and we think that we might be on the cusp of a larger rotation.

In this environment, we continue to believe that actively managed, value-oriented approaches should be well positioned. Our team will continue to search for companies with a combination of solid balance sheets, 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. This could become particularly important at a time when many segments of the market appear richly valued.

Performance Review

For the three months ended December 31, 2025, the RS Large Cap Value strategy outperformed its benchmark Russell 1000® Value Index (the “Index”) and returned 5.77% net versus a return of 3.81% for the Index.

In the fourth quarter, performance was positively impacted by stock selection in the Health Care and Financials 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.

Sealed Air Corporation (SEE) is a leading global packaging company. The company designs, manufactures and delivers packaging solutions that preserve food, protect goods, and automate packaging processes. Sealed Air delivers its packaging solutions to an array of end markets, including fresh proteins, foods, fluids and liquids, medical and life science, industrials, e-commerce retail, logistics, and omnichannel fulfillment operations.

Our thesis on Sealed Air is that under new leadership the company would exhibit improving ROIC through a combination of margin expansion and volume acceleration driven by company-specific expense discipline and a better go-to-market sales strategy with an improved product offering. Green shoots that management was executing against this opportunity started to unfold in 2025. Given the company's consistent cash flows and strong market position in solid end markets, we've long considered Sealed Air an asset of strategic value. In November 2025 it was announced that private equity firm Clayton, Dubilier & Rice will acquire the company for \$42.15 per share.

Eaton Corporation (ETN) provides products and services which manage power for electrical, hydraulic and mechanical systems. Eaton components and technologies primarily serve the utility, aerospace and automotive industries. Strong demand for data centers and the need for upgraded electric grids have accelerated

sales for Eaton. The company has been able to increase margins with the increased demand and has been improving its return on invested capital (ROIC). Eaton has underperformed recently as the market is trying to determine the duration of increased sales for companies benefiting from AI and the buildout of associated data centers. Despite the stock lagging recently, we continue to believe that Eaton has strong long-term demand for its products, as the process of electrification and grid investment should provide improvements in ROIC for the company along with additional benefits from AI infrastructure spend.

Outlook

The prevailing investor sentiment has transitioned from concerns over tariff-driven deceleration to robust optimism regarding a Federal Reserve easing cycle, fiscal stimulus, and the prospect of deregulation. This enthusiasm is further bolstered by the rapid integration of artificial intelligence (AI), which may drive significant long-term productivity gains and provide a counterweight to softening employment conditions and inflationary pressures. Despite this shift, uncertainties persist concerning global trade tensions and geopolitical risks. Concurrently, the Federal Reserve continues to navigate a delicate balance between inflation levels that remain above the target and a cooling labor market.

We anticipate continued pressure on the housing market driven by persistent affordability challenges. However, the chronic housing shortage—a result of more than a decade of underinvestment following the Great Financial Crisis—should buffer against any meaningful decline in home prices. While inflationary pressures have disproportionately impacted lower-income demographics, consumer balance sheets have generally remained resilient for the majority of the population.

Current indicators suggest a trajectory toward higher structural inflation and elevated interest rates compared to the previous decade, accompanied by an increased risk of economic volatility. As the mid-term elections approach, we expect affordability to remain a central issue, potentially influencing fiscal policy and market sentiment. Consistent with our focus on quality, we strive to mitigate downside risk while participating in market upside. We maintain a positive outlook on the potential for reduced regulatory burdens and a more favorable environment for mergers and acquisitions. Consequently, we continue to identify opportunities to invest in high-quality businesses with robust balance sheets and strong cash flows whose market valuations have detached from our assessment of their underlying fundamentals.

We thank you, as always, for your support.

Sincerely,

RS Value Team

Top Contributors (Representative Account—Gross of Fees)

As of December 31, 2025

Holding	% Contribution to Return
Teva Pharmaceutical Industries	1.49
Alphabet Inc. Class A	0.82
Citigroup Inc.	0.61
KeyCorp	0.42
Regeneron Pharmaceuticals, Inc.	0.40

Source: FactSet.

Top Detractors (Representative Account—Gross of Fees)

As of December 31, 2025

Holding	% Contribution to Return
Eaton Corp. Plc	-0.33
Zebra Technologies Corporation	-0.31
PNC Financial Services Group, Inc.	-0.23
Mondelez International, Inc. Class A	-0.22
Check Point Software Technologies	-0.15

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 December 31, 2025

RS Large Cap Value Composite	Fourth Quarter 2025	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception*
Gross of fees	5.91%	16.81%	16.81%	17.67%	14.24%	11.86%	12.86%
Net of fees	5.77%	16.22%	16.22%	17.09%	13.67%	11.30%	12.23%
Russell 1000® Value Index	3.81%	15.91%	15.91%	13.90%	11.33%	10.53%	12.00%

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 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.

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.

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 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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