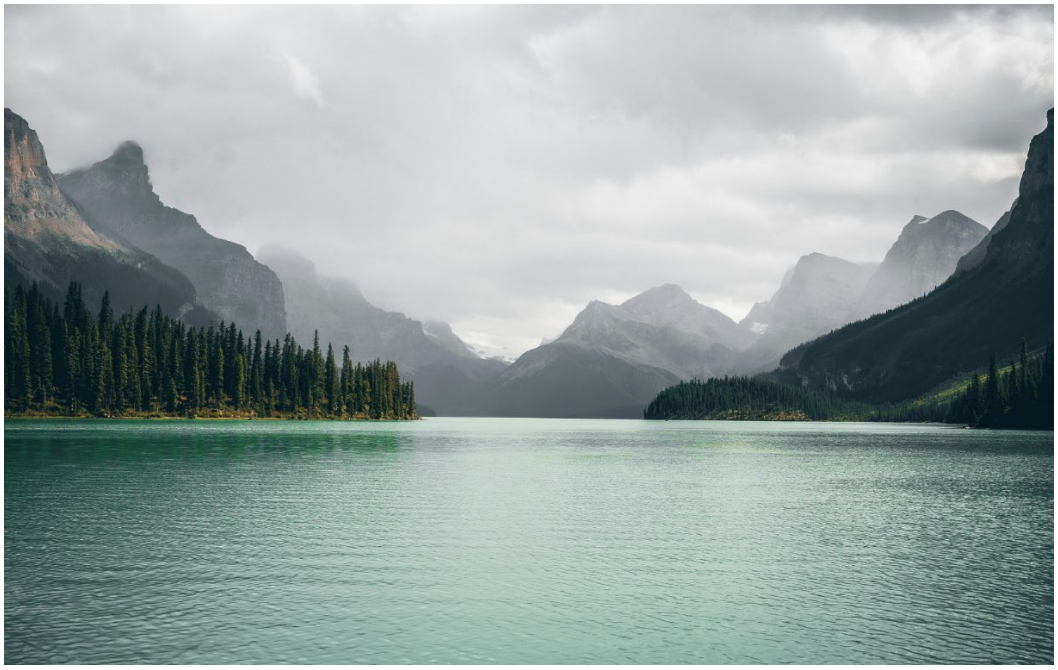
QUARTERLY COMMENTARIES

THE QUIET QUARTER THAT WASN’T



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- Quarterly Commentary — October 1, 2026
- A Fragile Peace, Broken
- The Quiet Quarter That Wasn't
- The Memory Market, Revisited
- What We’re Watching
- Q3 Portfolio Changes
- A Word on Perspective

QUARTERLY COMMENTARY — OCTOBER 1, 2026

On the surface, the third quarter was the calmest stretch of a turbulent year. The S&P 500 gained approximately +2% for the quarter, bringing its year-to-date return to roughly +13% and leaving the index within a whisper of its record high. An investor glancing only at that headline would conclude that not much happened. As we will discuss below, we believe that conclusion would be wrong, and the gap between the market's placid surface and what occurred beneath it is the story of the quarter.

International markets cooled after a torrid first half, with developed international markets (MSCI EAFE Index) up about +1% for the quarter and emerging markets (MSCI Emerging Markets Index) roughly flat. Bonds had a genuinely difficult quarter: yields surged across the curve, with the 10-year Treasury ending September near 5.3% after its largest monthly increase in four years, and the Bloomberg Aggregate Bond Index fell approximately -4%.

A FRAGILE PEACE, BROKEN

In July, we wrote that "the acute phase of the energy shock appears to be behind us." We were wrong. The memorandum of understanding signed in June collapsed within weeks, fighting resumed, and the Strait of Hormuz closed once again. By late September, with negotiations repeatedly stalling, Brent crude had climbed back above $100 per barrel, up roughly +30% for the quarter.

We also wrote, in the same letter, that "the peace remains fragile." That hedge proved the more durable observation, but we will not hide behind it. We believed the worst of the energy disruption was over, and it was not.

Here is why we do not dwell on the miss: Our investment process does not depend on our geopolitical forecasts being right. In April, with oil at $112 and fear at its peak, we counseled against selling. In July, with oil in the low $70s and relief in the air, we did not

recommend repositioning portfolios around a peace we acknowledged was fragile. Through the false calm and its collapse, the advice was the same: the businesses we own on your behalf were not materially impaired by the war in the spring, and they are not materially impaired by its resumption now. In our view, a process that requires correctly predicting the behavior of governments in Tehran and Washington is not a process; it is a coin flip. We prefer to own durable businesses and let the headlines exhaust themselves.

THE QUIET QUARTER THAT WASN'T

Now to the gap between the surface and the depths. While the S&P 500 inched higher, the average stock had a hard quarter. The equal-weighted version of the index declined approximately -2%. By the end of September, 83% of S&P 500 members were trading more than -10% below their 52-week highs, and 42% were down more than -20%. Certain rate-sensitive sectors such as utilities, real estate, and industrials bore the worst of it as yields rose.

What held the headline index aloft in the third quarter was a familiar and narrow cohort: the largest technology companies tied to artificial intelligence. The cap-weighted index rose because its biggest constituents rose; most of what sits beneath them declined. Readers of our second-quarter letter may recall that we celebrated the breadth of that rally as a sign of health. By the same logic, we are obliged to note that the third quarter reversed much of that progress.

THE MEMORY MARKET, REVISITED

In July, we devoted a paragraph to the extraordinary run in memory-chip stocks, and we wrote the following: “Memory chips are, at the end of the day, commodities, and their prices are set by supply and demand… When the supply and demand equation shifts,

as it eventually does in every commodity market, prices will react, potentially dramatically.”

The reaction began sooner than we expected. Several of the memory names that had risen several hundred percent declined sharply during the third quarter, with one prominent stock falling more than 20%, and the selling has continued into early October, at one point dragging the Nasdaq-100 into correction territory. What we think makes the episode instructive is what did not happen: the fundamentals did not crack. The leading memory producers reported record revenue and profits during the quarter and told investors that supply would remain tight for years. Their share prices fell anyway, because what broke was not earnings but expectations. When a stock is seemingly priced for perfection, perfection is merely the break-even scenario. This is the clearest real-time illustration we can offer of a point we have made repeatedly in these letters: the price you pay embeds assumptions, and the more demanding the assumptions, the less room there is for the ordinary disappointments that visit every business and every industry eventually.

WHAT WE’RE WATCHING

Regular readers will know that our answer to this question does not change much from quarter to quarter, and that is by design. We watch the businesses we own the way owners do: revenue growth, gross margins, operating cash flow, earnings per share, and the quality of capital allocation decisions.

On that scorecard, the news remains good. Analysts raised their estimates for third-quarter earnings as the quarter progressed, which is unusual; the normal pattern is for estimates to drift lower. Margins continue to expand. At the same time, the questions we have been raising about artificial intelligence spending grew louder this quarter, as reporting emerged on the sheer scale of infrastructure commitments, including obligations that sit off the balance sheets of the companies making them, that in

aggregate now reach into the trillions of dollars. We do not know how this capital cycle will resolve. We do know that the gap between money invested and returns demonstrated is the single number we most want to see narrow, and we will keep watching it on your behalf with the same skeptical eye we have applied all year.

We are also watching the bond market, not for predictions but for arithmetic. The price of money rose meaningfully this quarter, and a 10-year Treasury yield above 5% changes the math for every long-lived asset, from growth stocks to real estate. We make no forecast about where yields go from here. We simply note that higher rates raise the bar that every investment must clear, and they reward the kind of businesses we have always favored: those that generate substantial cash today rather than promising it in a distant tomorrow.

Q3 PORTFOLIO CHANGES

As always, these commentaries should not be construed as a recommendation to buy or sell any security; such decisions are made only within the context of the full market environment and the specific construction of individual client portfolios. The holdings discussed represent only a small subset of securities purchased, sold, or held for client accounts during the period and should not be considered representative of all investment decisions.

During the third quarter, we exited two positions in the Core Equity strategy: Universal Music Group (UMG) and Ross Stores (ROST). The two sales could not be more different in character, and together they illustrate the two reasons we ever sell anything: because the business disappointed us, or because the stock price has risen to a price that we feel is not justified by the business's fundamentals. The second reason is the one we prefer.

When we made our initial investment in UMG, we believed the music industry had plenty of capacity for subscriber and pricing growth. We also believed UMG can rapidly

improve its margins post-separation from Vivendi, given its asset-light royalty model. Our analysis on the industry was mostly in-line as subscribers continued to grow at a double-digit pace and Spotify raised the price of its Individual Premium plan by 30% in 3 years. We were wrong, however, on the margin opportunity, some of which we attribute to management's decision to acquire a sizable low-margin music distribution business. Our view is that capital would be better allocated towards the core royalty business or returned to shareholders via buybacks. While we respect Sir Lucian Grainge's abilities as an operator, we are far apart on capital allocation philosophy. UMG may still be a successful investment from here but given other attractive investments available, we have decided to reallocate the capital elsewhere. Clients in our Dividend Growth or Sustainable Income strategies may note we continue to hold UMG. While management has been disappointing, this has not impaired the company's ability to pay an above-average dividend.

ROST, by contrast, was a well executed thesis. We initiated the position in the midst of the pandemic, when investors were preoccupied with the impact of store closures on near-term earnings. We looked past those immediate challenges and concluded that the market was overestimating the short-term damage and overlooking the business's long-term growth prospects. Once stores reopened, business boomed. Over our holding period, earnings grew at a healthy pace and the stock's valuation recovered as pandemic fears faded. With the shares at an all-time high and the valuation sitting just below our best-case estimate, the margin of safety that justified the original purchase was gone. We exited and reallocated the capital to holdings with more attractive return potential. Selling a winner is harder than it sounds, but the discipline that tells you when to buy is the same discipline that tells you when the price has finished doing its job.

A WORD ON PERSPECTIVE

Three quarters into 2026, each has tested investors in a different way. The first quarter tested the ability to stay invested through fear, as war broke out and the market fell. The

second tested the ability to stay disciplined through euphoria, as the market staged one of its strongest rallies in years. The third has tested something subtler: the ability to distinguish between the market and the businesses within it, in a quarter when the headline index said nothing was happening while the average stock quietly corrected.

We believe the discipline that answers all three tests is the same one. We own what we believe to be a collection of high-quality businesses, purchased at prices we can defend, matched to your goals and your time horizon. That approach does not require us to predict wars, peace agreements, interest rates, or election outcomes, which is fortunate, because this year has humbled forecasters on all four counts. With midterm elections approaching in November, we expect the financial press to produce an enormous volume of commentary about what the results will mean for markets. Our suggestion is the one we have offered all year: nearly all of it will be interesting, and almost none of it will be actionable.

Our job as your investment manager is to maintain that discipline on your behalf. More broadly, our job as your fiduciary is to help you keep a clear view of your own financial journey: where you are, where you're headed, and what is truly required to get there. If anything about this year's events has raised questions about whether your allocation remains appropriately positioned, please don't hesitate to reach out. That conversation is always worth having.

As always, we have included with this commentary your quarterly performance figures, management fee invoice(s), and a copy of your portfolio allocation as of September 30, 2026. You will receive statements from your custodian as well. We urge you to compare both statements to ensure accurate reporting. Please let us know if you do not receive a separate statement from your custodian.

We look forward to speaking with you.

Summitry

This commentary is provided for informational purposes only and reflects our views as of October 1, 2026. It is not a guarantee of future results. Any forward-looking statements are subject to uncertainty and actual outcomes may differ materially. *The securities identified and described do not represent all the securities purchased, sold, or recommended for clients' accounts. The reader should not assume that an investment in the securities identified was or will be profitable.* Past performance is not indicative of future results. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. This is intended only for Summitry clients and is not intended as investment advice to buy or sell any securities. Opinions contained here are subject to change without notice.