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Mid-Year Client Talking Points

Communicating Our Confidence

July 2026

Portfolio Talking Points with Our Clients

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Your Portfolio Team is Highly Motivated

- Personally invested in the same stocks
- Personally vested in the business
- There is no plan B investment strategy

Don’t Sell Low & Buy High

- Quality stocks (vs. merchandise) are one thing many don’t buy on sale
- In ’23 clients added SEM $ after strong returns
- In ’26 client should add SEM $ after weak returns

Earnings and Prices Disconnected

- Companies delivering strong profit growth, > 20% on average in ’25 and expected in ‘26 and ’27
- Like a coiled spring, profit growth accumulating and creating pressure to unwind pricing upwards

DIY

- Load portfolio statement into ChatGPT and ask: “What are the portfolio stocks' upside to Wall Street price targets?”
- Using average Wall Street Analysts’ Consensus, we found a +21% avg upside (source: StockAnalysis.com) via ChatGPT

Priced at a Discount, Not a Peak

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+21.8%

weighted upside to average consensus analyst target

Median target: +21.1%

“Buy low, sell high” beats the instinct to chase performance at the top.

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Perspectives on AI

•Market led by cyclical/emerging AI stocks

•Believe there will be AI temporary winners vs. long-term durable compounders

•Business cycle: 3 years or 10 years?

High Quality Compounders

•Quality stocks have historically reassumed market leadership after similar rallies

•Same goes for SEM following ’10 and ‘16

Beware of Risks

•Cyclical stocks often priced at peak multiples at peak earnings, presenting severe downside risks

•Warning signs: Cyclical stocks wide outperformance, peak trading margin debt levels, crypto a cautionary tale: down 50% from 8/13/25 peak

It’s Just Math

•Current disconnect between SEM profits and returns remains

•Historically, this has eventually closed every time for SEM

Month-to-Date Performance

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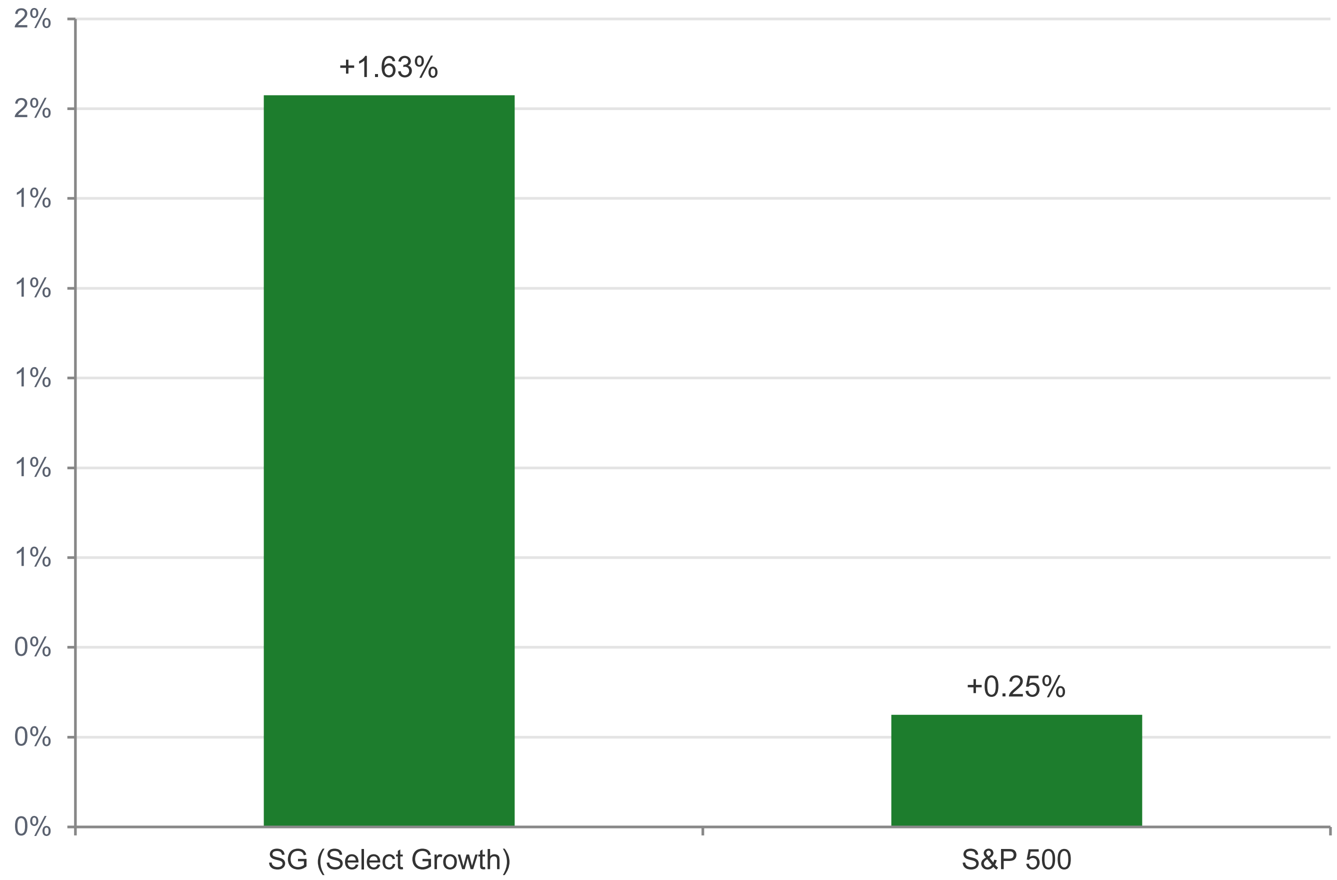

Takeaway

Select Growth (+1.63%) is outperforming the S&P 500 (+0.25%) month-to-date, net of fees as of 7/13/26.

Combined with the ~21% discount to consensus fair value, this supports staying invested and adding now rather than waiting for a pullback that may not come.

Month-to-Date Market Leadership

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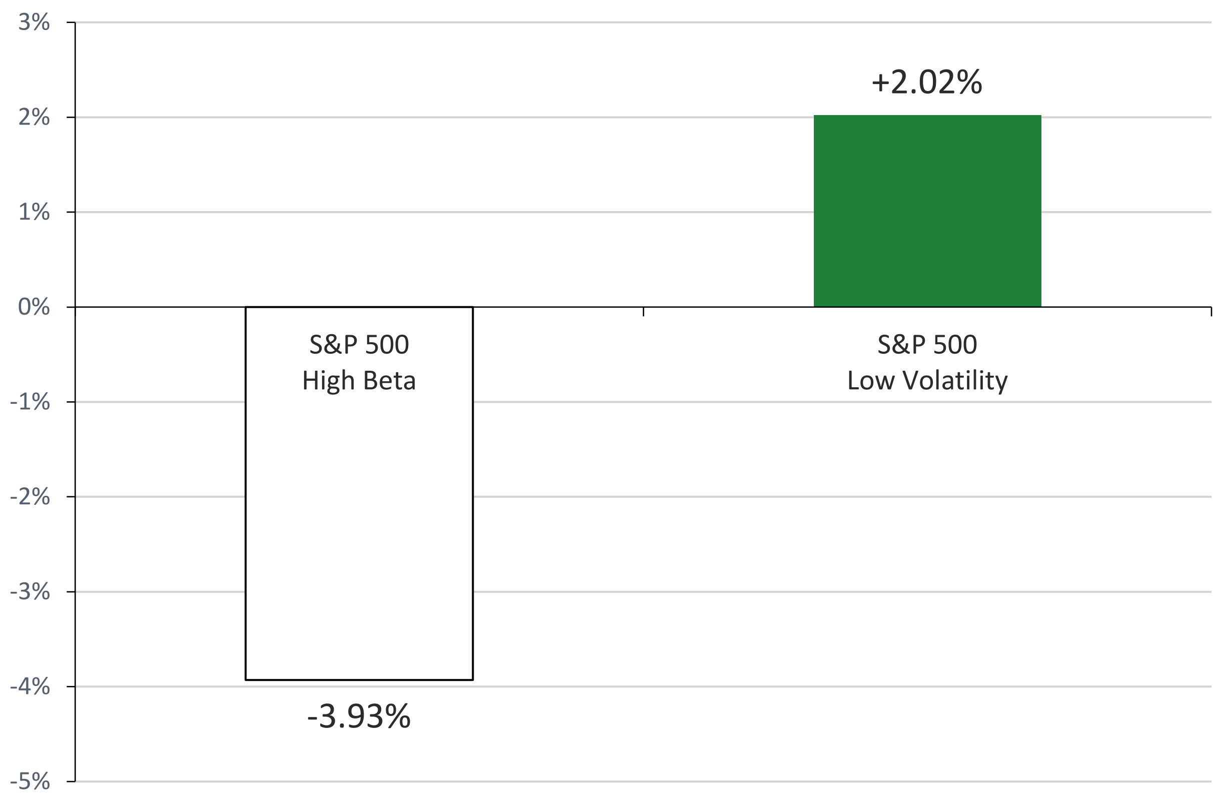

Takeaway

High-beta stocks have fallen 3.93% while low-volatility stocks gained 2.02% since June 30.

While only two weeks, it shows how quickly a rotation away from risk appetite to durable, high-quality compounders could happen.

Q2 Investment Commentary Profile: Intel vs. Nvidia

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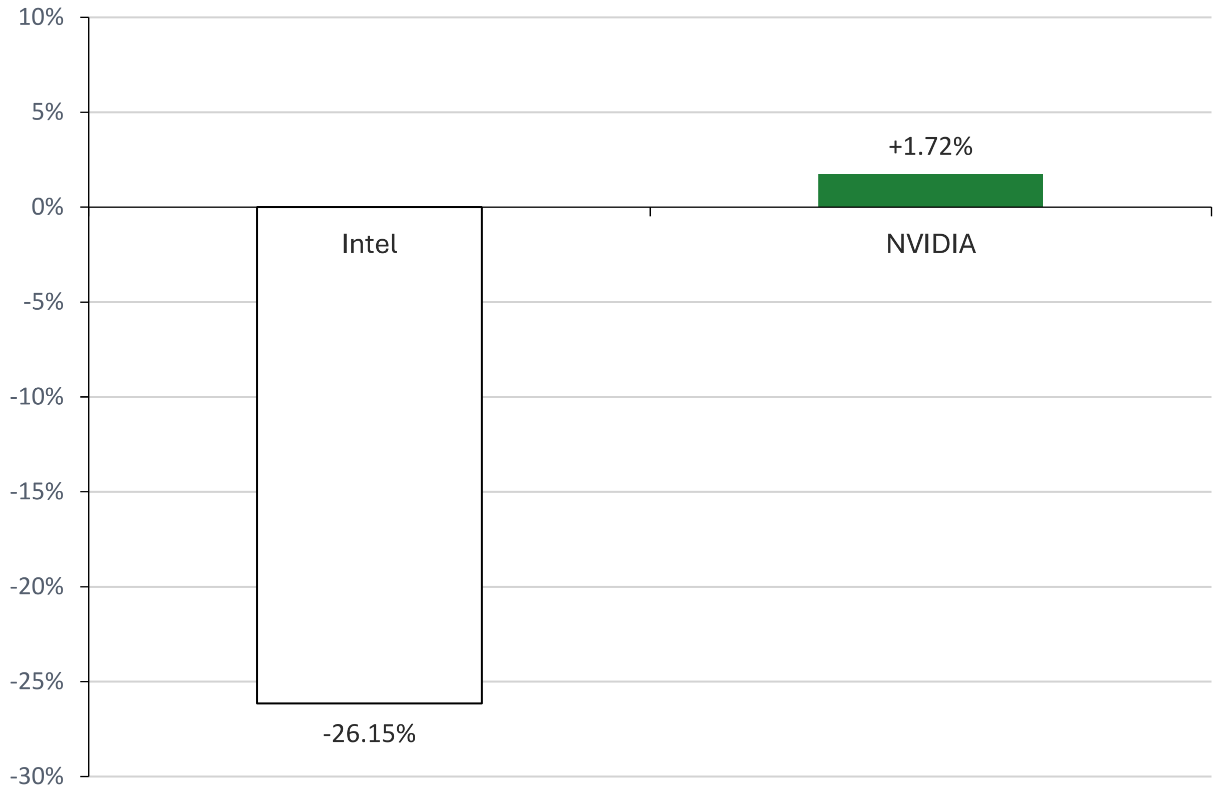
Month-to-Date Performance



Takeaway for the Call

Intel has fallen 26.15% while NVIDIA is up 1.72% over the same period.

Even within AI, investors are becoming more selective. While just two weeks, again, this was a risk we referred to in the 7/1 commentary and one that can present itself quickly.

Temporary Price Dislocations Have Historically Been Followed By Catch-Up Performance

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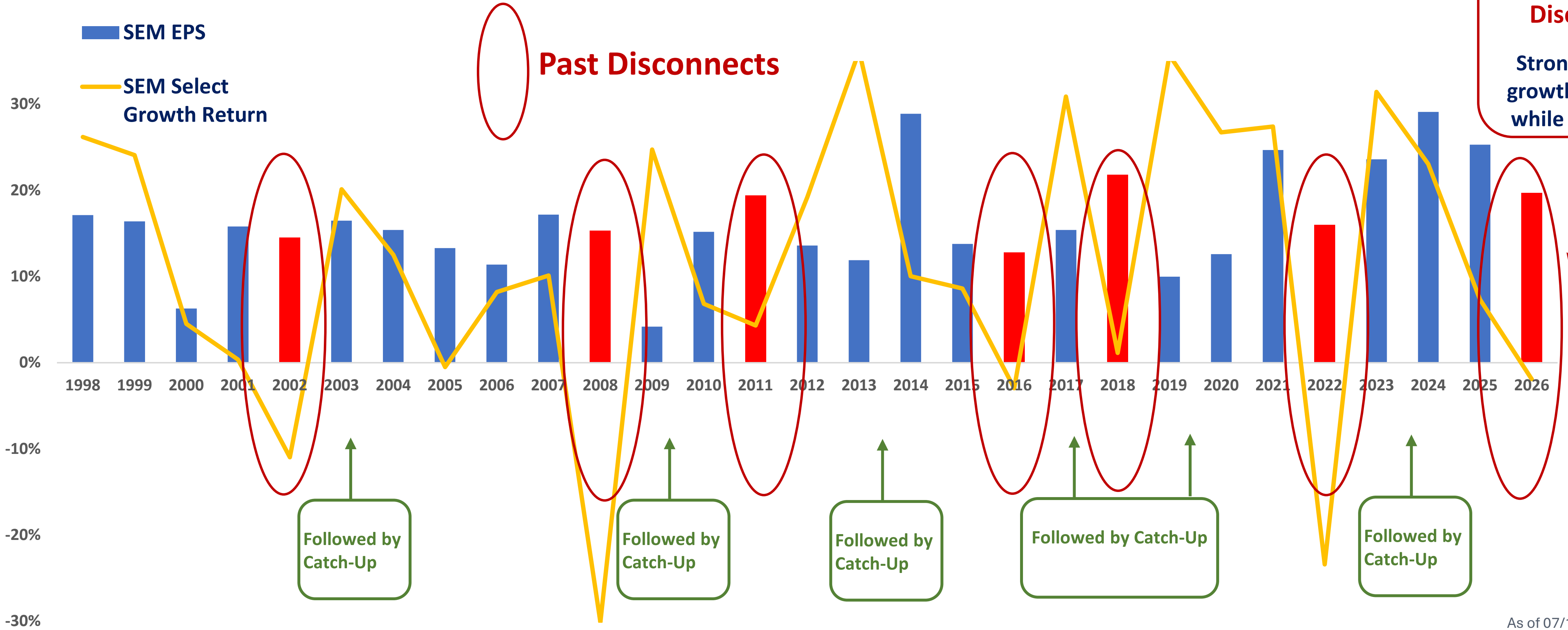
Since inception, SEM companies have grown earnings by approximately **16.5%** annually. While annual returns **often** deviate from underlying earnings growth, those **gaps have historically narrowed over time** as prices realigned with fundamentals.

Earnings Growth
Consistent and compounding **~16.5%** Avg. Annual EPS Growth

Returns Are Volatile
Short-term returns can diverge from earnings growth...

..But History Show Gaps Have Closed
Disconnects have often been followed by stronger returns

Current Earnings/Price Disconnect
Strong earnings growth continues while returns lag



As of 07/13/26