Stewart Asset Management

**Second Quarter 2026**

**Performance**

In the quarter just ended, our Flagship portfolio advanced 15.97%, net of fees, and the S&P 500 Index gained 15.20%. For the year-to-date period our Flagship advanced 5.37%, net of fees, and the S&P 500 Index gained 10.21%.

**Review**

In the quarter share prices rose sharply despite many uncertainties. Two very disparate influences accompanied this rise. First and most obvious was the war in the Middle East. The conflict ebbed and flowed but as the prospects for a ceasefire followed by a negotiated settlement became a possibility, prices regained their composure and surged higher.

The second was more welcome. Superb earnings growth pushed prices ahead. Investors began to conclude that earnings growth for the remainder of the year would be exceptional. More importantly, according to FactSet, a well-regarded investment statistics group, analysts have concluded that earnings for the S&P 500 will now grow over 23% in 2026. The companies in that Index are on track to earn close to $1 trillion in total this year. This sort of growth is rare, but should it occur, as many believe it will, further price gains may result in the second half of the year.

Share price volatility, as defined by how sharply prices move up or down, was notable. Throughout the quarter stocks understandably responded to news about the Middle East but volatile share price action is historically not unusual when powerful "industrial" trends like AI gain traction. One analogy is to the internet buildout of a little over twenty-five years ago, but a more accurate comparison is to the decade-long global adoption of the personal computer beginning in the late 1980s. The share prices of even leading companies sometimes moved fitfully while the value of their underlying businesses grew steadily.

Looking beyond the gains in the major indices there were noteworthy shifts, particularly in the AI world. You own three of the five major hyperscalers, the companies that host AI models and provide computing services to OpenAI, Anthropic, Gemini and others: Alphabet and Amazon, long-standing investments of several years, and a smaller, more recently added holding in Microsoft. The portfolios are also invested in two companies many observers have dubbed the suppliers of the "picks and shovels" of the AI industry: Nvidia, which we have owned for almost eight years, and Broadcom, which we have owned for about three years.  Both design the most advanced chips for the AI revolution.  These holdings as a group contributed nicely to the gains in your portfolio.

During the quarter we initiated a small investment in Lumentum, a leader in optical networking — the hardware that moves data between AI chips, servers, and data centers. We believe AI infrastructure spending is driving an optical upgrade cycle from which Lumentum may benefit. Demand outstrips supply, and customer agreements now extend through 2027 as data centers grow in number and size. Capturing this opportunity requires execution on capacity expansion and continued hyperscaler willingness to invest in AI infrastructure. The primary risks associated with the company are its concentration of revenue from a small number of customers, product timelines shifting and emerging technologies. However, we believe that the positives noted above outweigh these risks.

**Conclusion**

In response to the stunning earnings growth so far in 2026, S&P 500 Index's gain was among the strongest of the last thirty years.  There is a lesson in this past quarter's rise: share prices respond to growth. In short, it pays to be invested.

Not everyone shares this view.  Bearish commentary abounds right now.  One strategist at a well-respected London broker recently wrote that today's valuations are so statistically extreme they ought to occur only once every forty thousand years.

Corrections are inevitable, especially after a period of strong gains.  Stock prices will fluctuate but not the enterprise's compounding value.  It is precisely during volatile stretches that the attributes we emphasize matter the most: dominant businesses, impregnable balance sheets and rapidly growing earnings.  Investing in exceptional businesses not adroit trading in stocks, has allowed us to double our clients' capital, after fees, roughly every half decade using the Stewart strategy.  We will do our best to maintain this result.

My colleagues and I hope that the remainder of your summer in this, our great nation's 250th anniversary, is joyful. I look forward to communicating with you in the fall.

Thomas M. Valenzuela

Chief Investment Officer

***<u>Performance Disclosures</u>***

*The returns for the second  quarter of 2026 is the performance of an account ("Flagship Portfolio") that the Firm believes fairly represents the performance of the Stewart Asset Management Team's ("SAM") strategy*

*("Strategy"). The "net" returns presented are after the deduction of management fees as well as other expenses, including costs associated with brokerage. The year to date return stated for 2026 is based on performance of the Flagship Portfolio starting from January 1, 2026, to June 30, 2026.*

*SAM is a team at Ingalls Investment Management, LLC , an investment advisor registered with the Securities & Exchange Commission. SAM is not affiliated with W.P. Stewart & Co. ("WPS"). More information including the firm's Form ADV Brochure and Form CRS can be found at https://www.ingalls.net/important-information.*

*The information presented herein is for educational purposes only and is not intended to make an offer or solicitation for the sale of purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial advisor and/or tax professional before implementing any strategy discussed herein. Net performance from 1/1/2019 onwards reflects a 1% annual client management fee. All performance numbers for SAM prior to 1/1/2019 are shown net of its 0.80% annual client management fee and transaction costs associated with the Flagship portfolio.*

*The performance numbers reflect the transactions for certain Flagship accounts of SAM, representative client accounts from which other clients' accounts of SAM are modeled. The results for periods from inception of the SAM strategy until 12/31/2022 are the actual results for SAM's initial Flagship account, and results for periods since 1/1/2023 are the actual results for SAM's second Flagship account. Results presented during the periods shown were only adjusted for fees, and there were no other material additions or withdrawals from the Flagship accounts during the periods they were used for performance measurement. There are two Flagship accounts because the original Flagship account took on a margin loan during 2023, which no longer made its unadjusted performance results comparable to other client accounts thereafter. The stocks in the second Flagship account have been managed in a substantially identical manner to those in the original Flagship account during all relevant periods.*

*The comparison to the S&P is to provide a comparable large capitalization index to the SAM flagship accounts which are invested mainly in large capitalization equities. The SAM Flagship accounts are concentrated U.S. equity portfolios with less positions than the S&P 500 index. Performance charts in and of themselves cannot be the sole determinant in making an investment decision. Due to the timing of clients' investments in the SAM strategy, which is patterned after the model, clients' returns may be more or less than the actual performance of the flagship accounts. The performance of the Flagship accounts do not reflect actual client performance as fees and transactions costs may be higher. Past performance is not indicative of future performance.*

*The annualized returns for a 10-year period from July 1, 2016 to June 30, 2026, net of fees, and the performance for a 5-year period from July 1, 2021, to June 30, 2026, are 17.37% and 9.13%, respectively, net of fees. Annualized returns provided herein are based on performance of the Flagship Portfolio as described above. Performance returns reflect the average annual rates of return. Performance from January 1, 2019, to March 14, 2024, reflects SAM's investment performance as a team at Stewart Asset Management, LLC, which was a period prior to SAM's move to and continued management of the Strategy at Ingalls & Snyder, LLC ("Ingalls"). Generally, the Strategy maintains an allocation ranging from 1% to 4% in cash.*

*Flagship Portfolio represents how SAM generally implements its investment process under normal market conditions. Past performance is not an indication of future results. The performance of each client's managed account may differ due to specific investment guidelines, restrictions and time period which the account has been open and under the management of SAM. Accordingly, individual results will vary.*

***Additional Disclosures***

*This Strategy are subject to market risk, which is the possibility that the market values of securities owned in an account will decline. Accordingly, you can lose money investing in this Strategy. Please be aware that this Strategy may be subject to certain additional risks. In general, equity securities' values also fluctuate in response to activities specific to a company. Investments in foreign markets entail special risks such as currency, political, economic, and market risks. American Depositary Receipts (ADRs) represent an ownership interest in securities of foreign companies and involve many of the same risks as those associated with direct investment in foreign securities, including currency, political, economic and market risks. The Strategy may, from time to time, invest in stocks of small- and medium-capitalization companies which entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies.*

*The Flagship Portfolio has employed the investment strategy in a similar manner to that employed in the SAM's separately managed accounts ("SMAs"). However, portfolio management decisions made for the Flagship Portfolio may differ. The holdings and portfolio activity in the Flagship Portfolio may not be representative of some SMAs managed under this Strategy due to differing investment guidelines, client restrictions, and the time period the account was opened and managed by SAM.*

*There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. Please consider the investment objectives, risks and fees of the Strategy carefully before investing.*

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