



Third Quarter 2026

Performance

For the quarter just ended, our Flagship advanced 0.77%, net of fees and the S&P 500 Index gained 2.30%. In the year-to-date period, our Flagship advanced 6.18%, net of fees and the S&P 500 Index was up 12.75%.

Review

Our year-to-date investment performance is not satisfactory, but we believe it does not reflect the strength and prospects of the businesses in your portfolios. Based on our research we expect the growth in earnings power behind the portfolios to increase substantially over the next half decade. Moreover, the individual holdings in the portfolio are the leading businesses in their sectors with financial strength and profitability.

Over the fifty-year history of the Stewart Strategy one metric has been the bellwether for robust future appreciation: your portfolio's price-earnings ratio on projected earnings in five years. Right now, we forecast that to be 12x, a valuation level which over the last fifteen years, or four market cycles, has been a good springboard for performance over the next half decade. The bottom of one of those market cycles occurred in 2016 and over the ensuing decade, our Flagship portfolio has appreciated over five-fold, net of fees.

The underperformance year-to-date is attributable to our holdings in Amazon, Alphabet (Google) and Microsoft. The share prices of these three companies, the hyperscalers as they are collectively known, has trailed the gain of the S&P500 Index this year. Yet their revenue and earnings have inflected notably higher over the past several quarters and we project they will continue to grow durably through 2027 and beyond.

Why the underperformance? Primarily it's due to investors' concerns over the hyperscalers' sizable growth in investments in AI. We project this spending will peak before the end of 2027 and collectively these three businesses will return to generating substantial amounts of free cash, much of which will most likely be returned to shareholders in the form of dividend increases or share repurchases.

It's fair to say that most people now know of OpenAI and Anthropic, the largest of the frontier lab large language model developers. They consume a good deal of the AI computing power data centers generate, and their stunning growth captures headlines, but according to a well-known global consulting firm, businesses and individuals now consume almost 60% of all AI computing power.

Our work indicates that even in these early days of incipient application, the benefits of AI to individuals and business is palpable and demonstrably profitable. This rapid adoption of AI by enterprises and the public augurs well for those, like Amazon, Google and Microsoft, who supply AI computing capacity.

Secondarily, in the first six months of the year the rapid rise in interest rates exercised a negative influence on valuations of these three holdings. In addition, higher rates have dampened the price-earnings ratios of all stocks, which has now contracted to 19X next year's earnings despite many leading companies projecting superb profit growth.

Many attribute the rise in interest rates to the persistence of inflation. In part, however, higher interest rates are an indication of the strength of the U.S. economy. Unemployment is low, business is earnings record profits, consumer spending is healthy and business spending is extraordinary, in some part due to the buildout of AI infrastructure and enterprises and individuals spending to consume the computing power data centers produce.

The Federal Reserve Bank has recently been stressing its resolve to whip inflation, an outcome rendered more probable if we see lower energy prices. Lower interest rates would further increase the attractiveness of your portfolio's holdings. We cannot forecast lower energy prices, but futures imply a 20% decline in the price of crude oil over the coming year.

Portfolio Changes

We initiated an investment in Howmet Aerospace (HWM) when the shares pulled back in a recent consolidation. Howmet is a leading maker of turbine engine blades for both aircraft and terrestrial turbines. It is one of only three companies that has mastered this vital industrial technology and it has captured the largest market share for the past three aerospace cycles. Howmet's blades are cast from advanced superalloys and it takes years to have aviation regulators and buyers qualify these products for service, an enviable moat. Blades also wear out and need to be regularly replaced, a predictable business, that generates high margin revenue for decades.

The current tailwinds for demand are strong: Boeing and Airbus both hold a decade of backlog and are steadily raising production; aftermarket replacement sales are a growing

share of the company's business as aircraft retirements sit near record lows. Over the years, management has been arguably one of the best industrial operators, in the same league as Parker Hannifin. We believe Howmet's clear market leadership, product differentiation, and revenue visibility give the company a long runway to compound its earnings power well ahead of the market.

Conclusion

It's worth emphasizing that historically when our portfolios are valued at twelve times earnings five years out, strong returns have generally followed. Most of our holdings, among them Amazon, Alphabet, Nvidia, have been superbly managed businesses stalwarts that have grown their earnings power forcefully over time and have shown an ability to course correct in the face of change. We do believe the value of our holdings in these superior companies appear poised to double over the next half decade.

My colleagues and I wish you a prosperous and healthy autumn. Do not hesitate to reach out to us with questions. I look forward to writing to you in January.

Thomas M. Valenzuela

Chief Investment Officer

Performance Disclosures

The returns for the third 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 September 30, 2026.

SAM is a team at Ingalls & Snyder, LLC ("INGS"), an investment advisor registered with the Securities & Exchange Commission and a FINRA member broker dealer. 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

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 January 1, 2015 to December 31, 2025, net of fees, and the performance for a 5-year period from January 1, 2020, to December 31, 2025, are 16.93% and 9.41%, respectively, net of fees. The annualized returns for a 1-year period from January 1, 2025 to December 31, 2025, net of fees is 11.66%, 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.

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.

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.