

Quarterly Portfolio Commentary – Second Quarter 2026
Lone Peak International Value Portfolio

Summary of the *Lone Peak International Value Portfolio* Composite Historical Return* (unaudited)

	2nd Quarter 2026	YTD	1-year	3-year, annualized	5-year, annualized	Since Inception**
Portfolio, gross ¹	12.02%	8.12%	23.12%	15.68%	10.64%	11.60%
Portfolio, net	11.79%	7.66%	22.10%	14.73%	9.72%	10.62%
MSCI EAFE Index	10.82%	9.44%	20.23%	16.44%	9.05%	10.23%

* Individual account performance will differ from the overall Composite.

** Inception Date: August 1, 2019, annualized

Past Performance does not guarantee future results.

International Markets

International markets rebounded sharply in Q2 as the prospect of a resolution to the US/Iran conflict improved and technology stocks drove performance, fueled by AI optimism. The EAFE index rose 10.82% in Q2 with the Lone Peak International Value Composite rising 12.02% (gross of fees). The end of Q1 marked the recent lows in EAFE after the shock of the conflict in the Middle East, and so the quarter started well with international markets rising on AI earnings growth expectations and the prospect of peace in the Middle East. Japan led the way with technology stocks fueling a 34% (in US\$) rally in the quarter. Major European markets kept pace with the EAFE but the UK, Australia and Hong Kong all underperformed in the quarter. Oil (Brent) peaked at \$118 at the end of Q1 and remained over \$100 a barrel for most of the quarter until expectations of a peace deal rose in June and the price fell back to around \$72 at the end of the quarter but has subsequently bounced to \$78 due to the breakdown of the ceasefire. Throughout the quarter the prospect of higher energy prices and the knock-on effect of oil related products costs rising, led to an expectation of higher inflation and lower growth. This fear has since eased but Germany has cut GDP expectations from 1% to 0.5% this year, and higher, hopefully transitory, inflationary pressures have led to both the European Central Bank and Bank of England holding rates when they perhaps could have cut. We are still waiting for a definitive peace agreement between the US and Iran and a full opening of the Strait of Hormuz will surely ease inflationary pressures, but any further setbacks could raise the inflation specter once more.

Q2 2026 was in many ways an unprecedented quarter. Global markets were almost universally driven by technology stocks and in particular semiconductor stocks. The SOX (the Philadelphia Stock Exchange Semiconductor Index²) rose 88% in Q2, its best performance in its 32-year history. AI infrastructure spending has led to supernormal profit growth and growth expectations in semi stocks and EAFE was no exception. The EAFE technology sector rose 55% in Q2 and this was largely driven by semiconductors (+73.7%) as the market decided which subsectors were likely to be AI winners and AI losers. Within technology, IT services was flat in the quarter and software only rose 7% as many stocks in those subsectors were deemed to have their business models fundamentally challenged by AI. So strong was the performance of IT in Q2 that the only other sector to outperform the EAFE index in Q2 was Financials which rose 14.7%. The worst performing sector was Energy, as oil prices retreated from the end of Q1 high, followed by real estate and utilities that both tend to correlate to bond yields, with the inflationary pressure and delay of rate cuts hurting sentiment for these sectors.

1 Portfolio, gross return represents the performance results for the International Value composite including the reinvestment of dividends and other account earnings and are net of transaction costs, but do not reflect the effect of advisory fees, which would lower performance. Portfolio, net return includes the deduction of advisory fees, reflects the reinvestment of dividends and other account earnings and are net of transaction costs. Past performance does not guarantee future results.

The benchmark for the International Value composite is the MSCI EAFE Index. The index captures large and mid cap securities across developed markets countries around the world, excluding the U.S. and Canada. Index returns include the reinvestment of dividends (total returns). Performance of the composite and the index may not be comparable due to differences amongst them including, but not limited to, risk profile, liquidity, volatility and asset composition. An investor cannot invest directly in an index. Moreover, index performance does not reflect the deduction of advisory fees, transaction fees, and other expenses.

2 The Philadelphia Semiconductor Index is a modified capitalization-weighted index comprised of companies that are involved in the design, distribution, manufacturing, and sale of semiconductors.

We discuss performance later in this letter and while Q2 was an incredibly volatile quarter, the Lone Peak International Value Strategy (“the strategy”) performed well and we were able to make several changes to the portfolio, adding to both Durable Value and Dynamic Value stocks. Readers will note the change of terminology from Deep and Core Value stocks to Dynamic and Durable Value stocks. We felt this change represents our approach more accurately, and reflects the higher quality nature of our philosophy, purchasing Durable Value stocks with strong moats and compounding characteristics at attractive prices and taking advantage of market volatility to purchase Dynamic Value stocks when sentiment makes entry prices very attractive. We give examples of both in the stock section later in this letter.

AI, baskets and bubbles.

For investors new to the stock market this is an exciting time to be alive. Generational wealth could be garnered by those brave enough or early enough to the AI movement. For those of us with grey hair, the markets feel familiar. We are not saying we are in a bubble but as the saying goes, “History doesn’t repeat itself, but it often rhymes.”

At Lone Peak Global Investors, we are firm believers that AI is a generational technology that will change the face of many businesses for years to come. We have embraced AI in our research process, and we believe that usage by consumers and businesses will only increase from here. We are also acutely aware that belief in a particular technology, the economics of that technology and the stock market performance of stocks exposed to that technology are not the same thing. We will always return to our belief that the value of a business is fundamentally based on the present value of the cash it will deliver to shareholders over the life of the asset. Sometimes investors’ time horizons are very short, and sometimes, like now, they are very long. As value investors, periods of supernormal growth can prove to be very challenging. We do not like paying high multiples and we especially don’t believe hyper normal growth rates can last forever. So how have we approached this AI movement?

We have steadily increased our exposure to “AI advantaged” businesses over the last 12 months and held the faith in businesses that were lowly rated by the market until their AI inflexion point came. We also own “AI disadvantaged” stocks, partly as a balance against the other names in the portfolio, but mainly because we believe in their business models and their stocks are incredibly cheap. Our exposure to the AI value chain is via exposure to Semiconductors (STMicro), Semiconductor equipment (Screen Holdings), electrification (Schneider Electric, Fuji Electric, NKT and Nexans), Semiconductor silicon/photomasks (Shin-Etsu) and an adjacent data center play in SEGRO. All these stocks were bought either when they were trading at low double-digit PEs or when they fell to relative valuation levels not seen for some time. We have trimmed a number of these stocks recently as performance has been strong, and prices have approached our fair value estimates. Growth expectations are high, so we are balancing realism with compounding effects and valuation to both maintain exposure and to remain grounded firmly in the territory of value investors.

What makes this especially challenging is the sentiment swings and theoretical “baskets” that certain stocks have been assigned to. In our opinion, some investors appear to be trading AI baskets, so when sentiment is positive due to strong earnings or further data center investment announcements, a selection of AI beneficiaries all rise and vice versa. The most extreme version of this behavior has been seen with software stocks that have all been tarred with the same “AI losers” brush. There is some logic to this, but the breadth and magnitude of decline is severe, which we feel has led to some opportunities. These sentiment swings can be both positive and negative with the most recent moves being driven by concerns over capex levels at the hyper-scalers, the increasing use of debt, the potential issuance of capital to add to capacity and whether these businesses will make a sensible return on capital. These are all sensible questions that investors should be asking, and the high correlation between many of these stocks will lead to opportunities for fundamental investors. We remain focused on finding high quality companies in this space that can compound returns over time, but we remain disciplined on valuation. We have also invested in stocks that the market considers “AI losers”, namely through Capgemini and Dassault Systemes, with both stocks trading at their lowest PE ratio in over 5 years. We also remain overweight Healthcare, mainly on valuation grounds, but the sector is negatively correlated to the EAFE semiconductors index, which helps counterbalance our AI exposure.

When thinking about whether the AI euphoria has led to a bubble or not, we refer to historic events and while we fundamentally see the benefits of AI and the potential efficiency gains, we are reminded that the road for new technology implementation is always bumpy. Valuation is rarely a catalyst for a bubble to burst but if valuations are high, like they were in the dot.com burst, then the drawdown can be severe and protracted. The dot.com bubble saw the NASDAQ fall over 80% from peak to trough over 2 ½ years but valuations were around 200x PE at the peak, and many companies were cash flow negative. That said, no one specific event started the fall other than attention moving away from growth and towards cash flow (Barron's March 2000 cover story warned that dot.coms were running out of cash, for example). Other falls tend to be financial in nature – Japan peaked in December 1989 and took approximately 34 years to recover from the 80% drawdown, but that bubble was caused by rising rates and stricter capital controls on an over leveraged economy.

Our belief is that we are not in a bubble in the traditional sense, but valuations have become stretched in certain areas of the market. Some sectors have seen supernormal pricing, caused by temporary supply shortages, and consequently stock prices have, in some instances, run ahead of themselves. We also believe that concentration risk is as high as it has been in years. The larger the technology stocks become, the more index funds need to own, which can reverse very quickly and has yet to be really tested, although the SpaceX IPO could become an interesting case study in index fund behavior. The AI value chain remains robust in our view, but expectations are high and if they run ahead of themselves we will reduce exposure and manage our risk, as we did in Q2, trimming STMicro twice. As ever, volatile markets provide opportunities to the patient and diligent investor, selling when emotions are running high and assessing fundamental value when sentiment turns. That has been our approach for years and will continue to be so in this fascinating period.

Significant Portfolio Changes

We bought two new Dynamic Value stocks **KION** and **SEGRO** during the quarter and we bought one new Durable Value stock, **Shimadzu**. We also sold two Dynamic Value stocks, **Vodafone** and **Alstom**, and exited one Durable Value stock, **Wolters Kluwer**, the proceeds of which we reinvested into Dassault Systemes.

Shimadzu is a Japanese precision instruments manufacturer and one of the world's leading suppliers of analytical instrumentation to the pharmaceutical, environmental, food, and industrial markets. Their largest business is in mass spectrometry specializing in liquid and gas analysis. They have just announced the completion of a purchase of TESCANA who focus on electron microscopes, which bridges the gap in surface and structural imaging, which is of particular use in the semiconductor industry. With a strong balance sheet (net cash) and a long history of double digit returns we took advantage of a languishing share price in the quarter and added this Durable Value stock to the portfolio.

KION provides material handling solutions mainly in the form of forklift trucks, as well as warehouse equipment, industrial trucks and logistics solutions for the optimization of supply chains. Having seen a slowdown in industrial warehouse demand post COVID we believe we are starting to turn the corner, and KION is well placed to benefit from both greenfield and brownfield development. They have also just announced a partnership with Nvidia, Accenture and Siemens to bring AI into the physical world, with KION recently deploying their first autonomous AI industrial truck for GXO in France. Concerns over currency and the impact of the US/Iran conflict led to an opportunity in the stock which was trading at around 12x PE at the time of purchase.

SEGRO is a British REIT (real estate investment trust) that owns and manages 10.9m sq. meters of modern warehouses, light industrial assets and data centers across the UK and 7 Continental European countries. Part of the attraction was the entry price that had fallen post the US/Iran conflict at the end of February, pushing SEGRO to an approximate 0.67x P/B. We believe SEGRO is fundamentally important to the increasing expansion of European data centers as they have secured a 2.5GW+ power-enabled land bank that positions the company as a critical enabler of hyperscale infrastructure across Europe. Our entry was opportunistic and recently Prologis, the \$137Bn market cap US real estate developer, announced a potential offer for SEGRO as they see their land bank as important for European data center development.

Vodafone is a UK based European telecommunications company operating fixed and mobile networks in more than 15 countries, with leading positions in the UK and Germany. Having restructured their portfolio by selling their Italian and Spanish operations and merging their UK business with Three, the business appeared to have done everything it had set out to achieve a few years ago. The stock had approached our fair value, and we decided to take profits and reallocate the capital elsewhere.

Alstom develops and markets integrated systems for the transportation sector, mainly through trains, metros, and trams as well as providing signaling and maintenance services to customers worldwide. This was a purchase that we made approximately 1 year ago and was based on the premise that the investment cycle for rail investment was strong and that Alstom had been successfully winning contracts. As they shifted away from initial builds towards service contracts, we expected margins to rise. The stock had performed well but the new CEO, Martin Sion, made a surprise announcement in April to inform the market that large rolling stock contracts were taking longer than expected to be completed. This would lead to penalties and consequently lower margins and cash flow. The stock fell ~30% on the announcement and we decided to exit the position shortly thereafter. Alstom is still winning orders, and we believe that Mr. Sion is a good long-term appointment, so the team continues to closely monitor the stock.

Wolters Kluwer operates as a global information services and solutions provider, servicing the health, tax and accounting, risk and compliance, finance and legal sectors. The stock had languished as a perceived AI loser in 2025, and we felt that their implementation of AI would help them retain clients and potentially boost growth in 2026. Anthropic's agent announcements sent the stock tumbling along with other software related names, as the market believes that AI can replace much of what they do. We still believe that the threat of AI is overstated in Wolters Kluwer's share price, but we also felt that their business model was more under threat from AI than other "AI disadvantaged" stocks. We do not like selling businesses below what we feel is fair value, but we switched this small holding into Dassault Systemes, another perceived disadvantaged AI stock, that we feel has a more defensible business model and trades at a similar discount to long-term valuation levels.

Market Outlook and quarterly performance

Performance in Q2 was characterized by the portfolio underperforming in April and the first half of May with a strong rebound in performance as we took advantage of the opportunities the market presented (EasyJet, which we purchased at the end of the last quarter and have seen a 60% bounce this quarter, and SEGRO for example), with the prospect of easing tensions in the Middle East boosting performance of our industrial and technology stocks. As we write this letter, the ceasefire has broken and the markets have wobbled again, but we hold our view that ultimately, both parties will prefer peace.

Markets have been strong for some time now and as discussed, concentration risk has risen. If we include Google, Meta and Amazon that are not included in the technology sector of the S&P 500, as technology driven businesses, then approximately 49% of the S&P is technology stocks with some heavy concentrations within that. EAFE offers a more diverse range of stocks with only 11% of the index representing technology stocks and the largest sector remains Financials at 26%. Domicile is also not a true representation of the companies in EAFE, 22% of revenues come from the US for the index average but when we look at the Lone Peak International Value Strategy we estimate our revenue exposure at 27% US, 23% Asia, 11% Latam/Other and the remaining 39% to Europe and the UK. International stocks provide a much broader scope of exposure and should therefore be better placed to ride out the turbulence that is likely in today's markets. Concentration risk is much less of an issue and we feel confident that the businesses we own are well placed to continue to add value for our shareholders.

Individual Stock Performance

Top Contributors ³ – Q2 2026	Largest Detractors – Q2 2026
STMicroelectronics (STM US)	Alstom (ALO FP)
Screen Holdings (7735 JP)	Barry Callebaut AG (BARN SW)
EasyJet Plc (EZJ LN)	Shell PLC (SHEL US)
Banco Santander (SAN US)	BAE Systems PLC (BA/ LN)
Bayer AG (BAYN GR)	Capgemini (CAP FP)

Past performance does not guarantee future results.

Source: Bloomberg as of 6/30/2026

Commentary on the Top Two Contributors and Detractors to the Portfolio's Total Return

STMicroelectronics designs, develops and manufactures semiconductor integrated circuits, used in telecoms, consumer electronics, automotive and industrial sectors. Having experienced relatively soft demand from their industrial and automotive clients over the last few years, STMicro announced an agreement with Amazon Web Services (AWS) to expand a multi-year multi-billion US\$ contract to supply advanced semiconductors for AWS compute and AI data center infrastructure. STMicro then increased their internal expectations for general data center growth, leading to several broker upgrades in the quarter. On top of these developments STMicro has significant LEO (Low-Earth Orbit) satellite exposure and has partnered with SpaceX for years, providing exposure to another fast growing market. STMicro consequently moved from one of the portfolio's worst performers in 2025 to the best performer this year, which demonstrates the power of moving from the perceived AI losers basket and into the perceived AI winners basket.

Screen Holdings manufactures and sells equipment used in the semiconductor industry focusing on cleaning systems, coater/developer tracks and annealing equipment used in making advanced semiconductors. They also have smaller divisions that produce flat panel displays, graphical arts equipment, and printers for the pharmaceutical industry. Our thesis has been that Screen, as a market leader in cleaning equipment, would see increased demand for their products as the complexity of semiconductors continues to rise, accentuating demand for cleanliness as any particles that contaminate the process can dramatically reduce yield. Results were positive in the quarter and guidance was raised, boosting the stock to new highs.

Alstom is a manufacturer of integrated systems for the transportation sector, mainly through trains, metros, and trams as well as providing signaling and maintenance services to customers worldwide. We have discussed this stock above, but the unexpected profit warning from the new CEO hit the stock hard, leading to a large negative contribution in the quarter.

Barry Callebaut manufactures cocoa and chocolate products, marketing to industrial food manufacturers, chocolatiers, pastry chefs, bakers and retailers globally. We had expected a falling cocoa price to help with demand (which is starting to improve) but the timings involved in their gourmet division meant that they were pricing above market rates and they lost market share. The new CEO lowered guidance and we reduced our exposure in the quarter, while still retaining a position.

³ Portfolio holdings are from a representative account managed within the investment composite. The representative account is selected based on account characteristics that Lone Peak Global believes accurately represent the investment strategy as a whole. Should these characteristics change materially, Lone Peak Global may select a different representative account. Holdings may change daily and may vary among accounts, which may contribute to different investment results.

The securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients.

Please contact us at (385) 387-1212 or support@lonepeakglobal.com to obtain information about (i) the calculation methodology; and (ii) a list showing the contribution of each holding in the representative account to the account's performance during the measurement period.

Final Comments

Thank you for your investment with Lone Peak Global Investors. We will continue to focus on building long-term wealth through diligent and prudent portfolio management.

Sincerely yours,

International Value Team

Lone Peak Global Investors, LLC

Disclaimers & Disclosures

Identifying undervalued securities and other assets is difficult, and there are no assurances that such a strategy will succeed. Any fair value estimates are subject to actual known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those projected. Information is as of the period stated in this letter and is subject to change. Lone Peak Global Investors, LLC ("LPG") undertakes no obligation to update this information if circumstances or management's estimates or opinions should change.

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Information about Risk

Risks of Investing in Equity Securities. Overall stock market risks may affect the value of an equity portfolio. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the portfolio investments goes down, the portfolio decreases in value and you could lose money.

Risks of Mid-Cap Securities. Investing in the securities of mid-cap companies generally involves substantially greater risk than investing in larger, more established companies.

Risks of Large-Cap Securities. Prices of securities of larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the strategy's value may not rise as much as the value of funds that emphasize companies with smaller capitalizations.

Focused Investment Risk. The International Value strategy is a focused strategy and generally holds stocks of fewer than 50 companies. Focused strategies may invest a larger portion of their assets in the securities of a single issuer compared to a more diversified strategy. Focusing investments in a small number of companies may subject the portfolio to greater price volatility and therefore a greater risk of loss because a single security's increase or decrease in value may have a greater impact on the portfolio's value and total return.

Sector Risk. The portfolio may emphasize investment in one or more particular business sectors at times, which may cause the value of portfolio to be more susceptible to the financial, market, or economic events affecting issuers and industries within those sectors than a strategy that does not emphasize investment in particular sectors.

Management Style Risk. Because the strategy invests primarily in value stocks (stocks that LPG believes are undervalued), the strategy's performance may at times be better or worse than the performance of stock funds or strategies that focus on other types of stock strategies (e.g., growth stocks), or that have a broader investment style.

Economic and Political Risks. These effects may be short-term by causing a change in the global markets that is corrected in a year or less, or they may have long-term impacts which may cause changes in the markets that may last for many years.

In any given country, some factors may affect changes in one sector of the economy or one stock, but don't have an impact on the overall market. The particular sector of the economy or the individual stock may be affected for a short or long-term.

Emerging Markets Risk. *Emerging market securities may present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than, the risks of investing in securities of issuers in more developed markets.*

Non-U.S. Investment Risk. *Securities of non-U.S. issuers (including American depository receipts ("ADRs") and other securities that represent interests in a non-U.S. issuer's securities) may be less liquid, more volatile, and harder to value than U.S. securities.*

Foreign Currency Risk. *Foreign securities often are purchased with and make any dividend and interest payments in foreign currencies. Therefore, the portfolio's value could decline solely as a result of changes in the exchange rates between foreign currencies and the U.S. dollar, particularly if the portfolio invests a significant percentage of its assets in foreign securities or other assets denominated in currencies not tightly pegged to the U.S.*

Inflation Risk. *When a substantial portion of the portfolio is held in cash or cash equivalents, there is the risk that the value of the cash account, including interest, will not keep pace with inflation, thus reducing purchasing power over time.*

Definitions

Durable Value Stocks (formerly known as Core Value). *We define Durable Value stocks as high-quality companies with sustainable competitive advantages and long-term records of strong returns on capital. These companies tend to have stable and predictable cash flows as well as steady growth in the intrinsic value of their stock.*

Dynamic Value Stocks (formerly known as Deep Value). *We define Dynamic Value stocks as opportunistic investments in deeply discounted shares of businesses that do not meet the high requirements of a Durable Value company. Dynamic Value investments are deemed by us to have high potential returns with acceptable downside risks. These investments may be considered traditional value stocks with low price multiples, and low near-term investor and analyst expectations.*

About Us

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