The following transcript was recorded on July 7th, 2026. This transcription is believed to be an accurate summary of the live call, but may contain some minor differences from the speaker's exact language.

Hi, my name is Ben Silver and over the next few minutes I'm going to take you through the performance of our large cap strategy for second quarter of 2026.

The US market was up mid-teens in the quarter as the decline in hostilities in the Middle East led to lower oil prices and an improving outlook for both inflation and economic growth. The portfolio performance was also quite strong with contributions from an array of sectors including, the most, the strongest contributors healthcare and financials. However, we did slightly underperform the value benchmark which was driven really primarily by performance in the technology sector and most notably from hardware stocks which contributed over 900 basis points to benchmark performance. I would strongly recommend reading our newsletter in which we discuss the valuation of these stocks and put them into a historical perspective.

Healthcare was the largest contributed, contributor to portfolio performance in the quarter. Medical insurer Humana rose quite sharply and more than recovered its decline from previous, from the previous quarter after reporting really strong results driven by more favorable medical cost trends as well as no evidence of adverse selection coming from its very large and substantial subscription growth. CVS also contributed somewhat due to the same factors as well as strengthen its retail pharmacy and the pharmacy benefit manager part of their business really performed much better and did not suffer the same declines as a close peer. Lastly, Baxter was also a contributor in the quarter. It also rebounded from a significant decline in the previous quarter, and really as a result of just the absence of any sort of bad news from higher oil prices which had impacted the stock, and that and inflation had impacted the stock several years ago.

Technology was the largest detractor in performance. IT services companies Cognizant and Accenture both declined materially following a slight decline in their organic growth guidance and in Accenture's case the announcement of increased future M&A. The market continues to punish these stocks significantly as businesses are shifting available funds towards AI related tokens and away from almost everything else in the technology space. These stocks are now trading at under 10 times current earnings and are two of the cheapest stocks in the portfolio. Dow was also a third decliner as it declined in line with oil prices as discussed before.

During the quarter, we initiated a position in Workday, a leading enterprise resources planning software company which really focuses on businesses that have very large labor needs. And what it does is it really combines their human resources as well as their financial planning into one cloud-based platform. Workday's products are unbelievably sticky. It has a gross retention rate of over 98% and it actually takes several years to implement the program. The company declined during the, I guess what was known as the SaaSpocalypse, as the large software selloff from AI-driven fears. We think that due to the mission-critical nature of their products, the strong retention as well as their ability to leverage their own AI agentic offerings into their workflow make this a very attractive investment. Besides Workday, we also increased our position in IT distributor CDW as well as IT services firm Accenture on this AI related weakness. We funded these positions by selling TE Connectivity and trimming our holdings in both CVS and Dow following strong performance earlier in the quarter.

So, in conclusion, large cap stocks continue to offer a meaningful number of opportunities. We think the dislocation have really compressed valuations across a diverse set of industries and we're trying to take advantage of that by more leaning into some of the pain being caused by, certainly, the AI dislocation. Thank you.

Further Information

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