



DISTILLATE CAPITAL

2025 Q2 Letter to Investors: Return Pillars & Valuation Risk

Letter Summary

Backing up and taking a longer look, we deconstructed the S&P 500's 14.3% annualized total return since we launched our U.S. large cap strategy (U.S. Fundamental Stability & Value "U.S. FSV") in May of 2017. What it shows is that 4.6 percentage points of annualized returns have come from valuation expansion while dividends and free cash flow growth have made up the remainder. More, the valuation expansion was concentrated among the biggest stocks that resultingly now look very rich. The Russell 1000 Value and S&P 500 Equal Weight indices have lagged far behind the S&P 500 as they did not enjoy a similar valuation updraft. Distillate's U.S. FSV strategy likewise did not benefit from valuation expansion and is trading at a free cash flow yield that is slightly more attractive on an absolute basis than when the strategy launched in 2017. The strategy's net-of-fee return made up for this lack of valuation expansion with much stronger underlying free cash flow growth since 2017 that is primarily a result of the strategy's systematic rebalancing process. These differences in the composition of annualized returns are shown in **Figure 1**. Looking forward, the strong relationship between starting free cash flow yields and the contribution to returns from valuation changes over time suggests that the current rich valuation of the S&P 500 presents a significant challenge. What has been a sizeable tailwind over the past decade could become a significant headwind to forward returns. Despite this risk, parts of the market remain attractively valued with higher starting free cash flow yields and history has shown that such stocks can perform well even if the broader S&P 500 faces valuation pressures. Valuation changes are the most volatile component of rolling 10-year returns and tend to follow cycles where they either add or subtract from returns for multi-year stretches, but over time they net to zero and are not a contributor to very long-term returns in either direction. Fundamentals are therefore the true return driver in the long term and the reason we believe it is much more sustainable and desirable to generate returns via stronger underlying free cash flow growth than valuation expansion as our strategy has done since inception.

Performance Summary

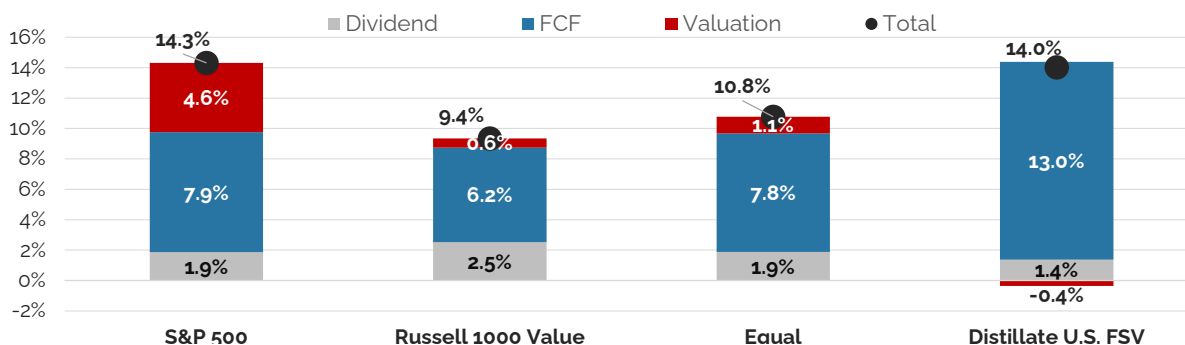
U.S. Fundamental Stability & Value (U.S. FSV): Amid a strong valuation expansion fueled rise in stocks, our U.S. FSV strategy net return of 1.47% in the first half of 2025 is lagging the S&P 500's comparable gain of 6.20% and the Russell 1000 Value's 6.00% gain. Annualized net of fee performance since inception is now 0.3% behind that of the S&P 500 and 4.7% ahead of the Russell 1000 Value.

U.S. Small/Mid Cap Quality & Value (SMID QV): Our SMID QV strategy returned -5.24% in the first half of 2025 on a total return basis and lagged the Russell 2000 index by 4.8% and the Russell 2000 Value index by 3.4% as unprofitable and lower quality stocks have outperformed. Annualized net excess returns of SMID QV since inception are 4.8% and 5.2% ahead of those benchmarks, respectively.

International Fundamental Stability & Value (Intl. FSV): Amid a general outperformance of international stocks in the first half, our International FSV strategy's total return of 22.30% after fees exceeded the MSCI All Country Ex US ETF benchmark's gain of 18.66%. Annualized net of fee performance since inception is ahead of the benchmark by 0.30%.

U.S. Large Cap Value Long 130%/Short 30% (U.S. Value 130/30): Our 130/30 strategy returned 1.87% net of fees in the first half of 2025 vs. the S&P 500 index's return of 6.20%. This strategy is 1.3% ahead of the S&P 500 index on an annualized net of fee basis and above the Russell 1000 Value index by 6.6% since inception.

Figure 1: Components of Annualized Total Returns from May 2017 to June 2025



Source: FactSet. See additional methodology notes at end of paper.

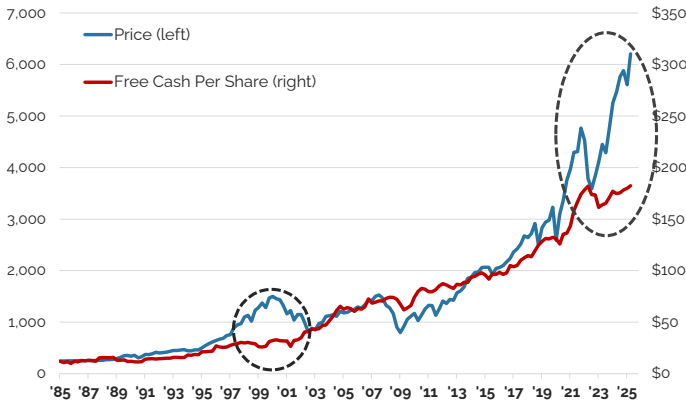
Past performance does not guarantee future results. One cannot invest directly in an index.

Market Commentary:

U.S. equities, as measured by the S&P 500 benchmark, recovered from weakness earlier in the year to rise to record levels at the end of the second quarter. This occurred against a backdrop of much more muted growth in underlying free cash flows and continues a recent trend of price increases fueled largely by valuation expansion. Since the start of 2023, consensus estimated rolling next twelve-month free cash flow and sales per share for the S&P 500 benchmark have increased 15% and 13%, respectively, while its price is up 62%. This disconnect between prices and fundamentals is evident in **Figure 2**. The result is a richly valued S&P 500 with a trailing free cash flow yield of 2.9% that is well below the 4.3% long-term median. The S&P 500 has only been more expensive on this basis during the tech bubble of the late 1990s.

Price increases for the S&P 500 continue to exceed free cash flow gains.

Figure 2: S&P 500 Free Cash Flow vs. Price

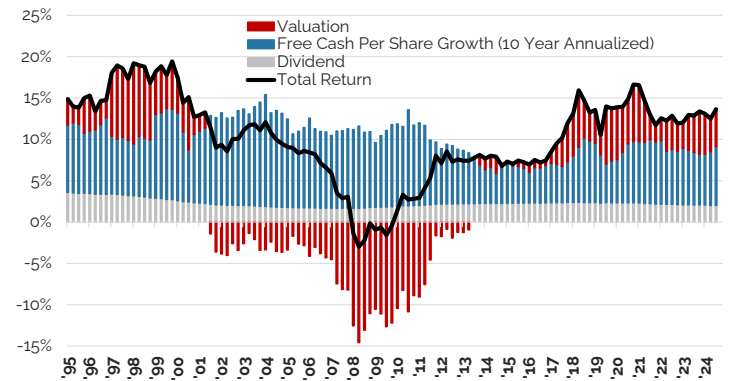


Source: FactSet, quarterly data through 6/30/2025, trailing free cash flow per share.

Valuation expansion has been a significant source of recent returns but has not historically been a sustainable one. Breaking 10-year rolling returns into their various components of dividends, free cash flow growth, and valuation changes highlights this in **Figure 3**. This figure shows that while dividends and free cash growth tend to be stable pillars of returns over rolling 10-year periods, valuation changes are much more variable. Valuation changes also tend to be cyclical with multi-year stretches where they are additive to returns, such as in the 1990s and more recently. At other times, though, valuation compression can meaningfully detract from returns over a multi-year stretch and offset the more consistent contributions to returns from dividends and free cash flow growth.

Dividends and free cash flow growth tend to be much more stable pillars returns while valuation changes are more volatile and cyclical.

Figure 3: Annualized 10 Year Rolling Total Returns for the S&P 500 & Their Key Components

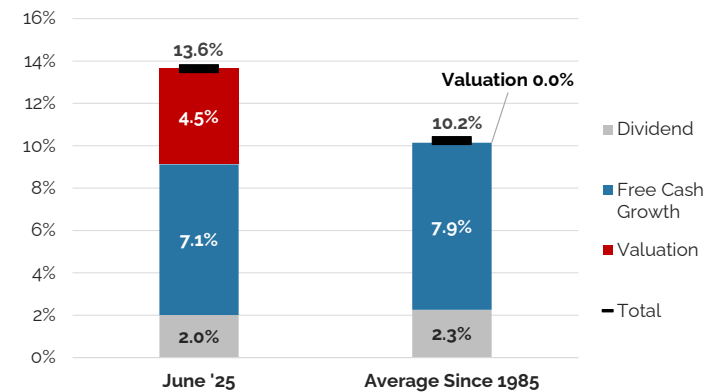


Source: FactSet, data through 6/30/2025

Figure 4 contrasts the trailing 10-year return drivers with the historical average. This chart emphasizes how recent returns and the historic average are similar in the contributions from dividends and free cash flows but starkly different on valuation changes. While valuation expansion has been a key driver of recent returns, historically this component has netted to zero with free cash flows and dividends being the sole return drivers going back to when free cash flow data first became available in the mid 1980s. An analysis using price-to-earnings data back to the 1930s similarly shows valuation expansion to be cyclical and the driving factor of swings in 10-year returns, but one that has likewise netted out to near zero over the very long-term.

Trailing 10-year returns look similar to the historic average in the contribution from dividends and free cash growth, but anomalous in the impact from valuation expansion which has historically been zero.

Figure 4: Current vs. Historic Average Contributions to 10-Year Annualized S&P 500 Total Returns

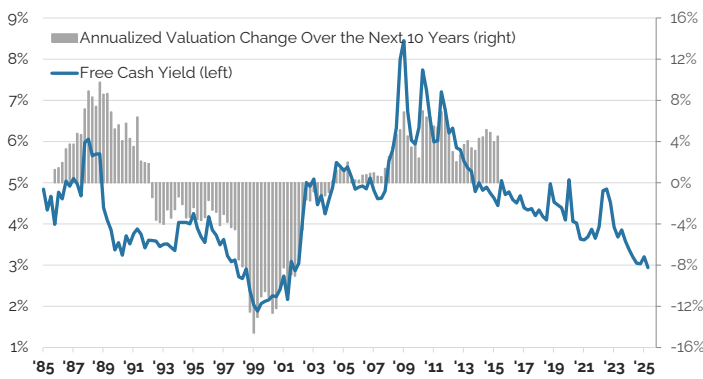


Source: FactSet, data through 6/30/2025

Although valuation changes over multi-decade periods tend to net out to zero and are mean reverting, their cyclical nature can drive big swings in 10-year annualized returns. These swings, however, tend to be closely related to starting valuation and this may offer insight into their potential impact on returns over the next decade. This is evident in **Figure 5** which shows the starting free cash flow yield for the market on the left axis and the annualized contribution to 10-year rolling returns over the following 10 years on the right axis. The figure demonstrates that when stocks are cheap, as they were in the 1980's and following the financial crisis, valuation changes were a significant driver of returns 10 years into the future. But when starting valuations are rich, as they were in the tech bubble and are again today, valuation changes have tended to be a headwind to returns over the ensuing years. Should this historic relationship hold, valuation change could become a meaningful drag on returns in the next decade after having added 4.5% per year to returns over the past decade.

Starting free cash yields have been a strong historical predictor of the contribution to returns from valuation changes over the next decade.

Figure 5: S&P 500 Free Cash Yield vs. 10-Year Forward Annualized Return Contribution From Valuation Changes



Source: FactSet, data through 6/30/2025

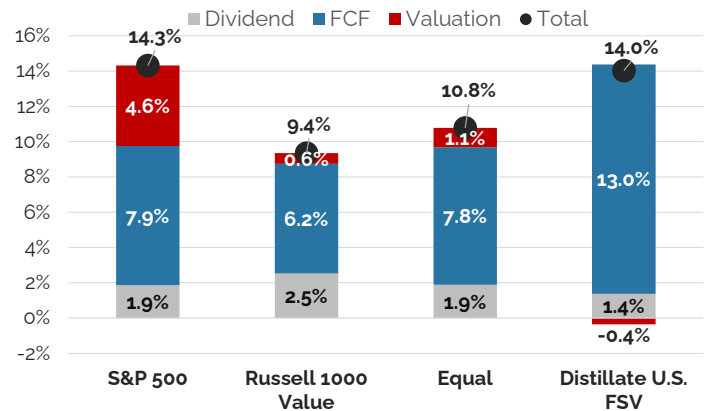
Fortunately, not all stocks are richly valued and much of the current market's valuation risk is concentrated among a small number of the biggest equities and an assortment of others that fit popular investing themes. At present the 20 most expensive stocks with market caps over \$250 billion account for around 40% of the total capitalization of the S&P 500, and are trading at a cumulative market cap to next-twelve-month free cash flow multiple that is 106% above that of the rest of the market. This concentration and richness among the largest stocks is very similar to the structure of the equity market the only other time the S&P 500 was as expensive and as concentrated as it is today – at the peak of the technology, media, and telecom bubble. As we noted in the [2025 Q1 letter](#), returns following that period were highly differentiated based on starting valuation.

U.S. Large Cap

If we look at returns for our U.S. FSV strategy in this same framework since its inception in May of 2017 (using next-twelve-month estimates for free cash flows), a similar picture emerges. As we noted earlier, the S&P 500's annualized return of 14.3% over that time benefitted from an annualized 4.6% gain from valuation expansion. This contrasts sharply with the Russell 1000 Value and S&P 500 Equal Weight benchmarks which saw a minimal benefit from valuation changes and our own U.S. FSV strategy which saw a modest headwind from valuation as its starting next-twelve-month consensus estimated free cash flow to market cap yield of 6.9% in May of 2017 rose slightly to 7.1% at present (See **Figure 6**). Candidly, this is not an outcome we might have anticipated but is reminiscent of the market's disregard for legacy businesses during the TMT period when valuations were also highly bifurcated.

The S&P 500 was unique in benefiting from valuation expansion, but Distillate's U.S. FSV strategy generated much better growth in underlying free cash flows.

Figure 6: Components of Annualized Total Returns from May 2017 to June 2025

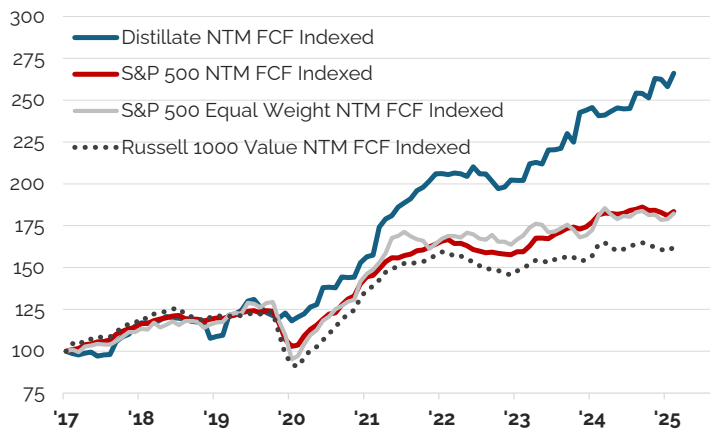


Source: FactSet. See additional methodology notes at end of paper.

Making up for the lack of valuation expansion in our strategy was much stronger underlying free cash flow growth. That growth results largely from the benefit of systematically rebalancing out of names that experienced valuation expansion in order to purchase or add to stocks that became less expensive. As a result of this process, Distillate's U.S. FSV strategy has been able to achieve substantially better growth in underlying free cash flows than the S&P 500, the Russell 1000 Value, or the S&P 500 Equal Weight benchmark. The indexed growth of underlying free cash flows that resulted from this process is depicted in **Figure 7**. It is also notable from this figure that our investment process generated consistently better free cash flow growth through a variety of economic and market backdrops.

Distillate's systematic rebalancing process has contributed to strong underlying free cash growth relative to its benchmarks.

Figure 7: Indexed Next Twelve Month Free Cash Flows

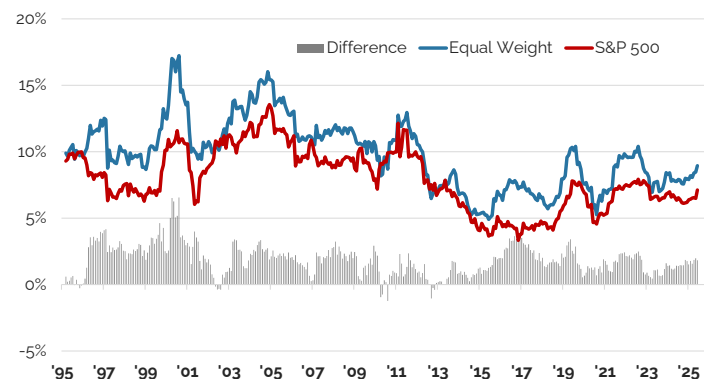


Source: FactSet. See additional methodology notes at end of paper.

A similar dynamic has contributed to superior underlying free cash flow growth for the equal weight S&P 500 relative to the cap weighted benchmark over the long term, as is evident in **Figure 8**. By rebalancing each position in the index to the same weight, the equal weight index's free cash flows benefit from reducing positions in stocks that become more expensive and reinvesting those proceeds to buy more underlying free cash flows of the stocks that become less expensive. On occasion, the S&P 500 has produced better growth over the 10-year period and growth rates using forward free cash flow estimates over the past 8 years in the earlier analysis were more even, but in general the equal weight has produced underlying free cash flow growth that is around two percentage points above the cap weighted benchmark in part as a result of its rebalancing process.

Systematic rebalancing has also contributed to better underlying free cash growth for the S&P 500 Equal Weight versus the S&P 500.

Figure 8: 10 Year Annualized Free Cash Flow Growth for S&P 500 vs. Equal Weight Benchmarks

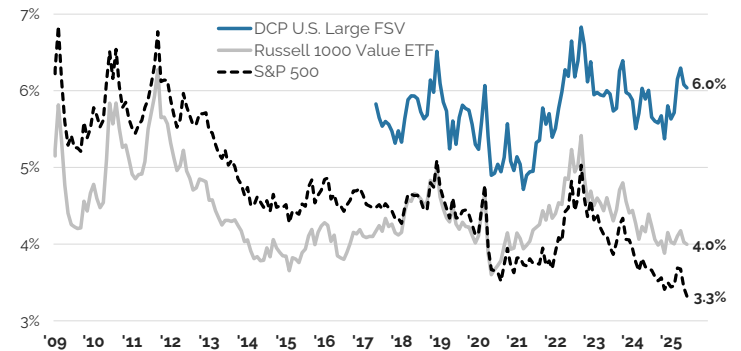


Source: FactSet 6/30/2025. Trailing 1 year free cash flows. Uses fiscal year data until 2000 and trailing twelve month thereafter.

Presuming free cash flow growth and dividends will remain relatively stable components of returns looking forward, the key question for future returns is what might happen with valuation. While valuation looks like a substantial risk for the S&P 500 going forward, Distillate's strategy is trading at a slightly cheaper valuation than it was eight years ago. On the basis of free cash flow to enterprise value, which incorporates debt, Distillate's U.S. FSV strategy is trading at a level consistent with where the S&P 500 was in the wake of the financial crisis—an opportune moment to acquire equities. The positive 2.7% free cash flow yield spread for our strategy over the S&P 500 is the widest it has been since the strategy began in 2017 (See **Figure 9**).

Distillate's U.S. FSV strategy is significantly cheaper than the S&P 500 and Russell 1000 Value benchmarks.

Figure 9: Free Cash to Enterprise Value for Distillate's U.S. FSV vs. S&P 500 Index & Russell 1000 Value ETF



Source: FactSet. See end-notes for methodology.

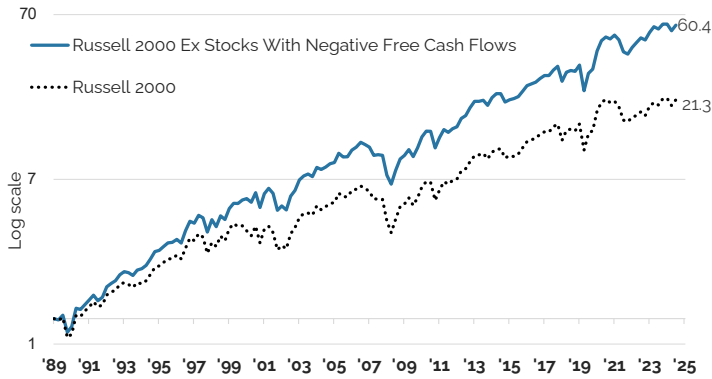
All of this raises the question of whether it is time for investors to move toward value? We think the answer depends on how value is defined. The Russell 1000 Value benchmark is only modestly more attractive than the S&P 500 at present despite that broader benchmark's historical richness. This seems somewhat problematic for investors who want to protect against a potential valuation compression in the future. It is also notable from **Figure 9** that the Russell 1000 Value benchmark was more expensive than the S&P 500 for a considerable portion of the history shown. Contrary to the name, the Russell 1000 Value benchmark did not offer relative value versus the broader market during that time and went on to subsequently underperform. So while we very much believe that now is a moment to lean into value, we believe it is crucial how value is measured. We likewise believe that a proper definition of value and a systematic rebalancing around this definition can confer an additional benefit of greater growth in underlying fundamentals on top of the protection against valuation risk and that this too may be a critical differentiator for returns in the future.

Small/Mid

Attractive valuations in small/mid cap stocks also offer an important opportunity to guard against valuation risk in the large cap market. We published a paper in June titled [Big Trends Favor Small Stocks](#), which takes a deeper dive into the size issue within large caps and how smaller stocks compare to large caps over time. While we believe a significant valuation opportunity resides in smaller stocks, selectivity is crucial. The broader Russell 2000 and Russell 2000 Value benchmarks do not look that attractive in aggregate as they include many unprofitable companies and many with significant leverage. An analysis of performance for the Russell 2000 with and without negative free cash flow stocks highlights the drag that such stocks have had over time (See [Figure 10](#)).

Excluding negative FCF stocks in the Russell 2000 would have substantially benefited long-term returns.

Figure 10: Indexed Performance of Russell 2000 With and Without Negative Free Cash Stocks

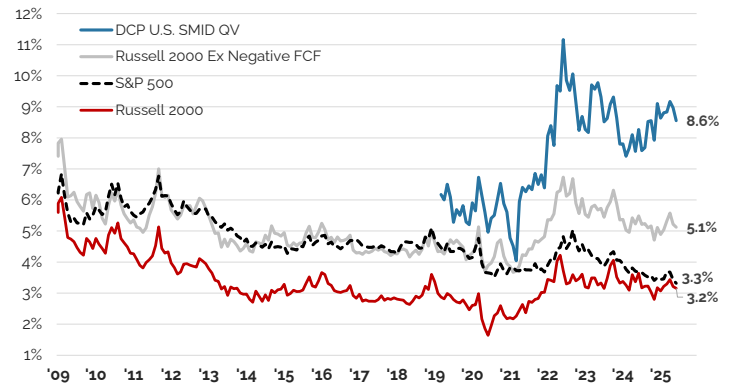


Source: FactSet, Russell. Free cash data is based on FY0 data from 1990 to 2000 and LTM thereafter. Data through June 2024. Quarterly rebalancing.

Because the Russell 2000's free cash yield is chronically weighed down by negative free cash flow stocks, we believe looking at valuation for the Russell 2000 without those constituents provides a better measure of whether smaller stocks in aggregate are cheap in relation to larger ones. When the Russell 2000 ex negative FCF stocks has been cheaper than the S&P 500 on the basis of trailing free cash flow yield back to the 1980s, it provided a good indicator of whether smaller stocks would outperform over the next decade (see [Big Trends Favor Small Stocks](#)). When the same analysis is done using next-twelve-month-consensus-estimated free cash flows in relation to enterprise value, small stocks did not in aggregate look compelling cheap versus large stocks until the last several years (See [Figure 11](#)). This figure also shows the valuation for our Small/Mid QV strategy which offers a considerably higher free cash yield than any of these benchmarks while also focusing on quality by eliminating negative free cash stocks and companies with significant leverage.

Distillate's Small/Mid QV strategy offers a significantly better valuation than its benchmarks.

Figure 11: FCF/EV for SMID QV vs. Benchmarks

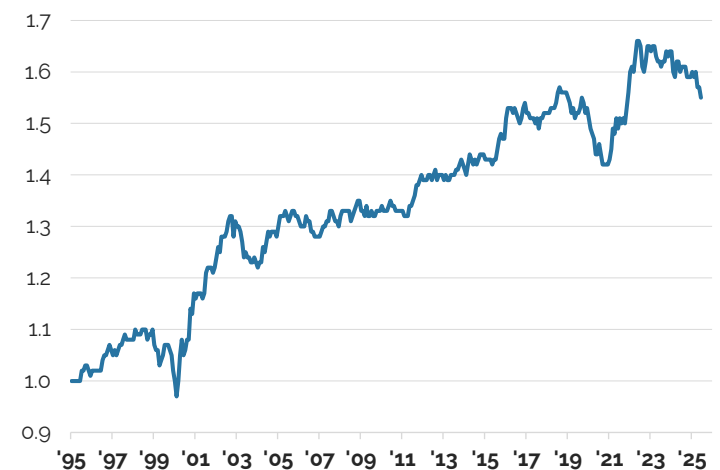


Source: FactSet. See end-notes for methodology.

While quality has been beneficial to returns over the long-term as Figure 10 attests, this is not always the case. The S&P 600 small stock benchmark has significantly fewer negative free cash flow companies and has markedly outperformed the Russell 2000 since its inception in 1994 (See [Figure 12](#)). However, its superior quality was a drag during the tech bubble, the meme stock frenzy after covid, and again most recently. This dynamic has been a headwind for our own strategy recently as well. While our strategy's additional quality measures and valuation discipline have resulted in annualized outperformance over the S&P 600 of 4.5% since inception, its quality bias has likewise led to underperformance against the Russell benchmarks very recently. Since inception, however, our Smid QV strategy has significantly outperformed the Russell 2000 benchmarks and we believe its focus on quality will continue to be accretive longer-term as the histories of the Russell 2000 ex negative FCF stocks and S&P 600 support.

The higher quality S&P 600 has outperformed the Russell 2000 over the long term but has lagged recently as quality has underperformed.

Figure 12: S&P 600 Relative to Russell 2000



Source: FactSet, data through 6/30/2025

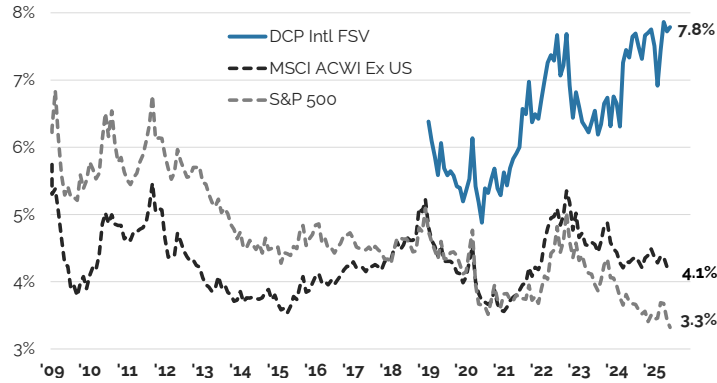
International

After a long stretch of underperformance, international stocks outperformed their domestic counterparts in the first half of 2025. Fifteen years ago, international stocks were more expensive than U.S. stocks measured using free cash flows as a more accurate way to assess prices. International companies also had more debt, a legacy of less stable cash flow generation, and faced slower growth. In combination, this made the U.S. market look like the clear winner from an investing perspective despite much commentary to the opposite and investor enthusiasm for foreign securities. The significantly more attractive starting valuation 15 years ago we believe explains a great deal of the outperformance of U.S. stocks despite discussions of “U.S. Exceptionalism.” Now, after a long period of underperformance and with commentary and sentiment favoring U.S. equities, international stocks are less expensive than their U.S. counterparts and look appealing on a relative valuation basis.

The history of overall U.S. and international valuations as well as that of our own strategy are shown in **Figure 13**. International stocks do still have more debt and less stable cash flow profiles, but again that risk can be reduced by filtering out highly levered or fundamentally less stable stocks as our investment process does.

Distillate's Intl. FSV's FCF/EV yield is well above that of key benchmarks.

Figure 13: Free Cash to EV vs. Leverage for Distillate's Intl Strategy vs. Various Benchmarks



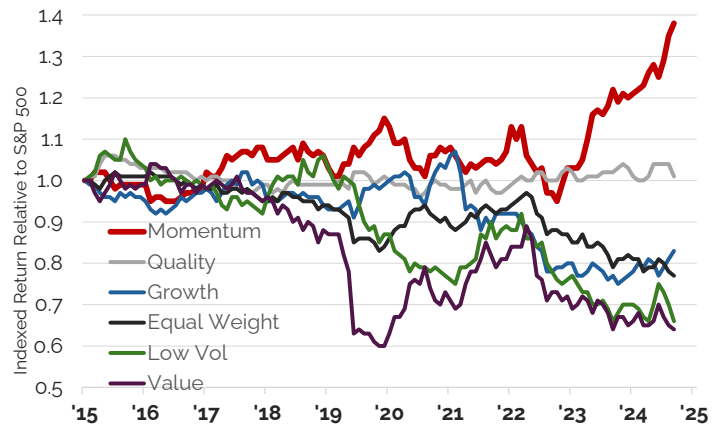
Source: FactSet. See end-notes for methodology.

Final Word

Valuation doesn't matter until it does. The current market has seen enormous valuation expansion and is now very rich by historical standards. While enthusiasm for new technologies has been a contributor, this does not explain the valuation of a mature company like Walmart growing sales in the low to mid-single digits while its shares are trading at 55x free cash flows against the long-term average of about 20x. Walmart is one example. The defining characteristic that seems to be dominating equity markets and that links stocks like Walmart and Microsoft is momentum. Over the past 10 years, the performance of different investment factors relative to the S&P 500 has been largely negative as most styles have failed to keep up with the concentration and valuation expansion of the broader market. Momentum, however, is the lone standout and has seen its relative performance surge at a time that the market itself has moved sharply higher (See **Figure 14**). Momentum can be a powerful force in the short-term driven by behavioral forces such as overreaction and the herding effect. But momentum generates the risk of disconnecting prices from fundamentals and has led to painful reversals in the past. When and for what reason momentum might break we have little insight, but with valuations stretching toward past precedents, we believe caution is warranted.

Momentum has been the dominant force in the market rally.

Figure 14: Factor Performance Relative to the S&P 500

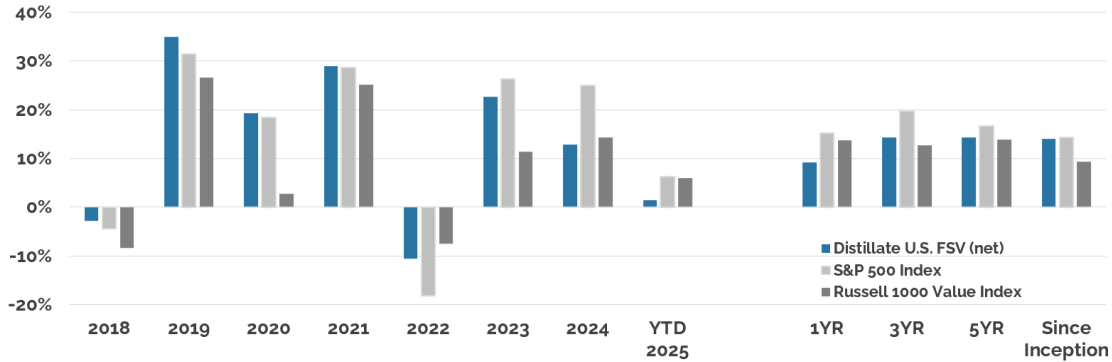


Source: FactSet. Monthly performance relative to the S&P 500 Total Return Index. Invesco ETFs used are SPMO, SPLV, RPG, RPV, & SPHQ. Data from Oct '17 through Jun '25.

Performance & Rebalance Appendix

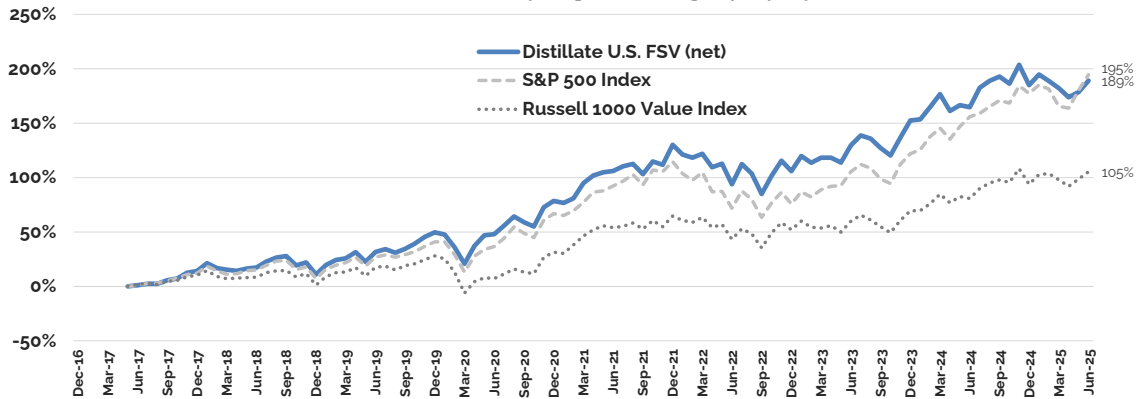
U.S. Fundamental Stability & Value Composite Performance:

	2017*	2018	2019	2020	2021	2022	2023	2024	YTD 2025	As of June 30, 2025			
										1YR	3YR	5YR	Since Inception
Distillate U.S. FSV (net)	14.18%	-2.79%	34.91%	19.22%	28.91%	-10.58%	22.67%	12.84%	1.47%	9.20%	14.26%	14.33%	14.03%
S&P 500 Index	12.11%	-4.39%	31.47%	18.39%	28.68%	-18.12%	26.26%	25.00%	6.20%	15.14%	19.69%	16.62%	14.30%
Russell 1000 Value Index	10.27%	-8.41%	26.52%	2.78%	25.12%	-7.56%	11.41%	14.35%	6.00%	13.68%	12.73%	13.90%	9.31%



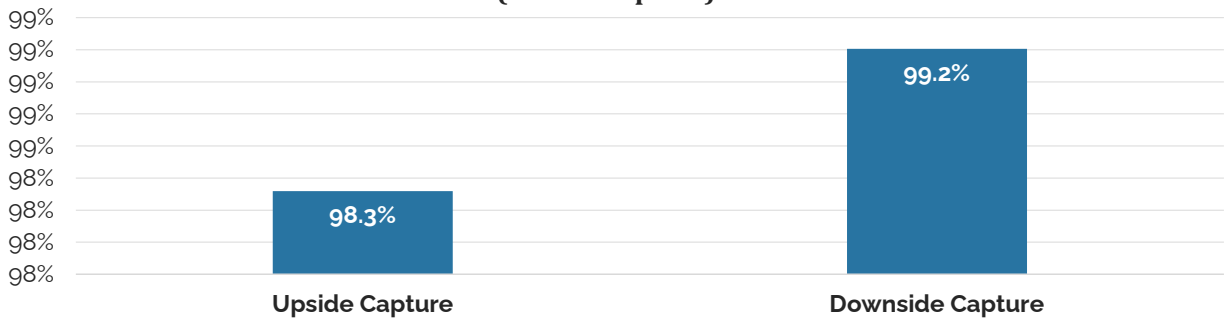
Source: U.S. Bank, Morningstar Data; Inception 5/31/2017; the period "2017*" reflects returns from inception through 12/31/2017. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 6/30/25)



Source: U.S. Bank, Morningstar Data; Inception 5/31/2017. One cannot invest directly in an index. See performance disclosures.

Distillate U.S. FSV Strategy: Upside & Downside Capture vs. S&P 500 Index (since inception)



Source: Zephyr Analytics, see definition

Past performance does not guarantee future results. See disclosures. Upside Capture reflects the relative compounded annualized return of a strategy compared to that of the benchmark in periods (months) when the benchmark rose in value; Downside Capture is the same but for periods when the benchmark fell in value. One cannot invest directly in an index.

Top Contributors and Detractors From Relative Performance:

U.S. FSV Strategy: Owned Stocks 2025 YTD Impact to Relative Returns (vs. S&P 500)

Top Contributors	Impact	Largest Detractors	Impact
VISTRA CORP	0.57%	UNITEDHEALTH GROUP	-0.98%
JABIL INC	0.41%	REGENERON PHARMA	-0.26%
LAM RESEARCH CORP	0.35%	ICON PLC	-0.25%
KLA CORP	0.34%	VIATRIS INC	-0.24%
HCA HEALTHCARE INC	0.31%	GLOBUS MEDICAL INC - A	-0.21%

Rebalance Summary:

U.S. FSV Strategy: Portfolio Changes During Recent Quarterly Rebalancing

Largest Purchases	Weight	Largest Sales	Weight	Largest Sector Changes
Salesforce, Inc.	1.5%	Vistra Corp.	-1.4%	Financials (+1.8%)
Amgen Inc.	1.4%	KLA Corporation	-1.2%	Consumer Discr (-1.7%)
PepsiCo, Inc.	1.3%	Ferguson Enterprises Inc.	-1.0%	Industrials (-1.5%)

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
UnitedHealth Group Inc	2.4%	2.0%	Jabil Inc.	0.8%	1.1%
Johnson & Johnson	2.3%	2.2%	Lam Research Corporation	1.0%	1.4%
T-Mobile US, Inc.	1.9%	1.8%	HCA Healthcare Inc	1.1%	1.5%

Rebalance Calculation Date: 6/24/2025

U.S. FSV Portfolio Characteristics*

	U.S. FSV	S&P 500	Russell 1000 Val ETF
Free Cash Yield to Mkt Cap ¹	7.1%	3.7%	4.9%
Free Cash Yield to EV ¹	6.0%	3.3%	4.0%
P/E ²	14.4	22.2	17.0
Leverage ³	1.2	0.9	2.1
Cash Flow Stability ⁴	0.83	0.69	0.55
Dividend Yield	1.9%	1.3%	2.1%

*as of 6/30/2025, see methodology endnotes.

U.S. FSV Portfolio Sector Weights

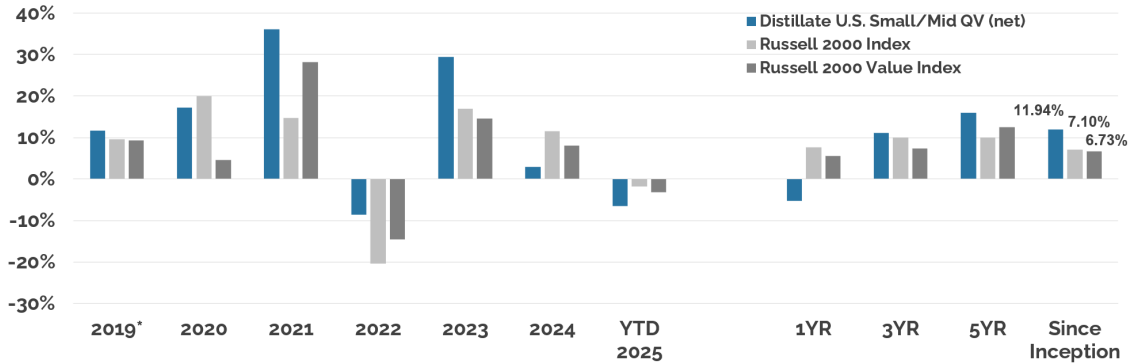
	U.S. FSV	S&P 500
Communication Services	5.4%	9.8%
Ex GOOGL & META	5.4%	3.2%
Consumer Discretionary	11.0%	10.4%
Ex AMZN & TSLA	11.0%	4.7%
Consumer Staples	8.2%	5.5%
Energy	6.7%	3.0%
Financials	7.1%	14.1%
Ex Banks	7.1%	9.5%
Health Care	22.9%	9.3%
Industrials	14.8%	8.6%
Information Technology	18.5%	33.0%
Ex MSFT, AAPL & NVDA	18.5%	12.8%
Materials	5.5%	1.9%
Real Estate	0.0%	2.0%
Utilities	0.0%	2.4%

*as of 6/30/2025

Past performance does not guarantee future results. Top contributors and detractors are calculated gross of fees and use end of day pricing, which might differ from actual transactions. The top contributors and top detractors represent extracted performance. Strategy level net performance is available on the previous page and upon request. For the Rebalance Summary, position weights and changes are as of the portfolio reconstitution calculation date and data may vary slightly compared to actual implementation based on price fluctuations. Statistical data is sourced from FactSet. Portfolio holdings may change at any time without notice.

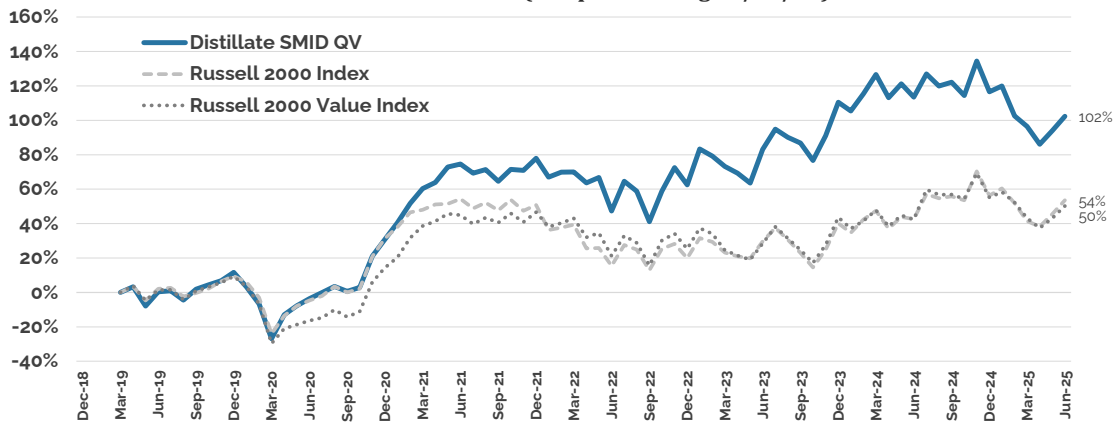
U.S. Small/Mid Cap Quality & Value Composite Performance:

	2019*	2020	2021	2022	2023	2024	YTD 2025	As of June 30, 2025			
								1YR	3YR	5YR	Since Inception
Distillate U.S. Small/Mid QV (net)	11.65%	17.15%	36.03%	-8.64%	29.46%	2.92%	-6.57%	-5.24%	11.17%	16.00%	11.94%
Russell 2000 Index	9.53%	19.93%	14.78%	-20.46%	16.88%	11.52%	-1.79%	7.66%	9.97%	10.00%	7.10%
Russell 2000 Value Index	9.33%	4.60%	28.21%	-14.50%	14.58%	8.03%	-3.16%	5.52%	7.42%	12.44%	6.73%



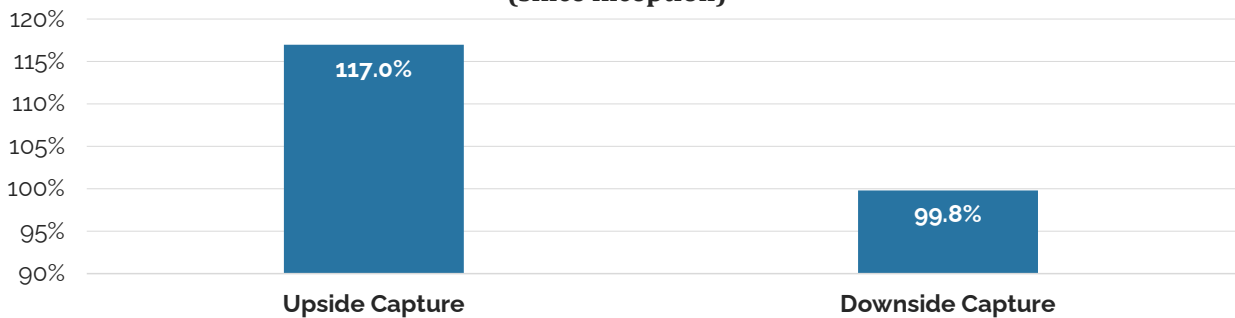
Source: U.S. Bank, Morningstar Data; Inception 3/31/2019; the period "2019" reflects returns from inception through 12/31/2019. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 6/30/25)



Source: U.S. Bank, Morningstar Data; Inception 3/31/2019. One cannot invest directly in an index. See performance disclosures.

Distillate SMID QV: Upside & Downside Capture vs. Russell 2000 Index (since inception)



Source: Zephyr Analytics, see definition

Past performance does not guarantee future results. See disclosures. Upside Capture reflects the relative compounded annualized return of a strategy compared to that of the benchmark in periods (months) when the benchmark rose in value; Downside Capture is the same but for periods when the benchmark fell in value. One cannot invest directly in an index.

Top Contributors and Detractors From Relative Performance:

U.S. SMID QV: Owned Stocks 2025 YTD Impact to Relative Returns (vs. Russell 2000)

Top Contributors	Impact	Largest Detractors	Impact
STERLING INFRAST	0.82%	CORE NATURAL RES	-0.54%
HUNTINGTON INGAL	0.47%	CARTER'S INC	-0.29%
TAPESTRY INC	0.37%	ALPHA METALLURGI	-0.29%
MOSAIC CO/THE	0.31%	OXFORD INDS INC	-0.28%
CAVCO INDUSTRIES	0.25%	WESTLAKE CORP	-0.26%

Rebalance Summary:

U.S. SMID QV Strategy: Portfolio Changes During Recent Quarterly Rebalancing

Largest Purchases	Weight	Largest Sales	Weight
Cavco Industries, Inc.	1.5%	Huntington Ingalls Industries	-2.0%
ICON Plc	1.5%	Reliance, Inc.	-1.6%
Enphase Energy, Inc.	1.4%	United Therapeutics Corp	-1.5%

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Jazz Pharmaceuticals	1.5%	0.9%	Worthington Enterprises, Inc.	0.5%	0.7%
C.H. Robinson Worldwide	1.4%	1.0%	Dillard's, Inc. Class A	1.5%	1.7%
Molson Coors Beverage Co	1.0%	0.7%	Atkore Inc	0.6%	0.7%

Rebalance Calculation Date: 5/27/2025

U.S. SMID QV Portfolio Characteristics*

	SMID QV	Russell 2000	Russell 2000 Value
Free Cash Yield to Mkt Cap ¹	10.6%	4.3%	5.6%
Free Cash Yield to EV ¹	8.6%	3.1%	3.7%
P/E ²	10.7	15.0	12.2
Leverage ³	0.7	1.9	3.0
Fundamental Stability ⁴	0.52	0.42	0.35
Negative FCF Weight ⁵	0.0%	16.1%	17.3%

*as of 6/30/2025, see methodology endnotes.

U.S. SMID QV Portfolio Sector Weights

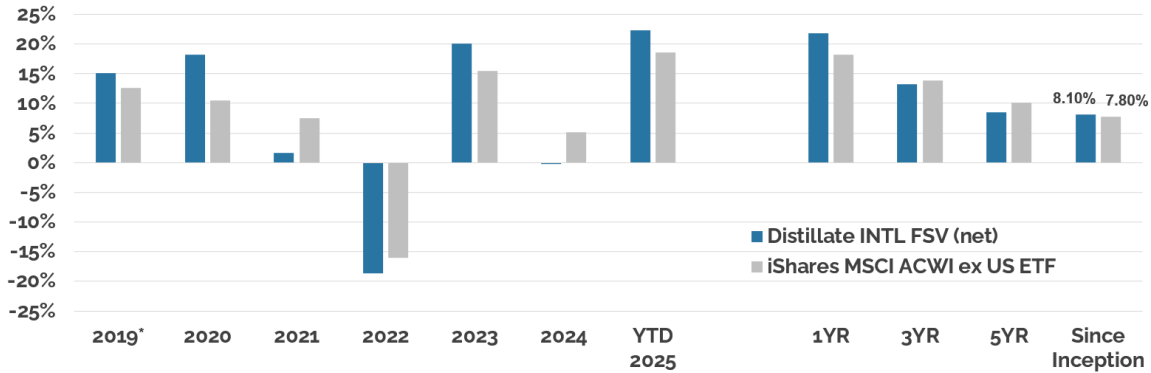
	SMID QV	Russell 2000	Russell 2000 Value
Communication Services	2.5%	2.7%	2.5%
Consumer Discretionary	32.9%	10.0%	10.4%
Consumer Staples	4.2%	2.3%	1.9%
Energy	12.2%	4.9%	6.8%
Financials	6.5%	19.3%	27.8%
Health Care	7.9%	15.9%	8.5%
Industrials	16.2%	17.2%	13.5%
Information Technology	14.2%	14.7%	7.5%
Materials	2.9%	3.8%	4.6%
Real Estate	0.5%	6.1%	10.4%
Utilities	0.0%	3.2%	6.1%
Not Classified	0.0%	-0.1%	0.1%

*as of 6/30/2025

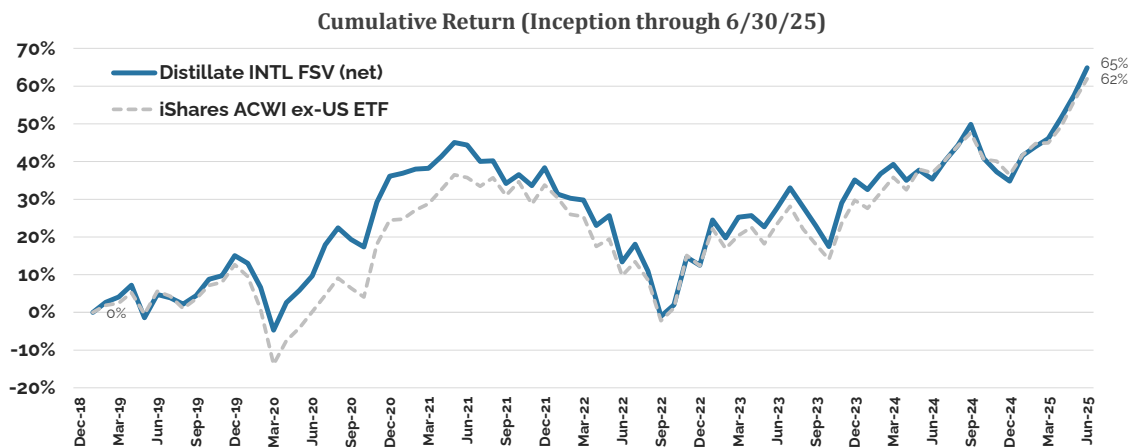
Past performance does not guarantee future results. Top contributors and detractors are calculated gross of fees and use end of day pricing, which might differ from actual transactions. The top contributors and top detractors represent extracted performance. Strategy level net performance is available on the previous page and upon request. For the Rebalance Summary, position weights and changes are as of the portfolio reconstitution calculation date and data may vary slightly compared to actual implementation based on price fluctuations. Statistical data is sourced from FactSet. Portfolio holdings may change at any time without notice.

International Fundamental Stability & Value Composite Performance:

	2019*	2020	2021	2022	2023	2024	YTD 2025	As of June 30, 2025			
								1YR	3YR	5YR	Since Inception
Distillate INTL FSV (net)	15.08%	18.26%	1.67%	-18.68%	20.10%	-0.25%	22.30%	21.81%	13.29%	8.49%	8.10%
iShares MSCI ACWI ex US ETF	12.67%	10.48%	7.48%	-16.01%	15.47%	5.19%	18.66%	18.22%	13.86%	10.09%	7.80%

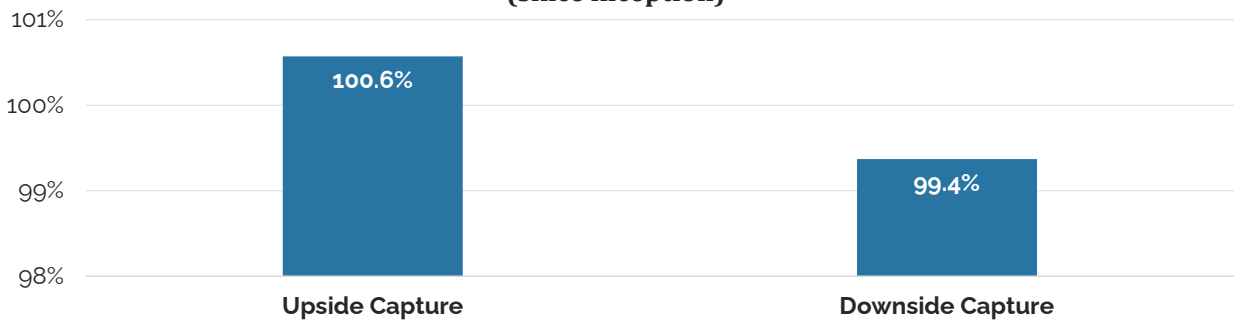


Source: U.S. Bank, Morningstar Data; Inception 1/31/2019; the period '2019*' reflects returns from inception through 12/31/2019. One cannot invest directly in an index. See performance disclosures.



Source: U.S. Bank, Morningstar Data; Inception 1/31/2019. One cannot invest directly in an index. See performance disclosures.

Distillate INTL FSV Strategy: Upside & Downside Capture vs. ACWI ex-U.S. ETF (since inception)



Source: Zephyr Analytics, see definition

Past performance does not guarantee future results. See disclosures. Upside Capture reflects the relative compounded annualized return of a strategy compared to that of the benchmark in periods (months) when the benchmark rose in value; Downside Capture is the same but for periods when the benchmark fell in value. One cannot invest directly in an index.

Top Contributors and Detractors From Relative Performance:

INTL FSV Strategy: Owned Stocks 2025 YTD Impact to Rel Returns (vs. ACWI Ex U.S.)

Top Contributors	Impact	Largest Detractors	Impact
SK HYNIX INC	1.58%	JD.COM INC-CLASS A	-0.33%
ALIBABA GROUP HOLDING	1.47%	TFI INTERNATIONAL INC	-0.25%
HEIDELBERG MATERIALS	0.85%	LVMH MOET HENNESSY	-0.18%
THALES SA	0.83%	BUNZL PLC	-0.17%
BRITISH AMERICAN TOB	0.78%	DR ING HC F PORSCHE AG	-0.16%

Rebalance Summary:

INTL FSV Strategy: Portfolio Changes During Recent Quarterly Rebalancing

Largest Purchases	Weight	Largest Sales	Weight
BYD Company Limited	1.3%	Equinor ASA	-1.6%
Komatsu Ltd.	1.1%	Unilever PLC	-1.5%
Astellas Pharma Inc.	1.0%	Ambev SA Sponsored ADR	-1.2%

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Merck KGaA	1.2%	0.7%	Taiwan Semiconductor Manf	1.5%	2.2%
JD.com, Inc. Class A	1.4%	1.0%	Roche Holding Ltd Sponsored	2.0%	2.6%
America Movil SAB de CV	1.7%	1.3%	Novartis AG	1.5%	2.0%

Rebalance Calculation Date: 6/24/2025

INTL FSV Portfolio Characteristics*

	INTL FSV	ACWI Ex U.S. ETF
Free Cash Yield to Mkt Cap ¹	8.5%	4.9%
Free Cash Yield to EV ¹	7.8%	4.1%
P/E ²	11.6	14.1
Leverage ³	0.6	1.4
Cash Flow Stability ⁴	0.77	0.54
Dividend Yield	3.3%	3.1%

*as of 6/30/2025, see methodology endnotes.

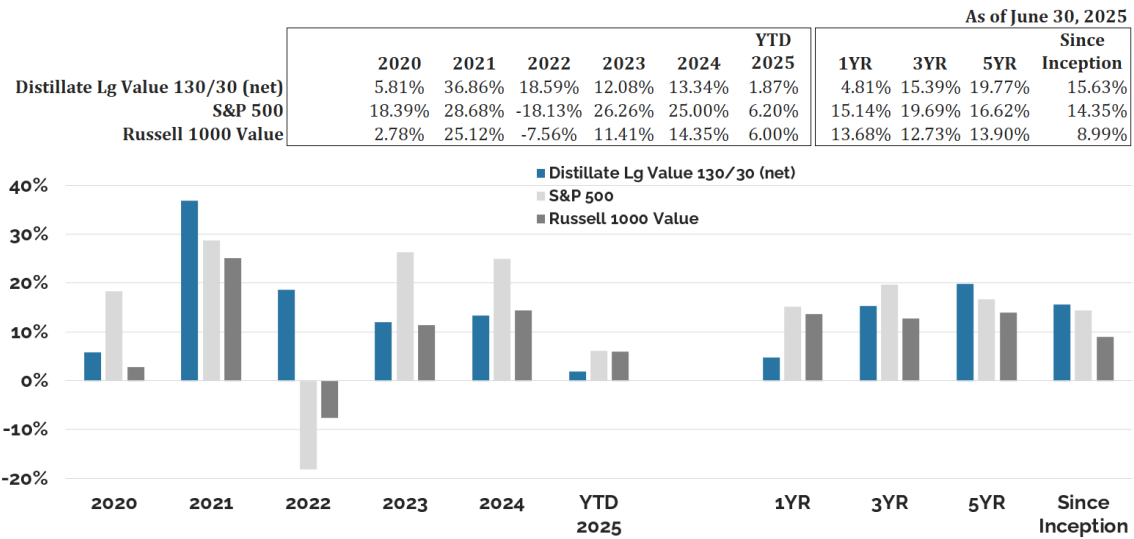
INTL FSV Portfolio Region Weights

Region	INTL FSV	ACWI Ex U.S. ETF
Europe	43.2%	41.3%
Japan	13.7%	19.3%
Asia Ex China & Japan	19.6%	10.9%
China & Hong Kong	10.0%	11.6%
Americas	9.9%	14.8%
Middle East & Africa	3.7%	2.1%

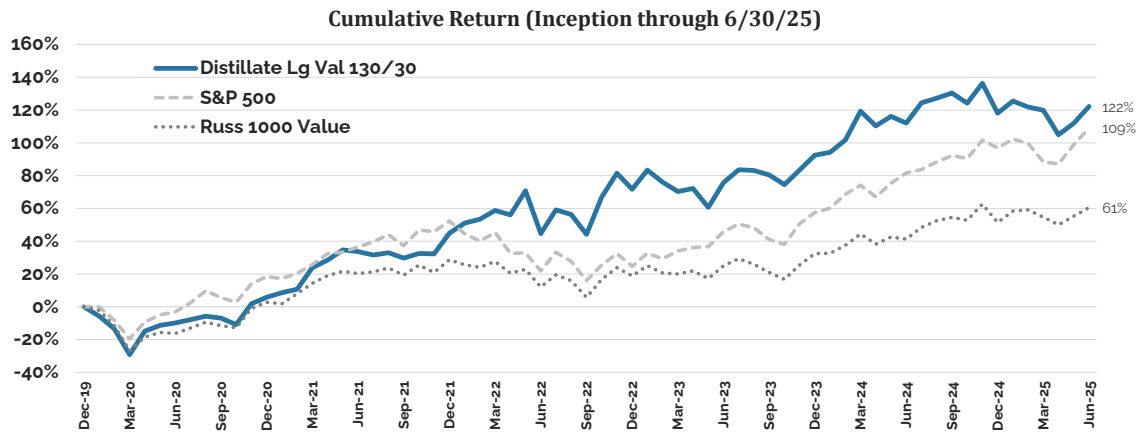
*as of 6/30/2025

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U.S. Large Cap Value 130/30 Composite Performance:



Source: U.S. Bank, Morningstar Data; Inception 12/31/2019. One cannot invest directly in an index. See performance disclosures.



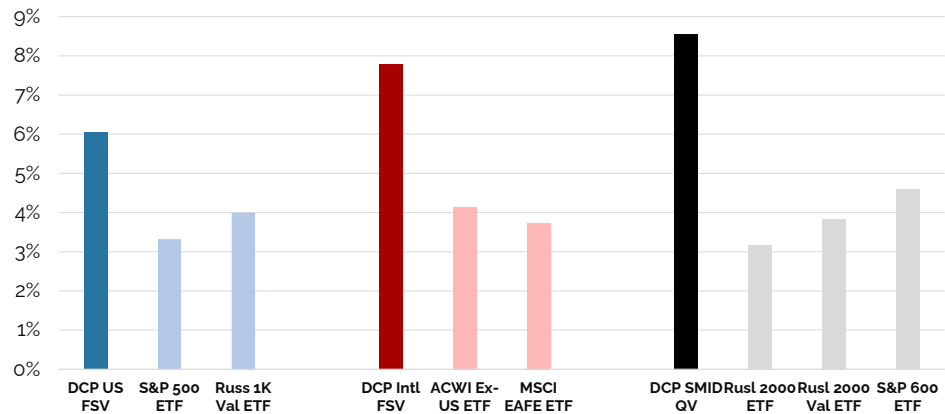
Source: U.S. Bank, Morningstar Data; Inception 12/31/2019. One cannot invest directly in an index. See performance disclosures.

U.S. Value 130/30 Portfolio Characteristics*			
	Long	Short	S&P 500
Free Cash Yield to Mkt Cap ¹	8.7%	0.2%	3.7%
Free Cash Yield to EV ¹	7.0%	0.5%	3.3%
P/E ²	12.0	26.9	22.2
Leverage ³	1.3	1.9	0.9
Fundamental Stability ⁴	0.56	0.57	0.69
Dividend Yield	2.4%	1.2%	1.3%

*as of 6/30/25, see methodology endnotes.

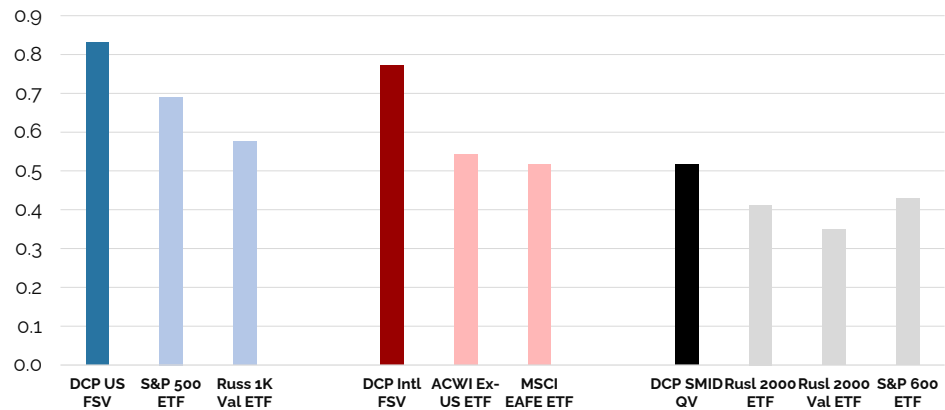
Past performance does not guarantee future results. See disclosures. Statistical data is sourced from FactSet.

Valuation: Next 12-Month Free Cash Flow to Enterprise Value



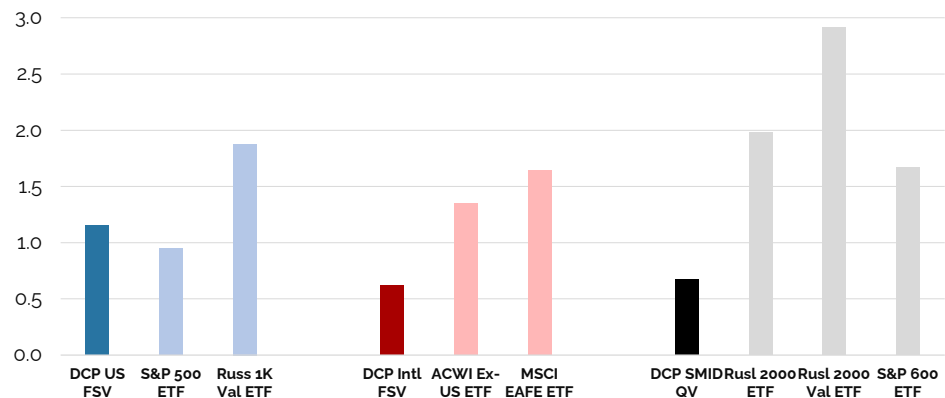
Source: FactSet. See end-notes for methodology. As of 6/30/2025

Quality: Distillate's Cash Flow Stability Score



Source: FactSet. See end-notes for methodology. As of 6/30/2025

Quality: Net Debt to Adjusted EBITDA



Source: FactSet. See end-notes for methodology. As of 6/30/2025

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The U.S. Dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. For non-fee-paying accounts, net of fee performance was calculated using a modeled management fee equal to the highest investment management fee that may be charged for the applicable composite (see fee schedule below). For accounts calculated with a per share, net-of fee NAV, gross performance was calculated by adding back the unitary fee associated with that fund. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The investment management fee schedule for the strategies discussed are as follows: 0.39% for U.S. Fundamental Stability & Value; 0.55% for U.S. Small/Mid Quality & Value; 0.79% for U.S. Large Cap Value 130/30; and 0.55% for International Fundamental Stability & Value. Management fees may vary and are negotiable.

Data for the Firm's investment strategies are based on a representative account for each composite. Actual holdings and performance may differ between accounts or vehicles offered by the Firm due to the size of an account, client guidelines, or other constraints and restrictions related to that account or vehicle.

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This presentation contains forward looking statements, which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", or "believe", or the negatives thereof or any other variations thereon or other comparable terminology. Because such forward looking statements involve risk and uncertainties, actual results may differ materially from such expectations or projections. Any such forward-looking statements should not be construed to be indicative of the actual events that will occur nor should they be considered guarantees of future events in any form.

The **U.S. Fundamental Stability & Value** composite seeks to distill a starting universe of large cap U.S. equities into only the stocks where quality and value overlap using Distillate's proprietary definitions. Its goal is to achieve superior compounded long-term returns by limiting downside in periods of market stress, while still providing strong performance in up markets. This composite was created in May 2017.

The **U.S. Small/Mid Cap Quality & Value** composite seeks to distill a starting universe of small- and mid-cap U.S. equities into only the stocks where quality and value overlap using Distillate's proprietary definitions. Its goal is to achieve superior compounded long-term returns by limiting downside in periods of market stress, while still providing strong performance in up markets. This composite was created in March 2019.

The **International Fundamental Stability & Value** composite seeks to distill a starting universe of large- and mid-cap non-U.S. equities into only the stocks where quality and value overlap using Distillate's proprietary definitions. Its goal is to achieve superior compounded long-term returns by limiting downside in periods of market stress, while still providing strong performance in up markets. This composite was created in January 2019.

The **U.S. Large Cap Value 130/30** composite seeks long-term capital appreciation by holding approximately 130% of an account's value in the most attractively valued large cap U.S. stocks measured using Distillate's proprietary free cash flow valuation method. The market exposure in this composite is brought back to approximately 100% by selling short 30% of an account's value of the least attractively valued stocks among the same starting set. This composite was created in December 2019.

Free Cash Flow refers to a company's operating cash flow, less its capital expenditures. **Enterprise Value** refers to a company's market capitalization plus its net debt balance. **Free Cash Flow to Enterprise Value Yield** refers to a company's or group of companies' free cash flow divided by the company's (or companies') Enterprise Value, with a higher resulting ratio indicating a more attractive valuation. This metric is a valuation measure and not a form of investor yield. **Normalized Free Cash Yield (or Distilled Cash Yield)** refers to the firm's proprietary valuation measure that looks at estimated, adjusted free cash flow relative to a company's adjusted enterprise value. References to historical stocks that ranked well using this methodology refer only to these stocks' historical valuation and not their inclusion in any actual or hypothetical strategies/accounts managed by Distillate Capital Partners LLC. This metric is a valuation measure and not a form of investor yield. **Fundamental (or Cash Flow) Stability** is Distillate Capital's proprietary measure of through-cycle cash flow stability with a higher value indicating greater stability. **Leverage** is based on Distillate Capital's proprietary measure of indebtedness which looks at the ratio of adjusted net debt to an adjusted measure of forecast Earnings Before Interest, Taxation, Depreciation, and Amortization (EBITDA.)

Methodology note for **Figures including free cash flow yield (FCF) or free cash flow to enterprise value yield (FCF/EV)**: figures reflect consensus estimates

of next-twelve-months (NTM) FCF in comparison to market capitalization or enterprise value (EV) for the relevant portfolio/strategy or benchmark. Stocks without data are excluded and portfolios are reweighted accordingly. Stocks with FCF/Market Cap or FCF/EV values of greater than 50% or less than -20% have been eliminated to avoid distorting overall averages.

Methodology Notes for **Portfolio Characteristics Tables (Appendix)**: ¹**Free Cash Yield to Market Cap and Enterprise Value (EV)** are based on the next-twelve-month free cash flow estimates relative to market capitalization and EV, which adds Distillate's proprietary measure of indebtedness. Stocks without estimates in the are excluded and the remaining names are reweighted based on those exclusions. ²**P/E** is based on consensus estimates for next-twelve-months and excludes P/Es over 250 and under 0 to avoid the distortion from outliers. ³**Leverage** is based on Distillate Capital's proprietary measure of indebtedness which looks at the ratio of adjusted net debt to an adjusted measure of forecast Earnings Before Interest, Taxation, Depreciation, and Amortization (EBITDA). ⁴**Fundamental stability** is Distillate Capital's proprietary measure of through-cycle cash flow stability with a higher value indicating greater stability. ⁵**Negative FCF weight** is measured as the weight of stocks with negative free cash estimate as a share of those with any estimate.

The **S&P 500 Index** is an index of roughly the largest 500 U.S. listed stocks maintained by Standard & Poor's. The **S&P 500 Equal Weight Index** is an index of the same stocks as the S&P 500 Index, but weights the constituents equally. The **iShares Russell 1000 Value ETF** is an investable benchmark used as a proxy for its underlying index, the **Russell 1000 Value Index**, an index of U.S. listed stocks that possess attractive valuation as measured by FTSE Russell. The **iShares MSCI ACWI Ex-US ETF** is an investable benchmark used as a proxy for its underlying index, the **MSCI ACWI ex USA Index**, an index managed by MSCI representing large and mid cap stocks outside of the U.S. The **iShares Russell 2000 ETF** and **iShares Russell 2000 Value ETF** are investable benchmarks used as a proxies for the underlying indexes of the **Russell 2000 Index** (an index of U.S. listed small cap stocks) and the **Russell 2000 Value Index** (an index of U.S. listed small cap stocks that possess attractive valuation as measured FTSE Russell).

Indices are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses, such as management fees and transaction costs, which would reduce returns.

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