DISTILLATE CAPITAL

2025 Q3 Letter to Investors: Execution Supersedes Intention

Letter Summary

As the AI bubble continues to inflate, equity benchmarks look increasingly rich and risky. The S&P 500 is now more expensive than at any time other than during the TMT bubble[1] and is more concentrated than it has ever been in data going back to the 1870s[2]. Seeing the issue, some investors have taken a renewed interest in value as a style, but caution is warranted. While the Russell 1000 Value benchmark is intended to offer a counter to valuation risk, it suffers from being demarcated on book value, which we (and Warren Buffett[3]) do not believe adequately measures valuation in today's economy. Because of this, the value benchmark has ironically been significantly more expensive than the S&P 500 at times on a free cash flow basis and offers only a marginally better value today, albeit with a growth rate slower than that of the broad market. While the intention to seek safety in a value strategy has some intuitive appeal given the aforementioned issues, execution in portfolio construction and assessing valuation accurately is of paramount importance. Our U.S. FSV strategy has outperformed the Russell 1000 Value benchmark since its inception in 2017, is substantially cheaper at a 6.1% free cash flow to enterprise value yield versus 3.9% for the Russell 1000 Value and 3.1% for the S&P 500, and has consistently grown underlying free cash flows at a significantly faster rate than either benchmark. Better growth comes as a result of our focus on stable businesses and the benefit of systematic quarterly rebalancing, where the proceeds of more expensive stocks go into the underlying cash flows of less expensive names. This latter attribute is evident in **Figure 1** below which shows rolling annualized three-year growth in real free cash flows for our U.S. FSV strategy and the benchmarks. Moreover, our strategy has allowed investors to access this superior growth in underlying free cash flows without taking on the significant valuation or concentration risks inherent in both benchmarks today.

Performance Summary

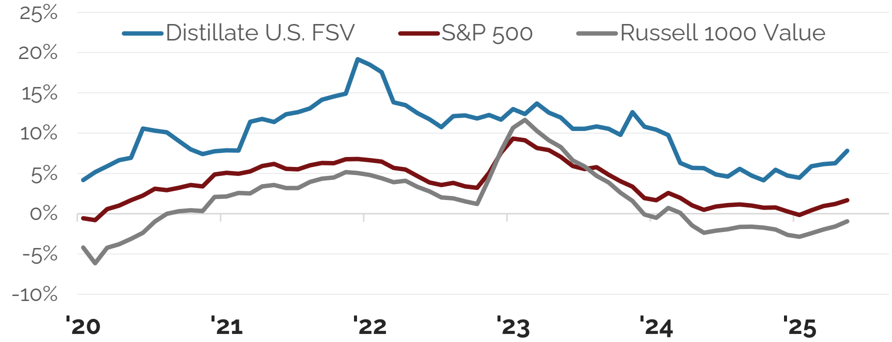
U.S. Fundamental Stability & Value (U.S. FSV): Amid a strong valuation expansion fueled rise in stocks, our U.S. FSV strategy net of fee return of 6.54% in 2025 is lagging the S&P 500's comparable gain of 14.81% and the Russell 1000 Value's 11.63% gain. Annualized net of fee performance since inception is now 0.9% behind that of the S&P 500 and 4.5% ahead of the Russell 1000 Value Index.

U.S. Small/Mid Cap Quality & Value (SMID QV): Our SMID QV strategy returned 3.43% so far in 2025 on a total return basis and lagged the Russell 2000 index by 6.9% and the Russell 2000 Value index by 5.6% as unprofitable stocks have outperformed significantly. Annualized excess returns of our SMID QV since inception are 4.5% and 4.8% ahead of those benchmarks, respectively.

International Fundamental Stability & Value (Intl. FSV): Amid a general outperformance of international stocks, our International FSV strategy's YTD total return of 33.26% after fees exceeded the MSCI All Country Ex US ETF benchmark's gain of 26.66%. Annualized net of fee performance since inception is ahead of the benchmark by 0.6%.

U.S. Large Cap Value Long 130%/Short 30% (U.S. Value 130/30): Our 130/30 strategy returned 9.01% net of fees so far in 2025 vs. the S&P 500 Index's return of 14.81%. This strategy is 1.0% ahead of the S&P 500 on an annualized net of fee basis and above the Russell 1000 Value Index by 6.7% since inception.

Figure 1: 3-Year Annualized Growth in Real Free Cash Flows Per Share



Source: FactSet; data as of September 2025

1 https://distillatecapital.com/wp-content/uploads/2025/09/These-Go-to-11.pdf
2 https://www.finaeon.com/stock-market-concentration-hits-new-highs/
3 https://distillatecapital.com/wp-content/uploads/2023/12/Buffett-Abandons-Book-Value.pdf

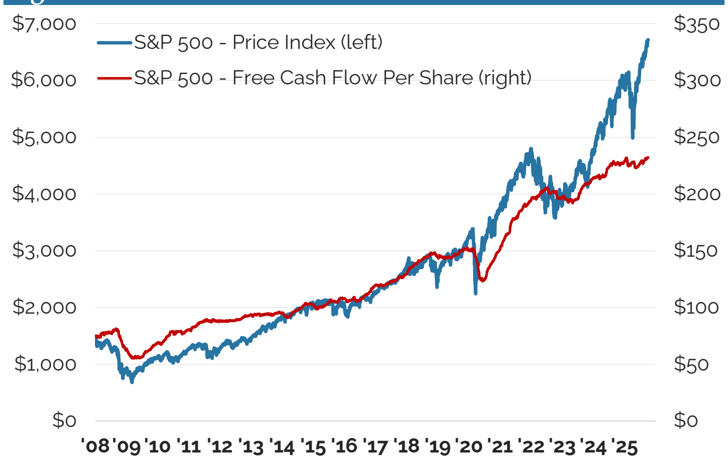
Benchmark Risks:

Benchmarks are important. They provide a yardstick by which asset classes and managers should be judged. But they can also become richly valued and dangerously concentrated. For passive investors and managers who are unable to deviate much from underlying benchmarks, this can pose an enormous risk. We have been market participants for some time now, and we have seen this play out in previous market cycles. This is also why rather than being focused on a particular benchmark and the risks it may inadvertently force upon those closely following it, our process is architected with the idea that capital preservation is paramount and that the steady compounding of underlying fundamentals is the safer and more sustainable path to grow capital in the long-term. Amid a period of significant valuation expansion and record concentration, our strategies look materially different than the benchmarks—for good reason.

U.S. equity prices as measured by the S&P 500 have continued to rise far in excess of underlying fundamental gains (see **Figure 2**). Since the end of 2022, the S&P 500 is up 75% while expected next twelve month (NTM) free cash flows have increased only 18%. The result is an S&P 500 valuation that is richer than at any time other than the late 1990s TMT bubble at a 2.7% tailing free cash flow yield, well below the 4.4% long-term median.

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

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

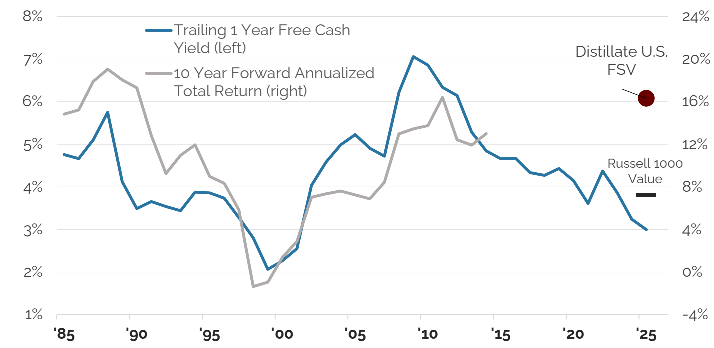


Source: FactSet, data as of 10/1/2025

While valuation does a notoriously poor job of predicting returns in the short term, it lines up well with longer term results. **Figure 3** shows the trailing free cash flow yield for the S&P 500 overlaid with the nominal annualized total return for the market 10 years hence. The chart highlights that the current valuation for the S&P 500 is at a level (low free cash flow yield) that has historically linked to anemic returns over the ensuing decade. The figure also shows the trailing free cash flow yield for the Russell 1000 Value, which is only slightly better than that of the S&P 500 alongside our U.S. FSV strategy, which is substantially better valued.

The S&P 500 free cash yield is very low (rich) which has historically correlated to reduced 10-year forward returns.

Figure 3: Free Cash Valuation vs. Subsequent 10 Year Return for the S&P 500 Index



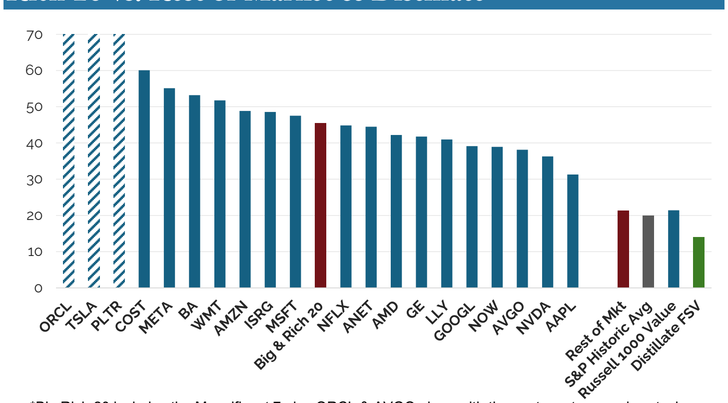
Source: FactSet 9/30/2025

Concentration presents a second benchmark risk. Going back to the 1870s, the top 10 stocks have never accounted for the nearly 40% of the S&P 500 that they do now.[2] The level is well above the roughly 24% reached during the TMT bubble and a prior peak of about 33% reached in the 1960s. Much more concerning than the level of concentration, however, is the valuation of those largest stocks.

Just 20 stocks today, termed the Big & Rich 20, make up half of the entire market (excluding stocks without free cash flow data) and are trading at a very rich market cap-to-free cash flow (NTM) multiple of 45x. This compares to 21x for balance of the market and an historic average for the S&P 500 of 20x going back to when forward estimates became reliably available around 2009. Put simply, 20 stocks representing half the market are trading at a valuation well over twice that of the balance. The Russell 1000 Value is trading at a multiple similar to that of the rest of the market rather than a substantial discount its name might imply. Our U.S. FSV strategy, by contrast, is priced at a multiple of 14x, well below either benchmark.

20 stocks that comprise half the market are trading at a 113% premium to the rest of the market.

Figure 4: Market Cap to FCF Multiple (NTM) for Big & Rich 20 vs. Rest of Market & Distillate



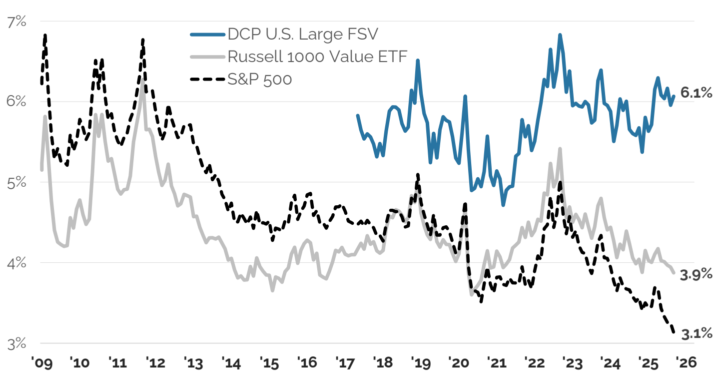
*Big Rich 20 includes the Magnificent 7 plus ORCL & AVGO along with the next most expensive stocks on NTM FCF/Mkt Cap with market capitalizations over $150 billion. ORCL FCF is negative, TSLA multiple is 425x, PLTR is 185x. The Big & Rich 20 account for 50% of the S&P 500 excluding stocks without free cash flow estimates. S&P 500 average is post '09. FactSet data throgh 9/30/2025, excludes stocks without FCF data.

2 https://www.finaeon.com/stock-market-concentration-hits-new-highs/

While the S&P 500 is unusually concentrated and very expensive by historical standards, **Figures 3 and 4** showed that the Russell 1000 Value isn't any great bargain either. This is due largely to the fact that the constituents of the Russell 1000 Value are selected based on price-to-book value, which has little meaning for many of today's asset-light companies (see our paper Value Investing in a Capital Light World). Because of this antiquated constituent selection criteria, the value benchmark can be even more expensive (lower FCF yield) than the S&P 500, as it was for much of the prior decade (see **Figure 5**). During that period, many of the big cap tech stocks were quite cheap (MSFT traded at 7x NTM FCF in 2013 vs. 49x today) but were not constituents in the value benchmark because of its anachronistic focus on book value. Ironically, the underperformance of the value benchmark during that period is an implicit endorsement of value investing, as the less expensive benchmark outperformed!

The Russell 1000 Value benchmark has been more expensive than the S&P 500 historically and is only slightly cheaper at present while Distillate's U.S. FSV is at an significant discount to both.

Figure 5: Free Cash to Enterprise Value (NTM) for the S&P 500, Russell 1000 Value, & Distillate's U.S. FSV



Source: FactSet, See end-notes for methodology.

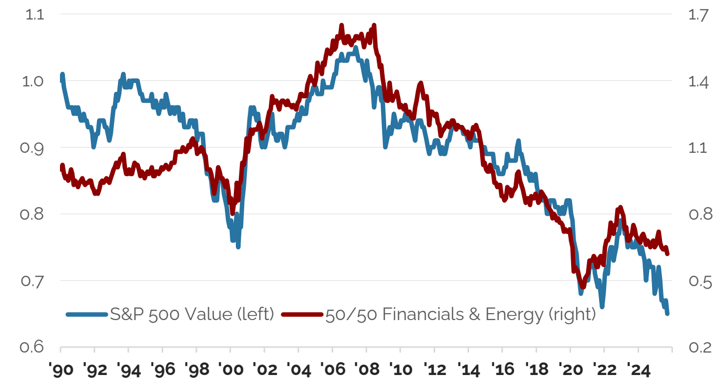
At present, however, valuations have reversed, and the value index is cheaper, but only slightly so at a free cash flow-to-enterprise value yield of 3.9% versus 3.1% for the S&P 500. As the value benchmark includes many utilities and industrial companies that are linked to the AI story, the inflation in its valuation is no mystery.

Figure 5 also shows the same valuation for our U.S. FSV strategy back to its inception in 2017. Crucially, our strategy offers a significantly more attractive valuation (higher FCF yield) than either benchmark. That our strategy's free cash flow yield is slightly higher than at its inception eight years ago, and at a level consistent with where the S&P was just after the financial crisis, speaks to the opportunity set that is available looking past current leadership.

In addition to issues with valuation, the Russell 1000 Value's emphasis on book also drives a chronic bias toward the financial and energy sectors as both tend to have meaningful accounting book values. This is evident in **Figure 6** which shows the performance of the S&P 500 Value benchmark relative to the broader S&P 500 overlaid with the relative performance of a custom index that is simply a 50/50 mix of the financial and energy sectors. The two lines align, meaning that rather than an exposure to less expensive stocks as the name implies, many value investors end up taking on what is likely an unintended overweight to the energy and financial sectors, whether or not they are cheap. This issue accounts for a significant portion of the shortfall in performance of the value benchmarks over the last many years.

The use of book value in value benchmarks can cause unintended sector biases in addition to valuation issues.

Figure 6: Relative Performance of S&P 500 Value & 50/50 Energy & Financials Index vs. S&P 500

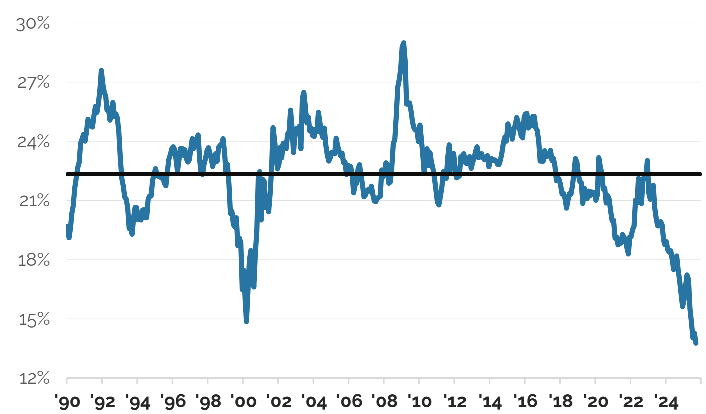


Source: FactSet. Performane Relative to S&P 500. Data through 9/30/2025

As an aside, sector risk is not isolated to the Russell 1000 Value benchmark, as the AI bubble in the S&P 500 has led to a crowding out of defensive sectors similar to what occurred in the TMT bubble. This can be seen in **Figure 7** which plots the combined market cap of the traditionally defensive health care and staples sectors as a share of the S&P 500.

Echoing what happened in the tech bubble, defensive sectors (health care & staples) have seen their combined market cap fall sharply as the value of AI related stocks have soared.

Figure 7: Combined Market Cap of Defensive Sectors (health care & staples) as a Share of the S&P 500



Source: FactSet. Sector market caps as a share of S&P 500 market cap. Data through 9/30/2025

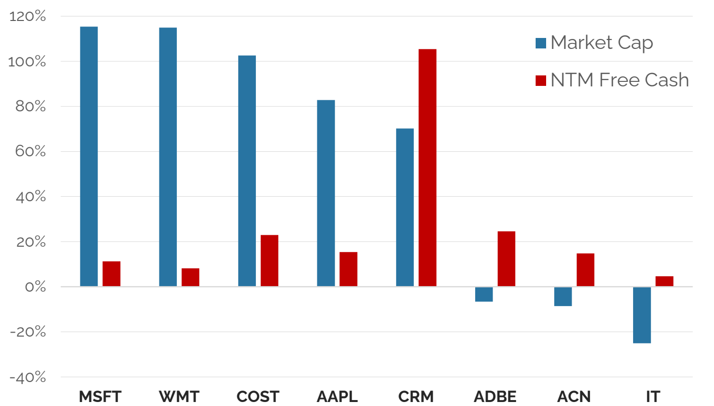
Summary: while the S&P 500 is extremely rich and highly concentrated, the Russell 1000 Value benchmark looks only marginally better valued with concentration issues of its own.

U.S. Large Cap Market

Despite the richness of the overall market, our U.S. FSV strategy continues to find high quality companies whose stocks are trading at very attractive levels such that our U.S. Large Cap strategy's valuation is at a record discount to both the S&P 500 and the Russell 1000 Value benchmarks (as was evident in **Figure 5** on the previous page). While stocks such as Microsoft (MSFT), Walmart (WMT), Costo (COST), and Apple (AAPL) have seen market cap increases well in advance of fundamentals, we are finding value even in the tech sector as companies like Salesforce (CRM), Adobe (ADBE), Accenture (ACN), and Gartner (IT) that have seen their market caps lag well behind free cash flow growth (See **Figure 8**).

While some stocks have had market caps soar well above free cash flows, many stocks even in the tech sector have seen the opposite.

Figure 8: Market Cap vs. Free Cash Flow (NTM) Change Since Year End 2022

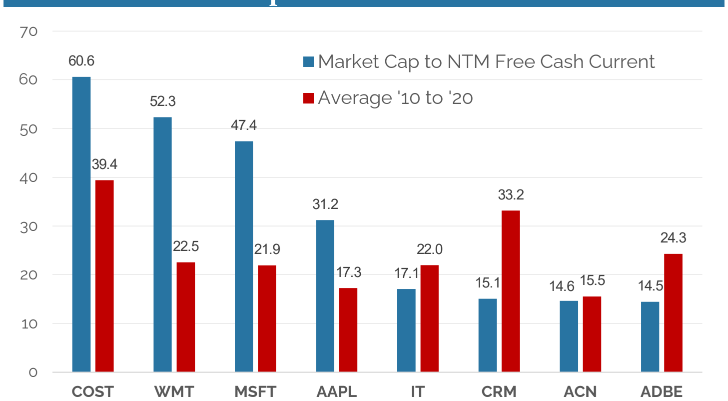


Source: FactSet, data as of 9/30/2025

Consequently, Microsoft, Walmart, Costco and Apple are now extremely rich both in absolute terms and relative to historical valuations, while Salesforce, Adobe, Accenture, and Gartner look inexpensive and cheap versus history, despite free cash flow growth (See **Figure 9**).

While valuations for some stocks look extremely rich, other stocks are attractively valued in both absolute terms and relative to history.

Figure 9: Current vs. '10 to '20 Avg Market Cap to NTM Free Cash Flow Multiple for Select Stocks

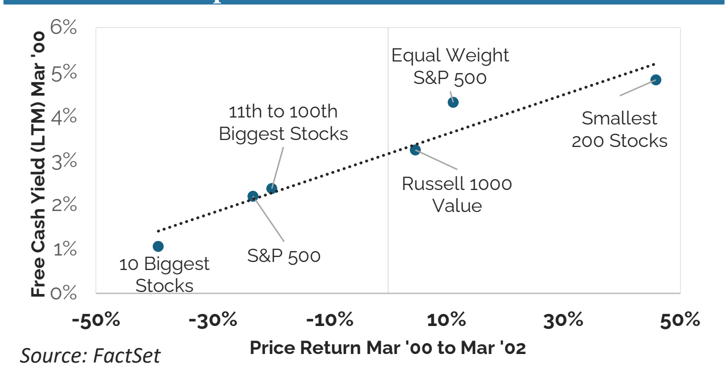


Source: FactSet, data as of 9/30/2025

In fact, very attractive opportunities exist throughout the market outside of the current leadership. The backdrop is highly reminiscent of what occurred in the tech bubble in 2000 when the market overall was also at an extreme, but there were still large portions that were inexpensive and performed well in the subsequent years even as the S&P 500 itself fell sharply. This is evident in **Figure 10** which plots the trailing free cash flow valuation for different segments of the market by size on the vertical axis with performance over the following two years on the horizontal. In 2000, though the overall market was extraordinarily rich, the smallest stocks within the S&P 500 were significantly cheaper and were up nearly 50% two years after the peak, while the biggest ten stocks *dropped* by almost that much and the S&P 500 was down by nearly 30%.

While the overall market was very rich in 2000 and subsequently did poorly, smaller stocks were cheaper and outperformed.

Figure 10: Valuation in 2000 vs. Subsequent 2 Year Return for Various Groups of Stocks and Benchmarks

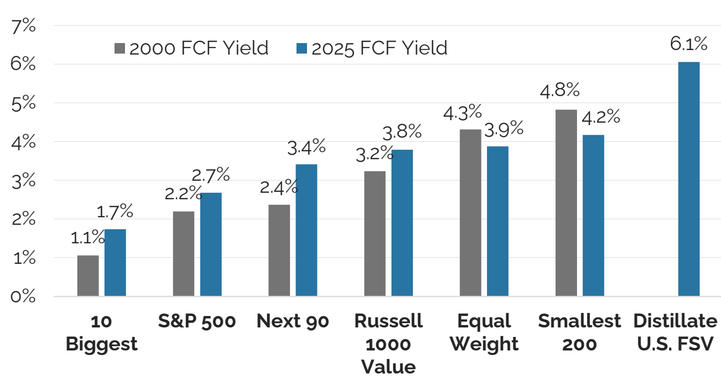


Source: FactSet

Today the situation is very much the same with valuations of the ten largest stocks the highest. The next 90 companies are the next-most-expensive group, while the smallest stocks within the S&P 500 are trading at a significant discount. **Figure 11** depicts the relationship today versus March of 2000 and includes the Russell 1000 Value benchmark, highlighting again that value must be considered carefully. Distillate's U.S. FSV strategy that is trading at a significantly better valuation than the value index, the equal weight S&P 500, or the smallest segment of stocks in the S&P 500.

Valuations by size and benchmark today closely resemble those of 2000.

Figure 11: Current Valuation by Size & Index vs. 2000



Source: FactSet; data as of September 2025

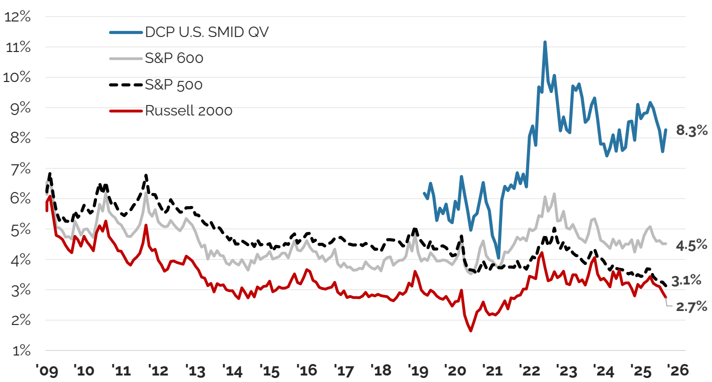
U.S. Small/Mid Cap

In our estimation, there is significant opportunity in small and mid-sized U.S. stocks. Within this space, however, there are an alarmingly large number unprofitable and heavily indebted companies, making selectivity critical in our view. Versus the Russell 2000, the S&P 600 excludes many of these troubled names and is consequently a benchmark of much higher quality and is better valued. This is evident in **Figure 12** which shows that while the Russell 2000 has a less attractive free cash flow-to-enterprise value yield than the S&P 500, the S&P 600 is cheaper. The figure also shows the valuation for our Small/Mid QV strategy which is substantially better than all three benchmarks.

Also notable in the figure is that while the S&P 600 is much cheaper than the S&P 500 benchmark now, small stocks do not always offer a better valuation. For much of the past 15 years until only recently, small stocks were more expensive than the large cap S&P 500 Index, even when looking at the higher quality S&P 600 benchmark. The underperformance of small stocks over that time is therefore somewhat of an affirmation of value investing as a style (again) as the cheaper benchmark prevailed. At present, however, the reverse is the case and history would suggest that small stocks may outperform over the next decade given the valuation advantage (for more see our paper Big Trends Favor Small Stocks).

Distillate's SMID QV strategy offers a substantially better valuation than the Russell 2000 which is hamstrung by unprofitable companies.

Figure 12: Free Cash (NTM) to Enterprise Value for Small Stock Benchmarks and Distillate's SMID QV

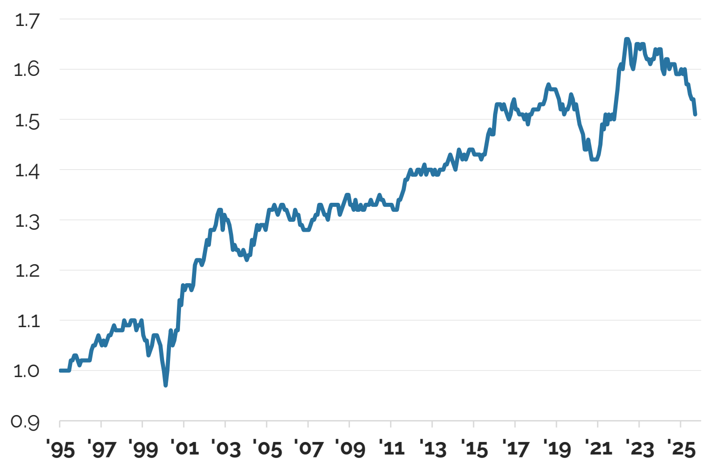


Source: FactSet, See end-notes for methodology.

It should be noted that high quality, of recent, has not contributed positively to returns. While an index of the Russell 2000 excluding negative free cash flow companies has nearly tripled the return of the Russell 2000 over time (see again our paper Big Trends Favor Small Stocks), this high quality bias can create a headwind at times in the shorter term. This year is one of those times, and negative free cash flow stocks in the Russell 2000 have produced much higher returns than the rest of the benchmark. One way to see this impact is to compare the performance of the Russell 2000 against the higher quality S&P 600 (See **Figure 13**). While the S&P 600 has materially outperformed the Russell 2000 since its inception in 1994, recent quarters have bucked the trend and while hardly unprecedented, by its nature, the rally in lower quality stocks will likely prove unsustainable as companies unable to generate cash have a strong tendency to cease to exist. Our strategy's quality measures and valuation discipline have resulted in annualized outperformance over the S&P 600 of around 5.0% since inception, though its quality bias has likewise led to underperformance against the Russell benchmarks very recently. Since inception, however, our Smid QV strategy has outperformed the Russell 2000 benchmark and we believe its focus on quality will continue to be accretive longer-term.

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

Figure 13: S&P 600 Relative to Russell 2000



Source: FactSet, data through 9/30/2025

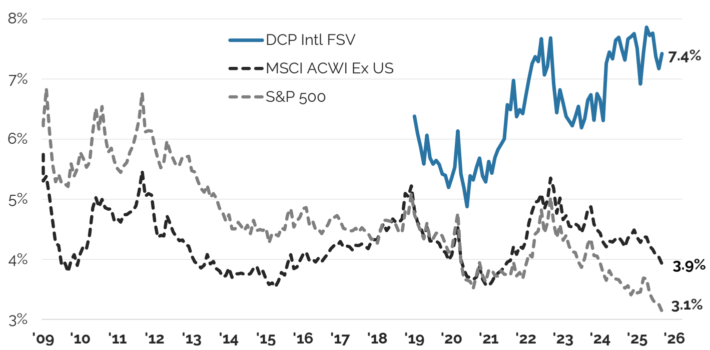
International

International stocks are another area where we are seeing significant opportunity, but again where selectivity is key. After a long stretch of underperformance, international stocks have significantly outperformed their domestic counterparts in the first three quarters of 2025. Fifteen years ago, international stocks were more expensive than U.S. equities when measured against free cash flow generation. 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 at the time. The significantly more attractive starting valuation 15 years ago we believe explains a great deal of the outperformance of U.S. stocks with or without 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 even after recent outperformance.

The history of overall U.S. and international valuations as well as that of our own strategy are shown in **Figure 14**. International stocks do still have more debt and less stable cash flow profiles, but that risk can be reduced by filtering out highly levered or fundamentally less stable companies as our investment process does. When this is done, we believe international stocks offer a excellent counterbalance to the richness of the broader U.S. market and are a compelling investment from a diversification perspective.

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

Figure 14: Free Cash to EV vs. Leverage for Distillate's International Strategy vs. Various Benchmarks



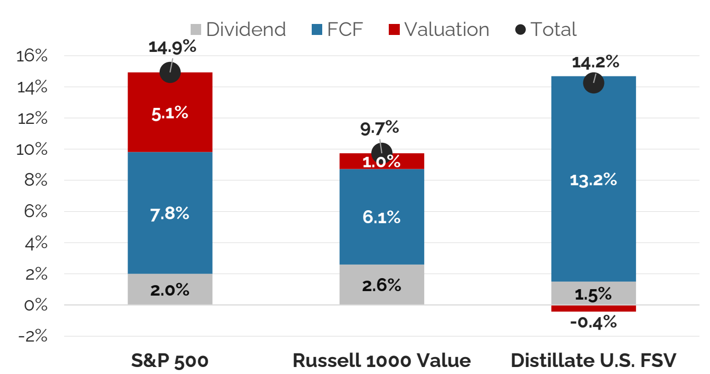
Source: FactSet, See end-notes for methodology.

Final Word

Returns are indivisible from fundamentals in the long term even though swings in valuation and sentiment can cause them to diverge over cyclical stretches. This is why our process is entirely focused on fundamentals and the opportunity to grow free cash flows at the portfolio level faster than the market by systematically rebalancing out of names that become more expensive and reinvesting those proceeds into a greater amount of underlying free cash flow by purchasing less expensive stocks. The effect is significant.

Valuation expansion drove over a third of the S&P 500's return since May '17 while fundamentals accounted for all of Distillate's U.S. FSV's nearly comparable return over the same period.

Figure 15: Return Composition for Distillate's U.S. FSV Since Inception vs. Russell 1000 Value & S&P 500

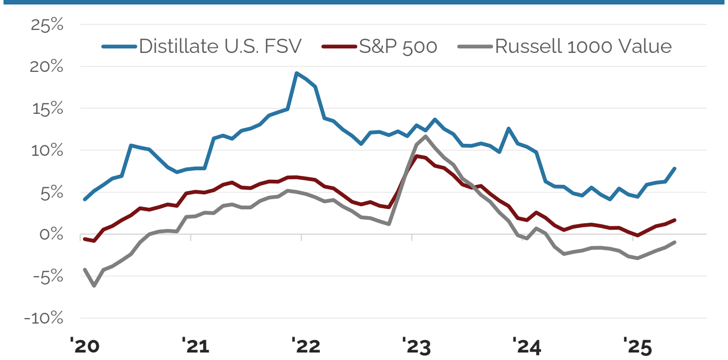


Source: FactSet. See additional methodology notes at end of paper.

Figure 15 separates the sources of returns in our U.S. FSV strategy since its inception in 2017 versus those of the primary benchmarks we have discussed. Over a third of the S&P 500's return over the period has come from valuation expansion, or the market's willingness to pay more for a dollar of free cash flow. While it is fun while it lasts, valuation expansion cannot go on forever and likely mean reverts in time. Our strategy, by contrast, has become less expensive than when it began, though has generated nearly the same real return as the S&P 500 over the period (14.2% vs. 14.9%). Rather than valuation expansion, our strategy has kept pace entirely due to better underlying fundamental growth owing to the benefit of systematically rebalancing. Crucially, this superior growth in underlying free cash flows has been consistent over time and as is evident in **Figure 16** below. We believe this is a highly desirable but often overlooked benefit of a well architected valuation driven strategy and an advantage that can be had without the risk that usually comes with paying up for growth.

Distilalte's U.S. FSV strategy has consistently grown underlying free cash flows faster than the S&P 500 or Russell 1000 Value benchmarks.

Figure 16: Three Year Annualized Growth in Real Free Cash Flows



Source: FactSet; data as of September 2025

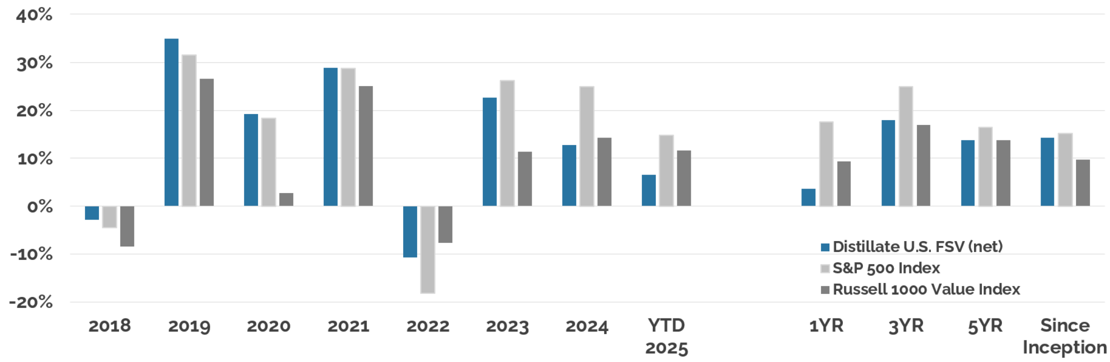
Summary: the S&P 500 looks expensive, significantly so, and concentrated, while the Russell 1000 Value is only marginally cheaper and has concentration issues of its own and grows more sluggishly. Distillate's flagship U.S. FSV strategy, by contrast, is trading at around half the valuation of either benchmark, grows underlying free cash flows consistently faster, and is well diversified across a portfolio of stocks with low debt levels and stable cash flow profiles.

Performance & Rebalance Appendix

U.S. Fundamental Stability & Value Composite Performance:

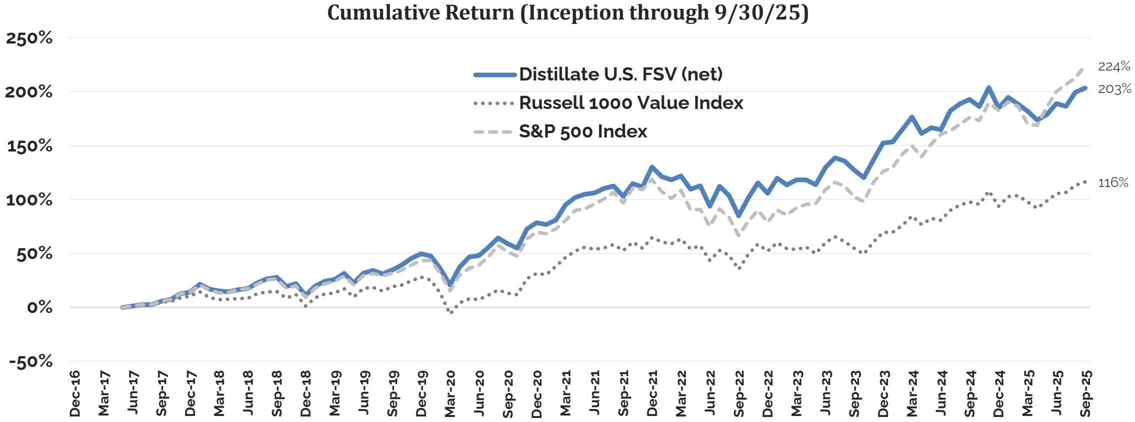
As of September 30, 2025

	2017*	2018	2019	2020	2021	2022	2023	2024	YTD 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%	6.54%	3.65%	17.94%	13.79%	14.25%
S&P 500 Index	12.11%	-4.39%	31.48%	18.39%	28.68%	-18.12%	26.26%	25.00%	14.81%	17.56%	24.91%	16.45%	15.17%
Russell 1000 Value Index	10.27%	-8.41%	26.52%	2.78%	25.12%	-7.56%	11.42%	14.35%	11.63%	9.41%	16.93%	13.84%	9.70%



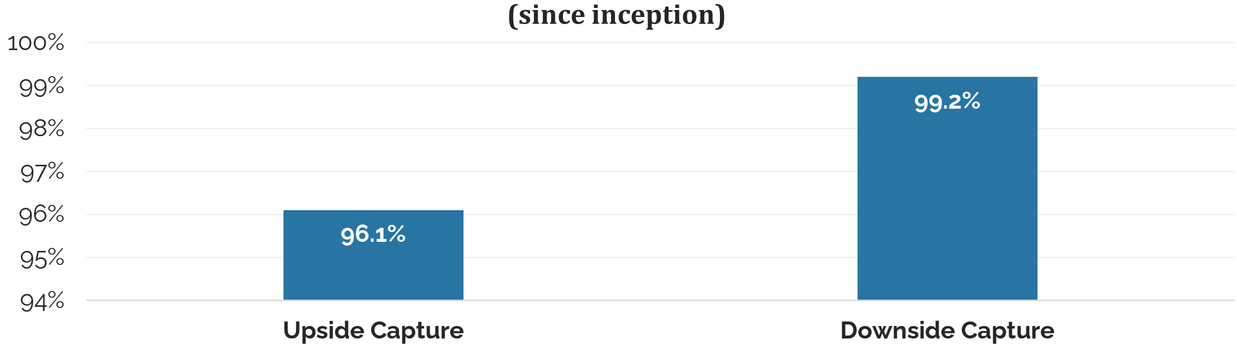
Source: U.S. Bank, Morningstar Data; Inception 5/31/2017; the period "2017*" reflects returns from inception through 12/31/2017. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 9/30/25)



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
COMFORT SYSTEMS	0.69%	UNITEDHEALTH GRP	-0.82%
LAM RESEARCH	0.64%	ALIGN TECHNOLOGY	-0.29%
ABBVIE INC	0.64%	EPAM SYSTEMS INC	-0.28%
VISTRA CORP	0.61%	VIATRIS INC	-0.26%
JOHNSON&JOHNSON	0.58%	ADOBE INC	-0.25%

Rebalance Summary:

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

Largest Purchases	Weight	Largest Sales	Weight	Largest Sector Changes
Accenture Plc Class A	1.4%	UnitedHealth Group Inc	-2.6%	Industrials (+4.1%)
Union Pacific Corporation	1.2%	BlackRock, Inc.	-1.4%	Energy (-1.6%)
Automatic Data Processing	1.1%	Lam Research Corporation	-1.4%	Discretionary (-1.3%)

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Comcast Corporation Class A	2.0%	1.5%	TechnipFMC plc	0.8%	1.0%
Salesforce, Inc.	1.8%	1.3%	General Dynamics Corp	1.0%	1.2%
Fiserv, Inc.	1.2%	0.7%	Marathon Petroleum Corp	1.0%	1.3%

Rebalance Calculation Date: 9/24/2025

U.S. FSV Portfolio Characteristics*

	U.S. FSV	S&P 500	Russell 1000 Val ETF
Free Cash Yield to Mkt Cap[1]	7.1%	3.5%	4.7%
Free Cash Yield to EV[1]	6.1%	3.1%	3.8%
P/E[2]	14.8	23.0	17.4
Leverage[3]	1.2	0.9	2.0
Cash Flow Stability[4]	0.84	0.68	0.59
Dividend Yield	1.7%	1.2%	1.9%

*as of 9/30/2025, see methodology endnotes.

U.S. FSV Portfolio Sector Weights

	U.S. FSV	S&P 500
Communication Services	4.9%	10.0%
Ex GOOGL & META	4.9%	2.8%
Consumer Discretionary	9.8%	10.6%
Ex AMZN & TSLA	9.8%	4.6%
Consumer Staples	7.9%	4.9%
Energy	5.1%	2.9%
Financials	7.3%	13.4%
Ex Banks	7.3%	8.9%
Health Care	23.4%	9.1%
Industrials	19.8%	8.2%
Information Technology	17.5%	34.9%
Ex MSFT, AAPL & NVDA	17.5%	13.6%
Materials	4.3%	1.7%
Real Estate	0.0%	1.9%
Utilities	0.0%	2.4%

*as of 9/30/2025

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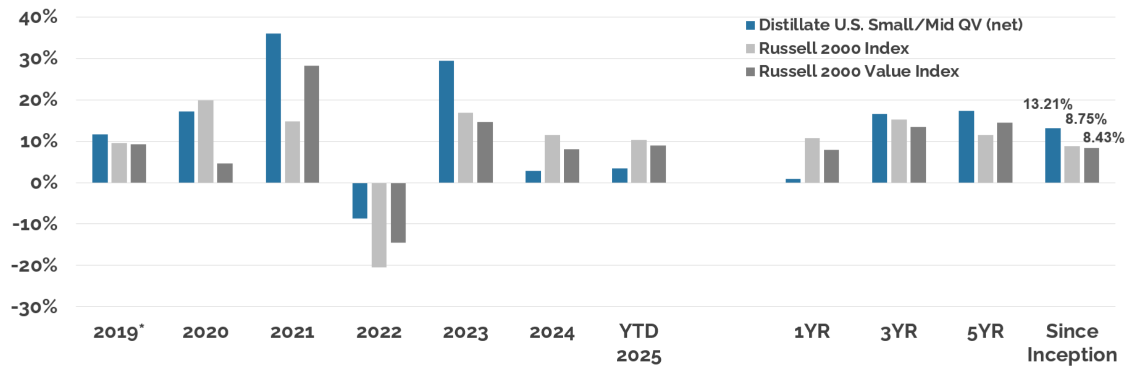
U.S. Small/Mid Cap Quality & Value Composite Performance:

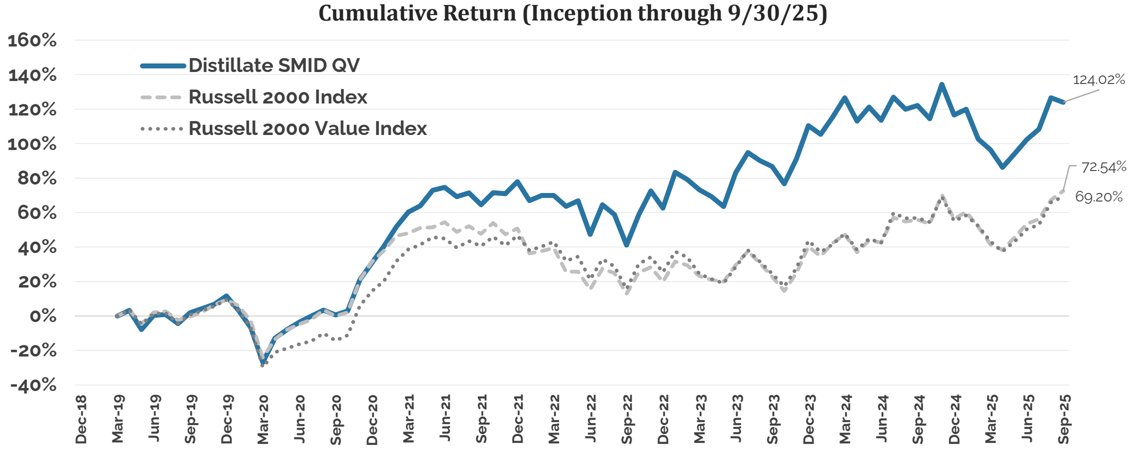
As of September 30, 2025

	2019*	2020	2021	2022	2023	2024	YTD 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%	3.43%	0.85%	16.66%	17.37%	13.21%
Russell 2000 Index	9.53%	19.93%	14.78%	-20.46%	16.88%	11.52%	10.38%	10.74%	15.18%	11.53%	8.75%
Russell 2000 Value Index	9.33%	4.60%	28.21%	-14.50%	14.58%	8.03%	9.04%	7.87%	13.52%	14.56%	8.43%



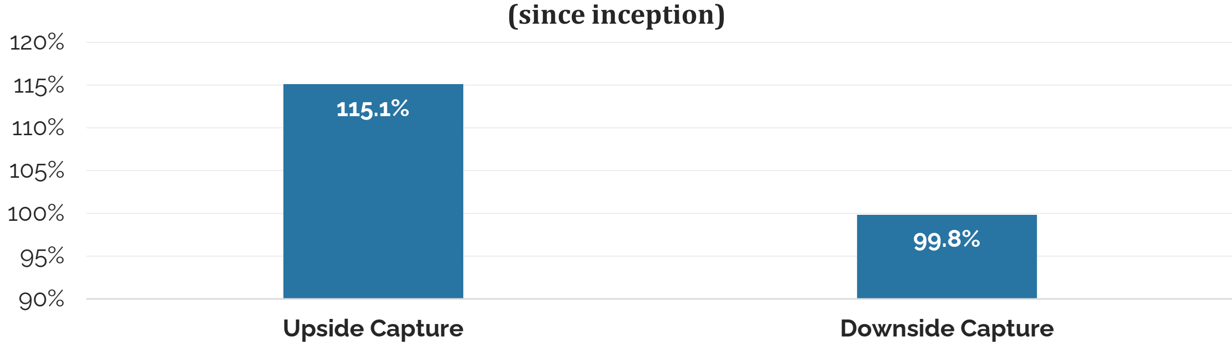
Source: U.S. Bank, Morningstar Data; Inception 3/31/2019; the period "2019*" reflects returns from inception through 12/31/2019. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 9/30/25)



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 INFRASTRUCT	1.26%	CORE NATURAL RES	-0.47%
RAMACO RESOURC-A	0.79%	CARTER'S INC	-0.36%
TOPBUILD CORP	0.68%	ALPHA METALLURGIC	-0.35%
CAVCO INDUSTRIES	0.65%	CROCS INC	-0.33%
DILLARDS INC-A	0.59%	VICTORIA'S SECRET	-0.32%

Rebalance Summary:

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

Largest Purchases	Weight	Largest Sales	Weight
Antero Resources Corporation	1.0%	Sterling Infrastructure, Inc.	-1.9%
HF Sinclair Corporation	1.0%	ICON Plc	-1.8%
Molina Healthcare, Inc.	1.0%	Toll Brothers, Inc.	-1.7%

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
DXC Technology Co.	1.1%	0.4%	TopBuild Corp.	0.8%	1.9%
Mosaic Company	1.2%	0.7%	Dillard's, Inc. Class A	0.9%	1.7%
Civitas Resources, Inc.	1.0%	0.6%	Abercrombie & Fitch Co.	0.6%	1.2%

Rebalance Calculation Date: 8/30/2025

U.S. SMID QV Portfolio Characteristics*

	SMID QV	Russell 2000	Russell 2000 Value
Free Cash Yield to Mkt Cap[1]	10.4%	3.9%	5.3%
Free Cash Yield to EV[1]	8.3%	2.7%	3.3%
P/E[2]	10.9	15.6	12.7
Leverage[3]	0.8	2.0	2.9
Fundamental Stability[4]	0.47	0.40	0.34
Negative FCF Weight[5]	0.0%	18.5%	17.3%

*as of 9/30/2025, see methodology endnotes.

U.S. SMID QV Portfolio Sector Weights

	SMID QV	Russell 2000	Russell 2000 Value
Communication Services	3.5%	2.8%	8.1%
Consumer Discretionary	24.2%	9.9%	7.7%
Consumer Staples	6.0%	2.0%	7.6%
Energy	14.6%	4.8%	5.9%
Financials	6.4%	18.0%	22.6%
Health Care	8.1%	16.0%	11.7%
Industrials	21.1%	17.7%	13.1%
Information Technology	13.2%	15.6%	10.5%
Materials	2.5%	4.2%	4.1%
Real Estate	0.6%	5.8%	4.2%
Utilities	0.0%	3.3%	4.5%
Not Classified	0.0%	0.0%	0.0%

*as of 9/30/2025

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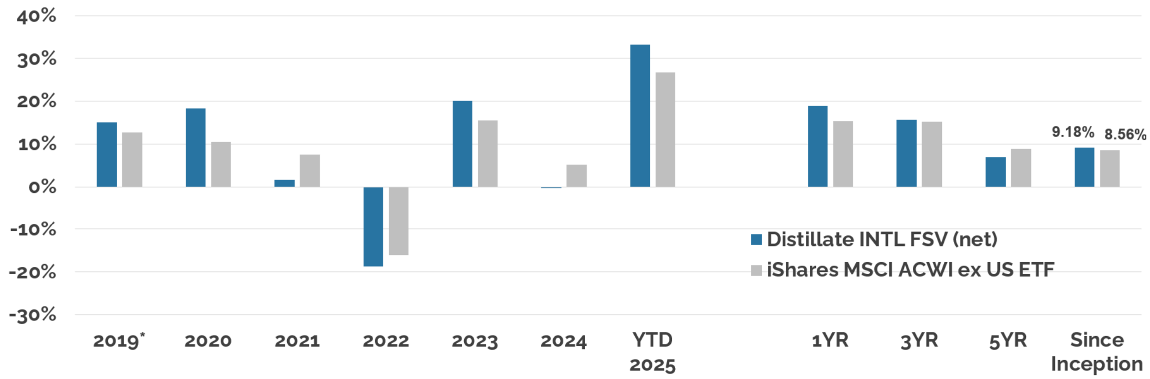
International Fundamental Stability & Value Composite Performance:

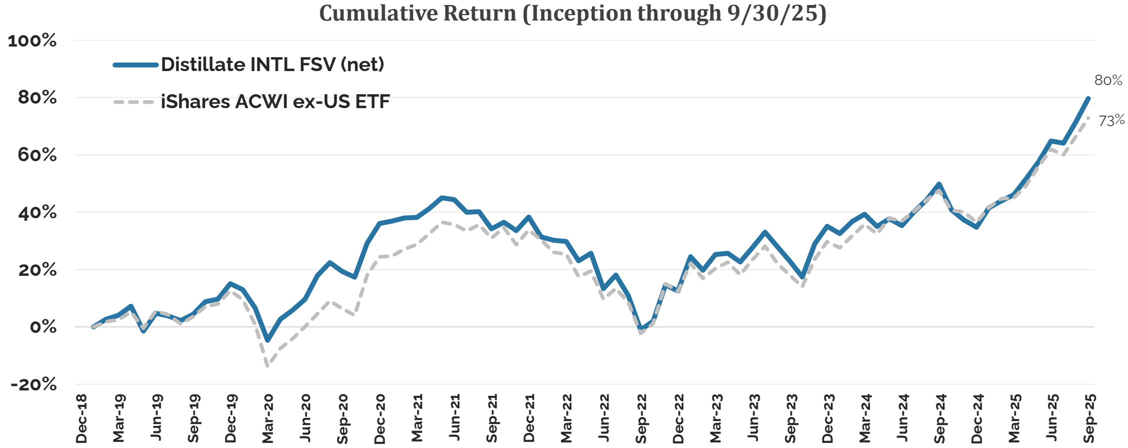
As of September 30, 2025

	2019*	2020	2021	2022	2023	2024	YTD 2025	1YR	3YR	5YR	Since Inception
Distillate INTL FSV (net)	15.08%	18.26%	1.67%	-18.68%	20.10%	-0.25%	33.26%	18.85%	15.62%	6.98%	9.18%
iShares MSCI ACWI ex US ETF	12.67%	10.48%	7.48%	-16.01%	15.47%	5.19%	26.66%	15.40%	15.29%	8.82%	8.56%



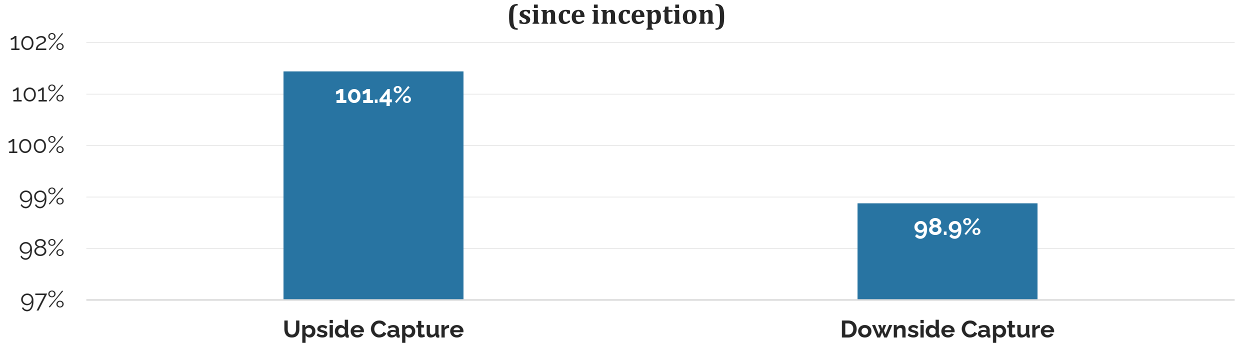
Source: U.S. Bank, Morningstar Data; Inception 1/31/2019; the period "2019*" reflects returns from inception through 12/31/2019. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 9/30/25)



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	2.12%	TFI INTERNATIONAL INC	-0.28%
GOLD FIELDS LTD	1.90%	PANDORA A/S	-0.24%
SAMSUNG ELECTR-GDR	1.53%	JD.COM INC-CLASS A	-0.22%
BRITISH AMERICAN TOB	1.18%	BYD CO LTD-H	-0.21%
CMOC GROUP LTD-H	1.09%	BUNZL PLC	-0.19%

Rebalance Summary:

INTL FSV Strategy: Portfolio Changes During Recent Quarterly Rebalancing

Largest Purchases	Weight	Largest Sales	Weight
London Stock Exchange	1.4%	Taiwan Semiconductor ADR	-1.7%
Infosys Limited Spon ADR	1.3%	CMOC Group Limited	-1.3%
Ashtead Group plc	1.1%	SAMSUNG C&T CORP	-1.2%

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Capgemini SE	1.2%	0.7%	Samsung Electronics Co., Ltd	1.5%	2.5%
Fomento Economico Mex	1.3%	0.8%	Gold Fields Limited	1.2%	1.9%
Teleperformance SE	1.0%	0.5%	Harmony Gold Mining Co.	0.9%	1.2%

Rebalance Calculation Date: 9/25/2025

INTL FSV Portfolio Characteristics*

	INTL FSV	ACWI Ex U.S. ETF
Free Cash Yield to Mkt Cap[1]	8.3%	4.6%
Free Cash Yield to EV[1]	7.4%	3.9%
P/E[2]	12.2	14.8
Leverage[3]	0.8	1.4
Cash Flow Stability[4]	0.77	0.54
Dividend Yield	3.3%	2.9%

*as of 9/30/2025, see methodology endnotes.

INTL FSV Portfolio Region Weights

Region	INTL FSV	ACWI Ex U.S. ETF
Europe	43.2%	38.6%
Japan	13.7%	18.6%
Asia Ex China & Japan	19.6%	12.3%
China & Hong Kong	10.0%	13.1%
Americas	9.9%	15.3%
Middle East & Africa	3.7%	2.2%

*as of 9/30/2025

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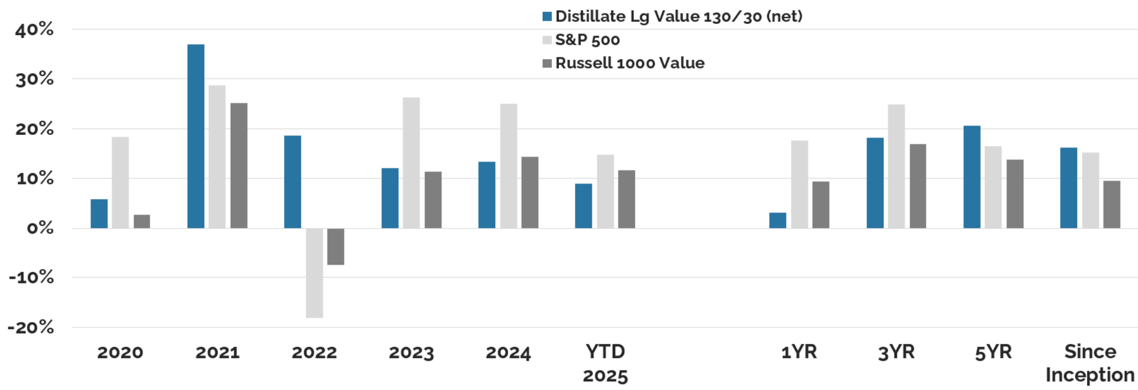
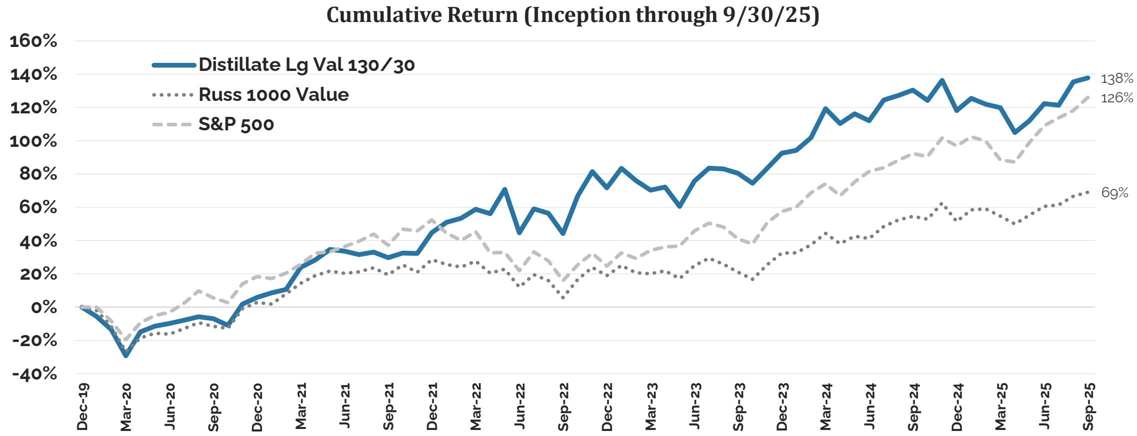
U.S. Large Cap Value 130/30 Composite Performance:

As of September 30, 2025

	2020	2021	2022	2023	2024	YTD 2025	1YR	3YR	5YR	Since Inception
Distillate Lg Value 130/30 (net)	5.81%	36.86%	18.59%	12.08%	13.34%	9.01%	3.21%	18.15%	20.65%	16.26%
Russell 1000 Value	2.78%	25.12%	-7.56%	11.41%	14.35%	11.63%	9.41%	16.93%	13.84%	9.56%
S&P 500	18.39%	28.68%	-18.13%	26.26%	25.00%	14.81%	17.56%	24.91%	16.44%	15.24%



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.

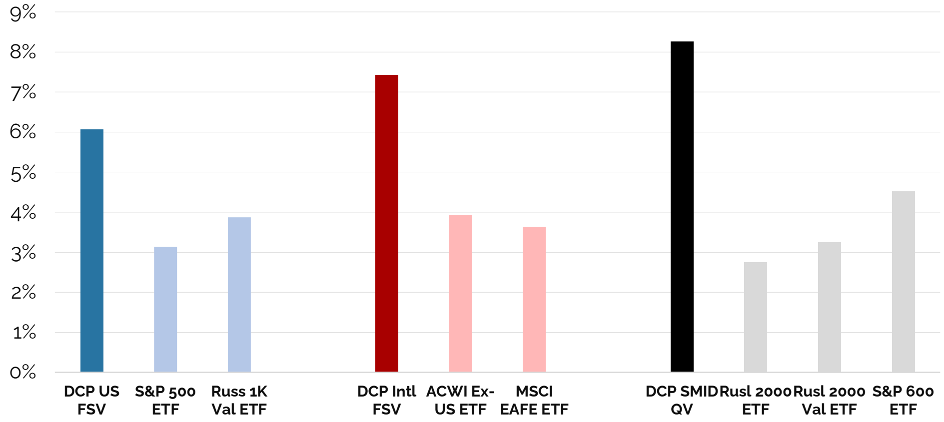
U.S. Value 130/30 Portfolio Characteristics*

	Long	Short	S&P 500
Free Cash Yield to Mkt Cap[1]	8.2%	-0.6%	3.5%
Free Cash Yield to EV[1]	6.8%	-0.2%	3.1%
P/E[2]	12.8	27.6	23.0
Leverage[3]	1.2	2.4	0.9
Fundamental Stability[4]	0.60	0.54	0.68
Dividend Yield	2.1%	1.2%	1.2%

*as of 9/30/25, see methodology endnotes.

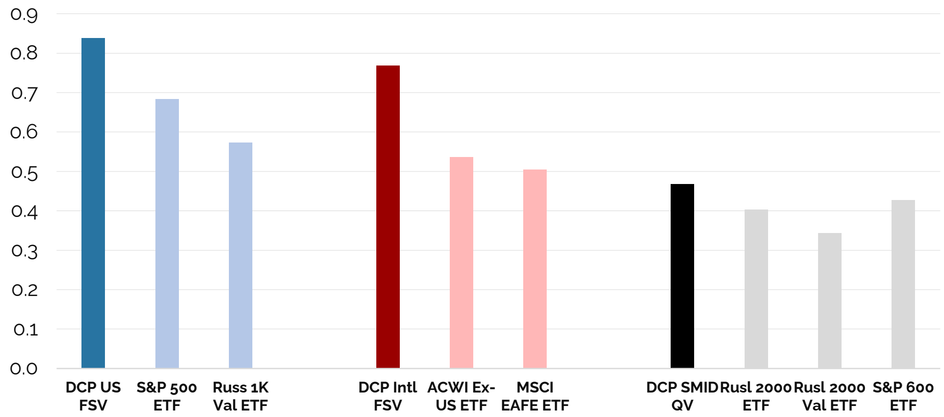
Past performance does not guarantee future results. See disclosures. Statistical data is sourced from FactSet.

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



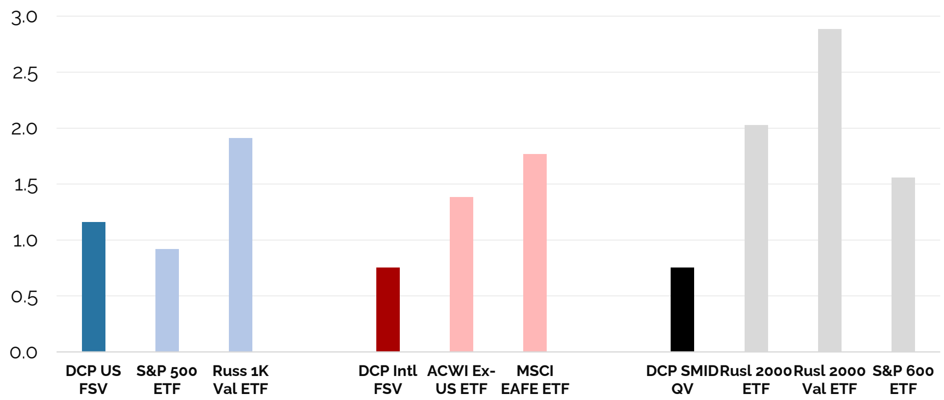
Source: FactSet, See end-notes for methodology. As 9/30/2025

Quality: Distillate's Cash Flow Stability Score



Source: FactSet, See end-notes for methodology. As of 9/30/2025

Quality: Net Debt to Adjusted EBITDA



Source: FactSet, See end-notes for methodology. As of 9/30/2025

Distillate Capital Partners LLC ("Distillate"), *is a registered investment adviser with United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. The firm's list of composite descriptions is available upon request.*

Distillate claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive a GIPS Report and/or our firm's list of composite and broad distribution pooled funds descriptions please email your request to info@distillatecapital.com.

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).* **The S&P 600 Index** *The S&P SmallCap 600® is a stock market index comprised of 600 small-cap U.S. companies selected based on specific inclusion criteria, including market capitalization, liquidity, and financial viability.*

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.