DISTILLATE CAPITAL

2026 Q2 Letter to Investors: Momentum

Letter Summary

Artificial Intelligence enthusiasm and uncertainty whipsawed markets and pushed valuations to extraordinary levels during the last quarter. Hyperscalers (Alphabet, Amazon, Meta, Microsoft, & Oracle) lagged amid concerns about returns on their enormous investments, while semiconductor and tech equipment companies benefiting from this spending surged. Massive moves in these stocks dominated, causing the S&P 500 momentum index to outperform the S&P 500 Equal Weight by a record 30 percentage points for the quarter. AI-related names now comprise roughly half of the U.S. market after gaining over $25 trillion in value since early 2023. Next-twelve-month (NTM) free cash flow estimates for this group, by contrast, rose by just $300 billion over the same period (two-thirds from NVIDIA), as gains for equipment makers came at the expense of hyperscaler cash flows. In aggregate, the AI-names went from trading ~25x NTM free cash flow to over 50x, pushing the overall S&P 500 valuation to ~32x from closer to 20x at the start of 2023. Outside of AI and a handful of other rich mega-caps, however, tremendous value opportunities remain across sectors. Numerous stocks now trade at double-digit FCF yields against enterprise value (EV) while still delivering mid-teens revenue growth. This bifurcation looks similar to the last time the market was similarly rich during the tech bubble and when, despite the internet's eventual enormous real-world impact, it was the cheaper stocks that outperformed massively following the peak while the more expensive names that were expected to benefit failed to live up to lofty expectations. As would have been wise then, we are today focused on fundamentals over sentiment, utilizing market swings to capture opportunities. Our strategies trade at substantial discounts to their benchmarks with better quality characteristics and we see tremendous opportunity ahead even despite the broader market's richness and concentration both domestically and abroad. Finally, given the incredible valuation divergence in the market, we are also planning to introduce new vehicles for our long/short equity strategy.

Performance Summary

U.S. Fundamental Stability & Value (U.S. FSV): Our U.S. FSV strategy's net of fee return of 2.24% YTD lagged the S&P 500's gain of 10.19% and the Russell 1000 Value's 16.22% gain. Annualized net of fee performance since inception is now 1.64% behind that of the S&P 500 and 2.37% ahead of the Russell 1000 Value Index.

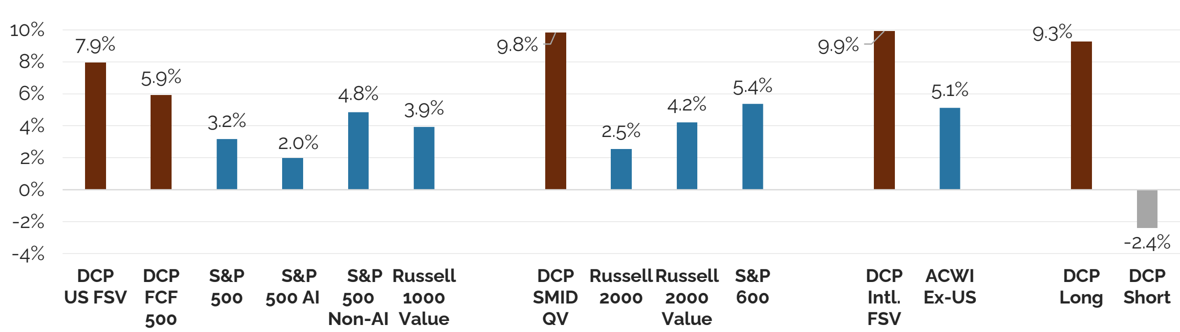
U.S. Small/Mid Cap Quality & Value (SMID QV): Our SMID QV strategy returned 14.47% YTD, net of fees, which compares to the Russell 2000 index's total return of 22.69% and the Russell 2000 Value's 23.15%. Annualized excess returns of our SMID QV since inception are 2.52% and 2.60% ahead of those benchmarks, respectively.

International Fundamental Stability & Value (Intl. FSV): Our 3.89% YTD return after fees lags the MSCI All Country Ex US ETF benchmark's gain of 14.69% and annualized net of fee performance since inception is slightly ahead of that benchmark.

Long/Short Equity (formerly US Value 130/30): Our Long/Short strategy returned 9.87% YTD vs. the S&P 500 Index's return of 10.19%. This strategy is 1.25% ahead of the S&P 500 Index and 5.19% above the Russell 1000 Value Index annualized, net, since inception.

U.S. Free Cash Flow 500: Our broader free-cash-flow-weighted portfolio returned 11.55% YTD vs. 10.19% for the S&P 500 and is even with that benchmark since inception, net of fees.

Figure 1: Free Cash Flow to Market Cap Yield for Various Benchmarks & Strategies



Source: FactSet. Data through 7/10/2026. FCF yield after option issuance. "Long" and "Short" represent those components of the firm's Long/Short Equity strategy.

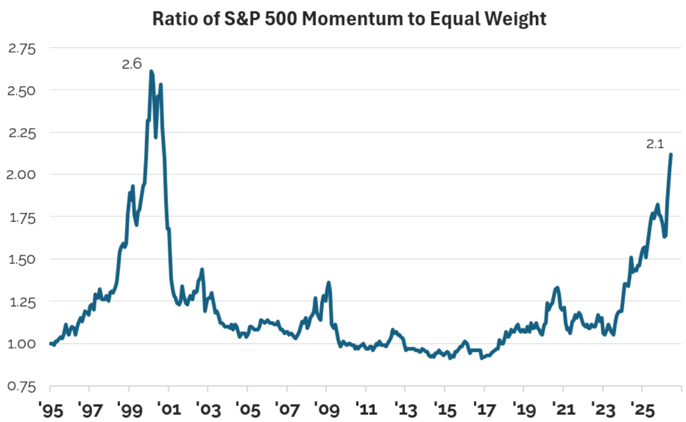
Past performance does not guarantee future results. One cannot invest directly in an index.

Market Update:

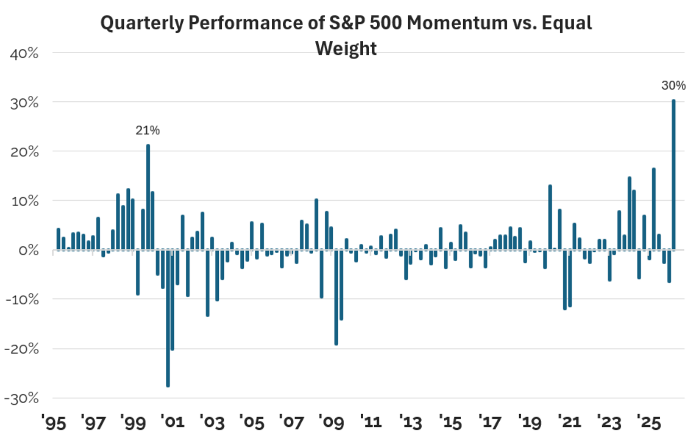
Underneath the surface of the U.S. equity market's first half total return of 10.19%, as measured by the S&P 500 Index, there were enormous moves in which momentum dominated. The performance of the S&P 500 Momentum index relative to the average stock as measured by the S&P 500 Equal Weight Index shot upward in a manner that is reminiscent of the tech bubble in the late 1990s (See **Figure 2**). The speed and acceleration of the move was even higher than in the late 90's, with a staggering 30% relative outperformance for momentum, vs. a 20% gain 25 years ago (**See Figure 3**).

Momentum is outperforming like it did in the tech bubble.

Figures 2 &3: S&P 500 Momentum vs. 500 Equal Weight



Source: FactSet. 6/30/2026. Total return indexes. Momentum index begins in 1995.

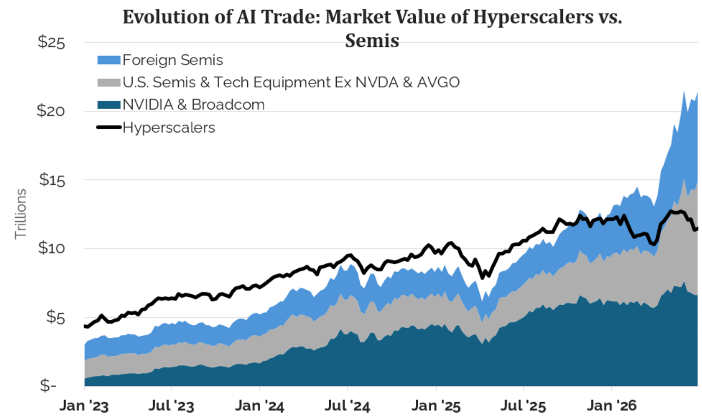


Source: FactSet. 6/22/2026. Total return indexes. Momentum index begins in 1995.

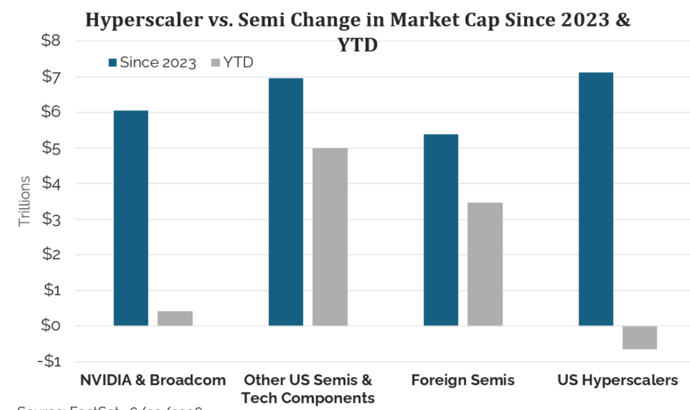
The key driver of momentum's recent surge was the performance of semiconductor and tech equipment stocks that are benefitting from the enormous spending of the hyperscalers. NVIDIA and Broadcom relinquished their leadership while the "picks and shovels" stocks surged. **Figure 4** plots the combined values of NVIDIA and Broadcom, other U.S. semiconductor and tech equipment stocks, and a handful of select international semiconductor stocks selling into the AI boom. The black line in the chart represents the combined value of the U.S. hyperscalers leading that spending. **Figure 5** highlights the internal shift by contrasting the changes in market cap for each of these groups of stocks since the start of 2023 vs. year-to-date changes.

Key AI-related stocks have gained $26 trillion in value since 2023 but there has been a shift within these gains recently.

Figures 4 & 5: Market Cap Changes For Various Groups of AI Stocks Over Time



Source: FactSet. 6/30/2026.



Source: FactSet. 6/30/2026.

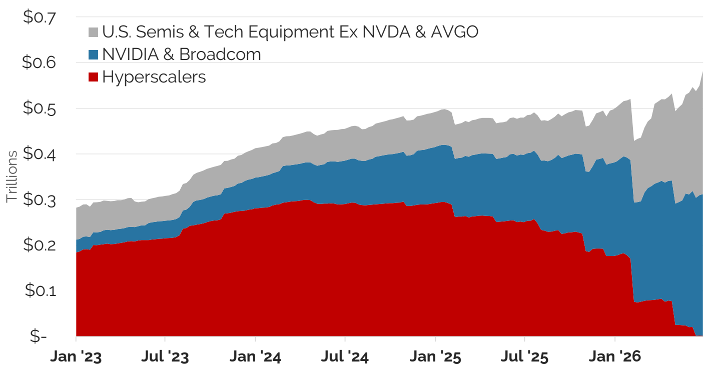
This recent shift to favor the more traditionally commoditized and cyclical semi and tech equipment stocks also caused the Russell 1000 Value Index to outperform the S&P 500 in the quarter. The value benchmark contained a larger allocation to that segment and at the same time had a smaller exposure to the lagging hyperscalers. We estimate that around 25% of the current Russell 1000 Value benchmark is linked to AI. In aggregate, that group looks very rich and while they drove performance in the first half of the year, their impact is pushing the overall index's valuation such that it is only modestly less expensive than the S&P 500, as seen in Figure 1 on the prior page. One might suggest the Value index is no longer such a value, and to the extent a portfolio goal is to diversify away from the AI trade, the Russell 1000 Value index has been driven by the very same factors.

The magnitude of the moves shown in Figures 4 and 5 is worth noting. The hyperscalers have increased in value from $4 to $11 trillion since 2023 and semi and other tech equipment companies benefitting from their spending have risen from $3 to $20 trillion. The implied incremental profitability needed to make economic sense of these moves is equally enormous.

To date, however, profit generation from AI has been modest. Against the $25 trillion increase in value among the U.S. names, there has been only a $0.3 trillion increase in consensus-estimated NTM FCF since the start of 2023. Said differently, share prices have moved over 80x the corresponding improvement in net free cash flow. There has also been an important shift under the surface of the NTM FCF gains that have occurred as hyperscaler free cash flow has dropped sharply to near zero reflecting their massing investment, while the recipients of that spend have seen their FCF grow as they have taken in what the hyperscalers have spent (**See Figure 6**).

AI profits have lagged market cap changes as gains for NVDA, AVGO, and other tech suppliers have largely come from declines at the hyperscalers.

Figure 6: Hyperscalers vs. Semis NTM FCF

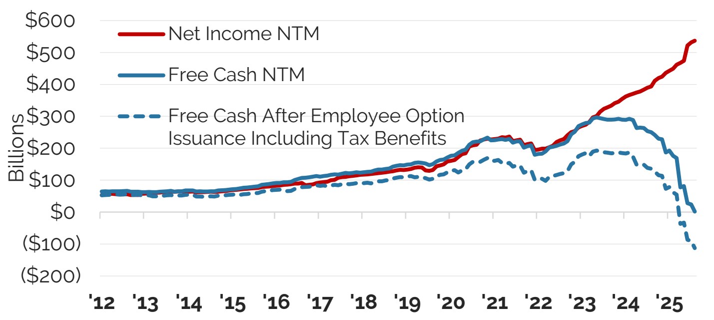


Source: FactSet. 6/30/2026.

While looking at these stocks in aggregate on a free cash flow basis largely shows that the hyperscaler profits have shrunk as the beneficiaries of their spending have risen, net income tells a very different story. On a net income basis, hyperscaler profits are up sharply. The difference goes to the fact that hyperscaler spending is not yet, in any significant way, running through those companies income statements. Datacenter and chip spending will only gradually get captured in depreciation charges when those datacenters come online. As a result, the P&L impact will lag far behind actual spending. While next-twelve-month estimated net income and free cash flow estimates for the hyperscalers used to match closely, this accounting issue has caused the two to diverge sharply since 2023. Contributing further to the divergence is the prevalent use and growing impact of stock options and restricted stock to pay employees, which results in substantial costs to shareholders that are often missed or ignored (**See Figure 7**).

Depreciation and amortization have not kicked in yet creating an illusion that hyperscalers are more profitable than they really are.

Figure 7: Hyperscaler NTM Free Cash vs. Net Income



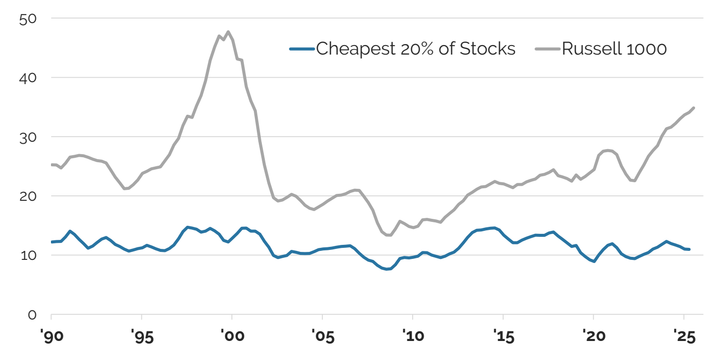
Source: FactSet. Data as of 6/30/2026. Consensus next-twelve-month (NTM) estimates. Option adjustment subtracts the equity option issuance and tax payment for eomployee option issuance from the statement of Cash Flows From Operations and Cash Flows From Financing.

The Value Opportunity:

Even though the overall market looks expensive, much of this is due to the impact of a small handful of very large and very rich stocks. Outside of these, much of the rest of the market looks quite attractive and several high-quality names appear extremely appealing. While this bifurcation in valuation within the market feels very extreme at present, it is not without precedent as valuations were even more divergent 25 years ago during the tech bubble. Back then, the trailing free cash flow yield on the capitalization-weighted Russell 1000 Index nearly touched 50x while the cheapest 20% of stocks on our measure of normalized free cash flow yield were around 12x, or one quarter the price. Today the situation is remarkably similar though not quite as extreme with the cheapest 20% of stocks at 10x trailing free cash flows while the broader index is near 37x (**See Figure 8**).

Thirty-five years of multiples between the Russell 1000 and the cheapest 20% of the market based on free cash flow yield.

Figure 8: Russell 1000 Trailing Free Cash Flow Multiple vs. Cheapest 20% of Stocks

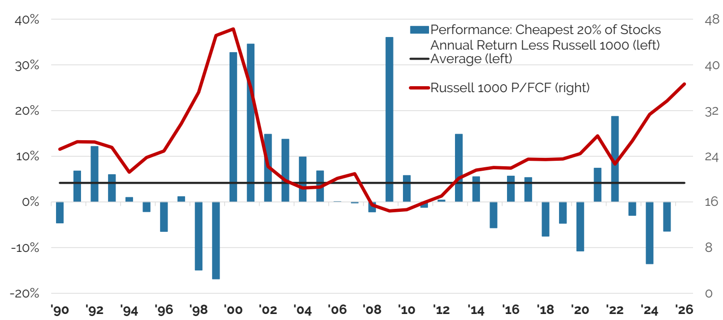


Source: Distillate Capital, FactSet. Data as of June 2026

The historical performance of the cheapest quintile of stocks shows an interesting pattern. As seen in **Figure 9**, when the FCF multiple for the market is expanding as it did in the late 1990s, and then again these past several years, the cheapest stocks have lagged on a relative basis (the blue bars). But when the multiple is flat or declining, the cheapest stocks have tended to outperform and have done so significantly.

The cheapest stocks have outperformed when the market multiple is flat or declining and have lagged when it was expanding.

Figure 9: Relative Performance of Cheapest 20% of Stocks vs. the Overall Market Multiple

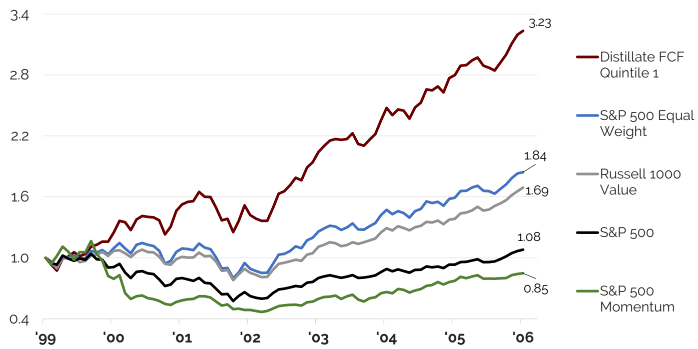


Source: Distillate Capital, FactSet. Data as of May 2026. Russell 1000 P/FCF is trailing using FY 0 data prior to 2000 and LTM thereafter. Annual figures are 4 quarter averages. 2026 figure is the May 2026 data for valuation and no performance data.

In **Figure 10**, looking at the post-2000 period more closely shows that in the years that followed the peak, momentum lagged and was still behind 7 years after the peak when the S&P 500 finally recovered its losses. Value did better and the equal-weighted S&P 500 did even better than that, but the cheapest stocks on a normalized free cash flow basis far outperformed all of their peers.

Cheaper stocks, based on free cash flow valuations, outperformed considerably post 2000.

Figure 10: Performance of Various Benchmarks vs. the Cheapest 20% of Stocks on Free Cash Yield Post 2000

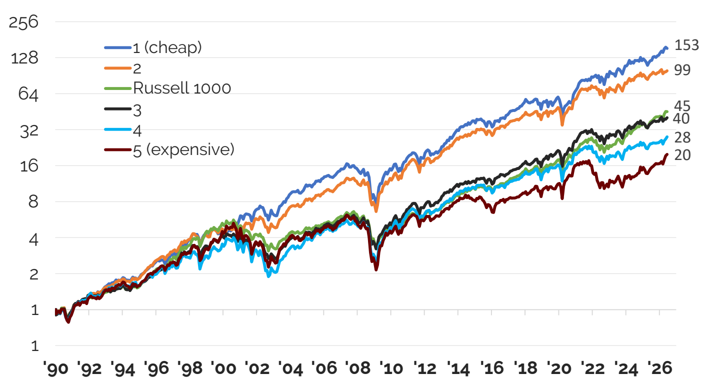


Source: FactSet; data from Dec 1999 to Dec 2006, collected as of 6/30/2026

Over the very long-term, cheaper stocks identified using our normalized free cash flow methodology have outperformed significantly. **Figure 11** shows the relationship between performance and beginning free cash flow yield with quarterly rebalancing. Interestingly, performance accrued to the cheapest stocks without large swings in multiples, as is highlighted in **Figure 8**. The multiple for the cheapest stocks has held steady at near 10x over the full period even when the broader market was much richer. While this led to underperformance during stretches like the present, it also resulted in significant gains when the overall market multiple contracted or held flat. Gains among the cheapest stocks resulted entirely from better fundamental growth, owing to the benefit of rebalancing out of stocks whose multiples expanded each quarter and into ones where each dollar acquired more underlying free cash flow.

Historically, cheaper stocks on normalized FCF/EV did better.

Figure 11: Russell 1000 Performance by Distillate Normalized Free Cash Flow/Enterprise Value Quintiles



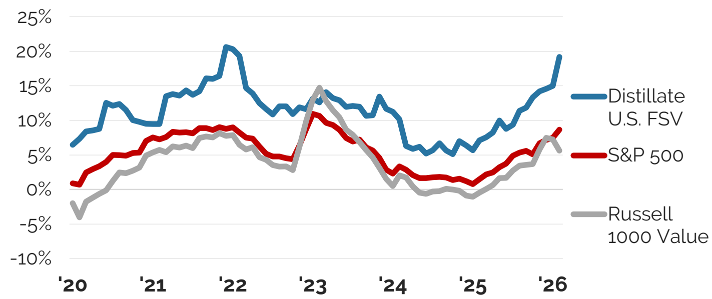
Source: Distillate Capital, FactSet. Data as of 6/30/2026

U.S. Large Cap Strategy

As highlighted in the previous section and noted in our [first quarter 2026 letter](), we believe fundamentals are the only real driver of returns in the long-term. By focusing on consistency of cash generation and rotating out of stocks whose valuations have increased and into what is newly cheap where each dollar invested buys more underlying free cash flow, we continue to grow the underlying free cash flow of our portfolio at a rate well above that of both the S&P 500 and Russell 1000 Value benchmarks (**See Figure 12**).

Underlying free cash flow growth has been better for Distillate's U.S. FSV strategy than for its benchmarks.

Figure 12: 3-Year Annualized Free Cash Flow Growth for Distillate's U.S. FSV vs. Benchmarks

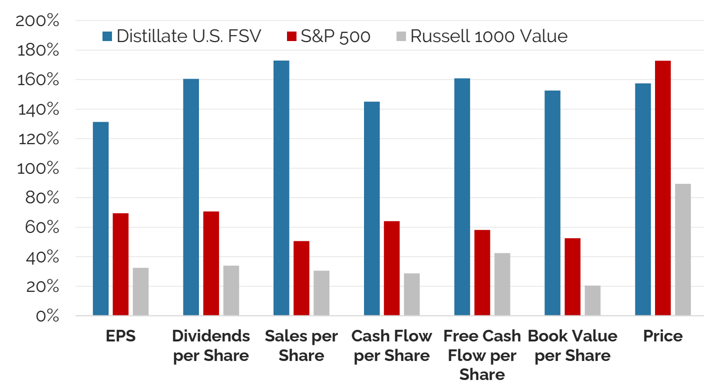


* Adds dividend contribution to return plus growth in NTM FCF
Source: FactSet; data as of June 2026

Going back to the first full year for which our U.S. FSV strategy's fundamentals were available and looking through the last full year, consistent rebalancing has not just produced better free cash flow growth, but better performance on a wide number of fundamental measures as seen in **Figure 13**. We have lagged, however, on price, as our U.S. FSV strategy's overall gain has largely matched its fundamental performance while the S&P 500's price gain has far exceeded any fundamental measure with the gain coming from multiple expansion. Looking forward, we believe it is much more sustainable to generate returns in line with fundamentals and avoid what could become a headwind should the market's multiple reverse course.

Fundamental gains for our U.S. FSV strategy have been solid.

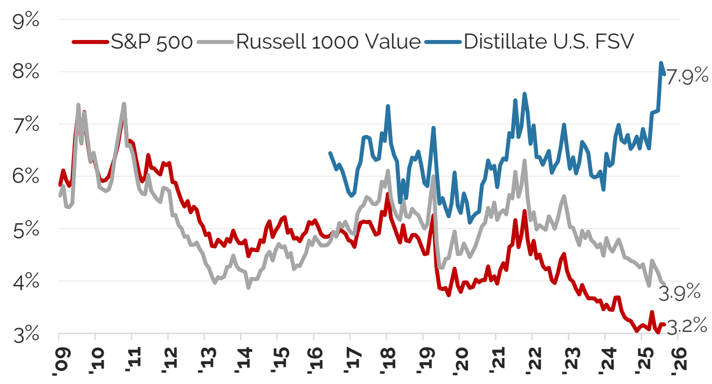
Figure 13: Fundamental vs. Price Gains for Distillate's U.S. FSV and Benchmarks 2018-2025



Source: FactSet, data as of 12/31/2025

Distillate's U.S. FSV is significantly cheaper than its benchmarks.

Figure 14: Free Cash (NTM) to Market Cap Yield for Distillate's U.S. FSV vs. Benchmarks



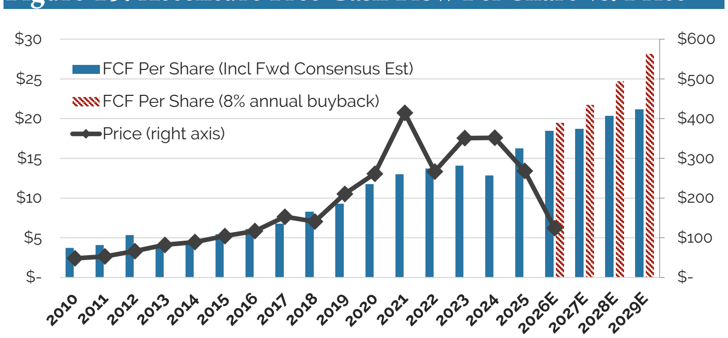
Source: FactSet. Data through 7/10/2026. FCF yield after option issuance.

Focusing on fundamentals, we are finding opportunities to invest in high quality stocks at unusually attractive valuations across a variety of sectors, and as a result the free cash flow to enterprise value yield for our U.S. FSV strategy has increased significantly in the last several rebalances (**See Figure 14**) The current valuation advantage over the S&P 500 is by far the widest since inception in 2018, and very similar to the valuation gap that occurred between valuation quintiles in 2000.

Accenture is a current example of a high-quality company that is trading at a compelling valuation that offers potential significant upside with notable margin of safety characteristics proving downside protection. The stock has plummeted due to AI disruption fears despite maintaining solid fundamentals, zero debt, and healthy growth forecasts. Historically valued at ~20 times FCF, the stock now trades at a steep discount of roughly 7.3x. As illustrated in **Figure 15**, this double digit FCF yield gives management the option to repurchase 8% (conservatively) of its shares annually – an outcome which could meaningfully grow FCF per share (stripped bars) ahead of Wall Street's expectations (the solid bars). The situation is reminiscent of Microsoft in 2009, or Apple in 2015, when sentiment was extraordinarily negative yet fundamentals were strong. Time will tell how disruptive or accretive AI might be to Accenture's business, but the skew currently, in our view, is one where investors may be richly rewarded for taking the contrarian view.

We believe Accenture looks extremely attractive.

Figure 15: Accenture Free Cash Flow Per Share vs. Price



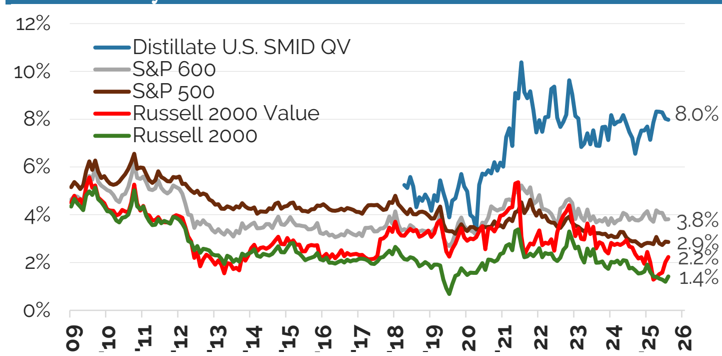
Source: FactSet, data as of 6/30/2026.

U.S. Small/Mid Cap Strategy

Just as the smaller portions of the large cap U.S. universe look very attractive to us, we are also finding very appealing valuations among good quality companies in the small and mid-cap universe. Within that universe, however, there is an enormous number of lower quality companies both in terms of leverage and profitability. For this reason, we prefer to look at free cash flow relative to enterprise value, which incorporates debt. On that measure, the Russell 2000 and Russell 2000 Value benchmarks look quite expensive with NTM FCF/EV yields of just 1.2% and 2.0% vs the S&P 500's 2.9%. The S&P 600, however, which filters out unprofitable names, looks much more appealing at a comparable valuation of 3.8%. Notably, the S&P 600 is now more attractive than the S&P 500 after being richer for much of the past decade and subsequently underperforming. By avoiding the unprofitable and highly leveraged names and focusing on valuation, Distillate's Small/Mid Quality Value strategy is significantly better valued than any of these benchmarks with the NTM FCF/EV yield of 8% (**See Figure 16**).

Distillate's Smid QV is significantly cheaper than its benchmarks.

Figure 16: Distillate's Small/Mid QV Free Cash to EV Yield vs. Key Benchmarks

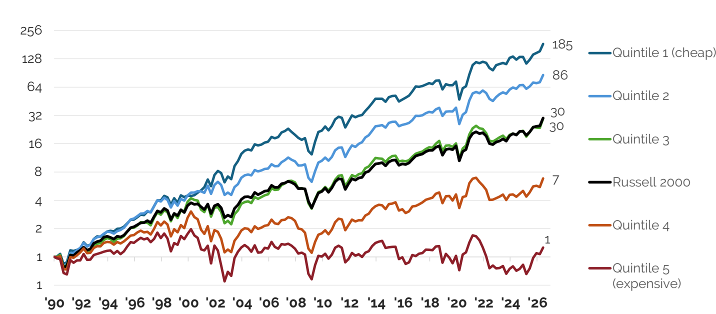


Source: FactSet. Data through 7/10/2026. FCF yield after option issuance.

Over the longer time frame for which we have free cash flow data, less expensive small stocks identified using our normalized FCF/EV yield measure have outperformed in the small stock space. **Figure 17** highlights this by showing the performance of each quintile of valuation with quarterly rebalancing.

Cheaper quintiles of small stocks on FCF have outperformed historically.

Figure 17: Small Stock Performance by FCF/EV Quintile

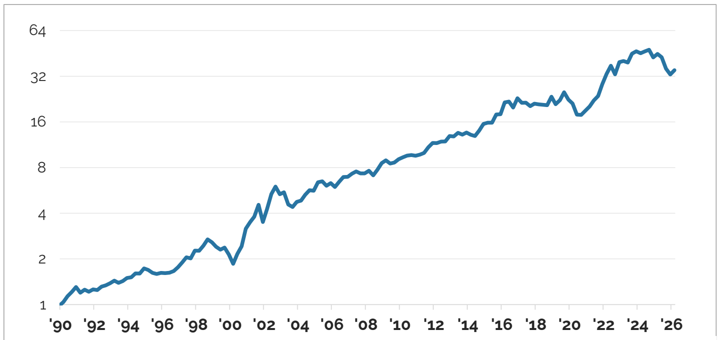


Source: FactSet. Excludes finance/rental/leasing, financial conflomerates, investment banks/brokers, life/health insurance, major banks, multi-line insurance, P&C insurance, REITS, regional banks, savings banks, & speciality insurance. FCF based on trailing three years. Rebalanced quarterly. Data from 1/1/1990 through 6/30/2026.

Despite positive longer-term results, there are moments when high free cash flow yield stocks lag. This can be seen in indexed performance of the cheapest vs. most expensive small stocks on normalized FCF/EV in **Figure 18**. While the trend upward is clear, the recent underperformance of cheaper stocks is notable, but consistent with similar moments during the tech bubble and meme stock craze after the pandemic. Even with those moments of underperformance, the longer-term trend looks very favorable, and argues to stay with the least expensive names.

On a free cash flow basis, the cheapest small-cap stocks have outperformed the most expensive ones significantly, but not always.

Figure 18: Indexed Performance of Russell 2000 FCF Valuation Quintile 1 (cheap) vs. Quintile 5 (expensive)

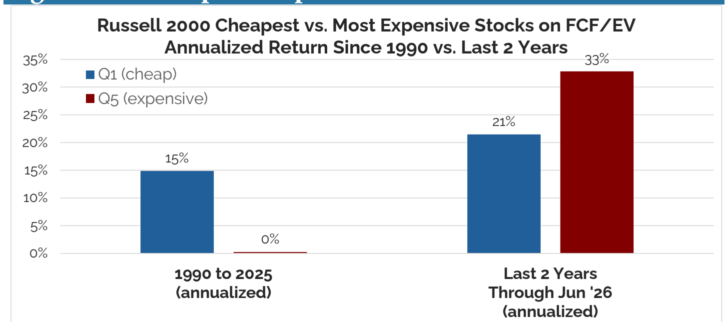


Source: FactSet. Excludes finance/rental/leasing, financial conflomerates, investment banks/brokers, life/health insurance, major banks, multi-line insurance, P&C insurance, REITS, regional banks, savings banks, & speciality insurance. FCF based on trailing three years. Rebalanced quarterly. Data from 1/1/1990 through 6/30/2026.

Going all the way back to 1990, the most expensive stocks on FCF/EV, which often have negative free cash yields, have lagged enormously and produced almost no return over 35 years while the cheapest have annualized at around 15%. In the last two years, however, the expensive group has produced an annualized 33% return vs. just 21% for the less expensive stocks (**see Figure 19**).

Despite a near 0% annualized return since 1990, the most expensive stocks have been the best performers in the market in the last 2 years.

Figure 19: Cheap vs. Expensive Russell 2000 Stocks



Source: FactSet. Excludes finance/rental/leasing, financial conflomerates, investment banks/brokers, life/health insurance, major banks, multi-line insurance, P&C insurance, REITS, regional banks, savings banks, & speciality insurance. FCF based on trailing three years. Rebalanced quarterly. Data from 1/1/1990 through 6/30/2026.

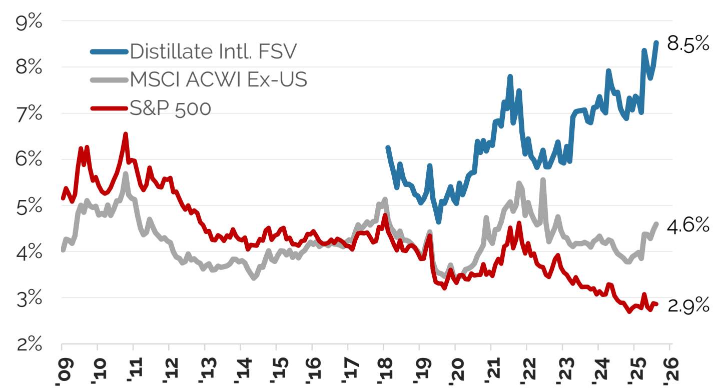
With selectivity, we believe it makes good sense to consider smaller stocks as an alternative or hedge to the concentration and richness of large U.S. stocks. The risk, however, is that the small benchmarks are polluted with unprofitable companies and a considerable degree of financial leverage. Selectivity, therefore in our view, remains critically important.

International Strategy

International stocks likewise look attractive from a valuation perspective but similarly have quality issues with less fundamental stability than is the case domestically, and more leverage as well. Just like small stocks, international stocks were more expensive than large U.S. stocks for much of the past decade and subsequently underperformed. The starting universe is now cheaper. With further selectivity, our international strategy is able to improve the portfolio's characteristics considerably over the benchmark, with an 8% FCF/EV yield vs. the international benchmark's 4.5% and the S&P 500's 2.9% (**See Figure 20**)

International stocks as a group are cheaper than U.S. ones, but our strategy is substantially less expensive than either benchmark.

Figure 20: NTM FCF/EV International Strategies

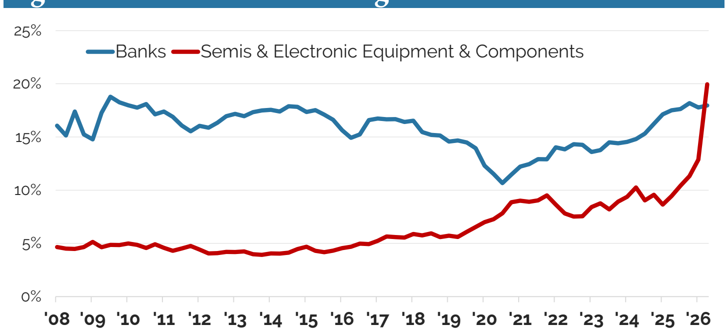


Source: FactSet. Data through 7/10/2026. FCF yield after option issuance.

Worth noting, while international stocks look more attractive generally, the index has been dominated by banks and semi/tech equipment stocks recently with those two segments recently rising from 10% to 18% and 5% to 20% of the benchmark (**See Figure 21**). In the first half of 2026 these two sectors accounted for a notable 12.3% of the total 13.8% return. But like with unprofitable small U.S. stocks lifting returns, this too looks like a significant longer-term risk where two historically cyclical and risky sectors now make up 40% of the benchmark. Again, while international stocks look like an attractive way to offset rich U.S. valuations, selectivity and diversification are critical.

International benchmarks are very concentrated.

Figure 21: Banks & Semis Weight in ACWI Ex-US



Source: FactSet. Data through 6/30/2026. Banks consists of FactSet industries "Major Banks", "Regional Banks", "Investment Banks/Brokers", and "Savings Banks. Semis & Electronic Equipment consists of FactSEet industries "Semiconductors", "Telecommunications Equipment", "Electronic Equipment/Instruments", "Electronic Production Equipment", "Computer Processing Hardware", "Conputer Peripherals", and "Electronic Components".

Final Word: Details Matter

AI has fueled an increase of $25 trillion in market cap for the roughly 60 AI related stocks in the U.S. market since the beginning of 2023. Corresponding fundamental gains in aggregate are minor in comparison. The story is yet to unfold, but clearly expectations are large. We are not bearish on AI as a technology—far from it. We are worried however that the profit generation needed to satisfy current stocks prices could be difficult to generate in what is shaping up to be an extremely competitive industry. The internet was also an incredible technology, but profit distribution and beneficiaries were very different from what was discounted into rich valuations in March of 2000, and internet stocks in aggregate fell sharply even as the internet itself boomed. While we don't doubt that many companies are likely to do very well as beneficiaries or purveyors of AI technology, the market seems to be pricing virtually every AI company as an enormous winner. While sometimes everyone does get a trophy, in our experience, this rarely happens in competitive markets, and valuations suggest there is an unfavorable upside/downside skew around many of these names even though some may do quite well.

In addition to the general issue of expectations and valuations for AI names, there are a number of accounting issues, those pesky details, that we believe matter enormously but are getting overlooked as accounting issues often do. We didn't get into the rather mundane and boring subject of accounting in any depth in the letter, but our firm largely exists because we recognized that the accounting metrics that Wall Street uses to assess valuation and quality have lost relevance in an increasingly asset light world. We have covered the subject in depth and will not do so again here, but critical accounting issues are coming to the fore. Several issues are of particular importance.

We touched on it, but the hyperscalers face a massive headwind in earnings, in that their capital spending is not reflected in current earnings but will be in the coming years as depreciation catches up to actual capital outlays that have taken place. It is unclear estimates reflect that fact.

Second, option issuance and the use of stock awards is again an issue, again in the tech space, and again conveniently being missed by many bullish market participants. Stock option issuance is a cost to shareholders. It is largely missed in measures of profitability including standard measures of free cash flow. Many companies have also shifted to pay the taxes on option issuance for their employees and this cost can be substantial and is buried in the financing section of the cash flow statement, missing the P&L entirely. Fully half of Alphabet's recent $80 billion secondary share issuance is purportedly related to such payments. Taking a step back, it is extraordinary that a company like Alphabet is issuing shares to pay its employees by covering the cost of the taxes on the options it issues them. We adjust for these impacts and always have.

Third, and again a repeat of history, we are seeing the use of off-balance-sheet vehicles to finance the planned $700 billion in AI-related spending. Debt markets are being tapped, significantly, and in ways that do not always transparently reflect the risks inherent to shareholders or the companies issuing the debt. We adjust for this activity as well.

Finally, circular financing deals are back in fashion like they were during the tech bubble. The hyperscalers and NVIDIA have committed around $180 billion to OpenAI and Anthropic, who in turn spend much of that investment with those same companies. In addition to current spending, Anthropic and OpenAI have pledged to spend around $1.1 trillion on compute with the hyperscalers and SpaceX even though their revenues, while growing rapidly, are small fraction of that amount. If the hyperscaler's investments in the frontier model labs are funded out of free cash flow or debt, there is no associated cost (other than interest) for them, but the revenues that come back are booked as such. In addition, if the value of OpenAI and Anthropic increases, as it has, the companies book a non-cash gain that boosts net income. In the first quarter, $53 billion of hyperscaler income came from this source (marked as "other income") and was responsible for 34% of total net income even though there was no cash income associated with it. Investing in your customers is not illegal and was not ~25 years ago either, but it is risky and can distort the true picture of a company's financials.

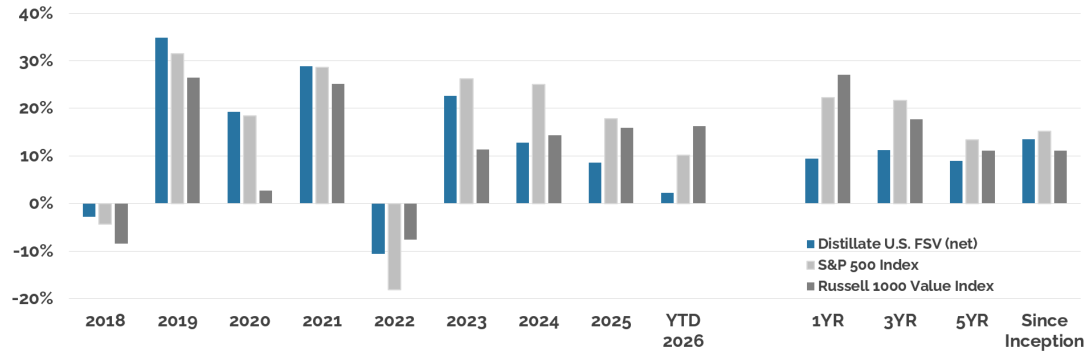
Ironically, ignoring accounting has been good for stocks and good for some strategies and we hear the case pretty often that stocks aren't that expensive on the basis of forward PE ratios. We saw and heard the same argument 25 years ago when momentum was likewise the dominant force in the market and fundamentals were taking a backseat. Back then, a focus on free cash flow would have caused an investor to own a very different set of names than the ones that were generating the most excitement and daily performance gains. But that strategy of buying high-quality stocks that were extremely cheap on a free cash flow basis and were being overlooked or even actively sold off would have ultimately prevailed even though it would have lagged in the run-up. Fundamentals and accounting ultimately did matter back then and led to enormously differentiated returns. We believe the true underlying fundamentals matter, and will come to bear again.

Performance & Rebalance Appendix

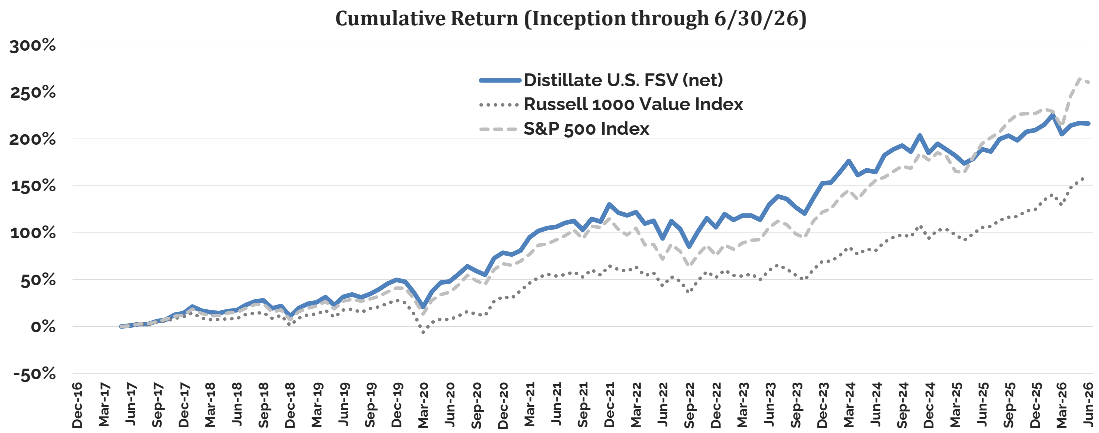
U.S. Fundamental Stability & Value Composite Performance:

As of June 30, 2026

	2017*	2018	2019	2020	2021	2022	2023	2024	2025	YTD 2026	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%	8.59%	2.24%	9.42%	11.26%	8.94%	13.51%
Russell 1000 Value Index	10.27%	-8.41%	26.52%	2.78%	25.12%	-7.56%	11.42%	14.35%	15.88%	16.22%	27.05%	17.75%	11.14%	11.14%
S&P 500 Index	12.11%	-4.39%	31.48%	18.39%	28.68%	-18.12%	26.26%	25.00%	17.86%	10.19%	22.29%	21.66%	13.38%	15.15%

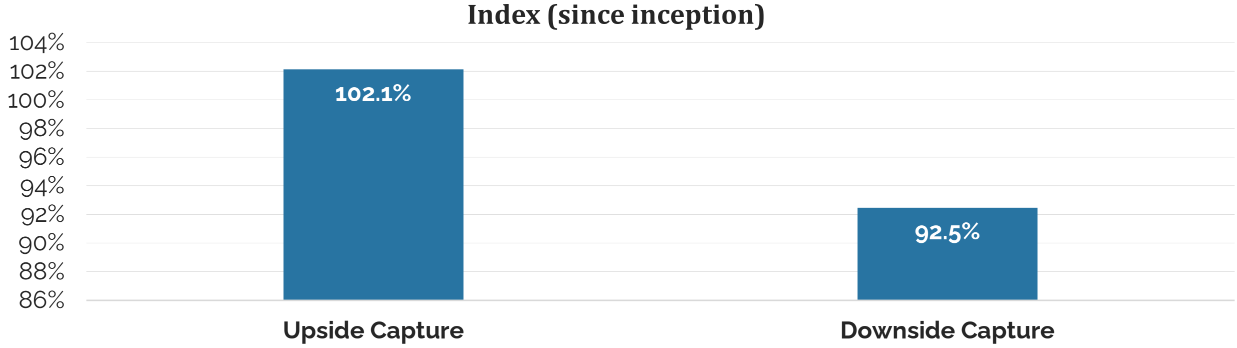


Source: U.S. Bank, Morningstar Data; Inception 5/31/2017; the period "2017*" reflects returns from inception through 12/31/2017. One cannot invest directly in an index. See performance disclosures.



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. Russell 1000 Value 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 2026 YTD Impact to Relative Returns (vs. S&P 500)

Top Contributors	Impact	Largest Detractors	Impact
MARATHON PETROLEUM	0.65%	ACCENTURE PLC-CL A	-0.87%
ON SEMICONDUCTOR	0.55%	SALESFORCE INC	-0.76%
JABIL INC	0.52%	ADOBE INC	-0.61%
MERCK & CO. INC.	0.52%	COGNIZANT TECH SOL	-0.56%
F5 INC	0.44%	EPAM SYSTEMS INC	-0.49%

Rebalance Summary:

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

Largest Purchases	Weight	Largest Sales	Weight	Largest Sector Changes
FedEx Corporation	1.4%	QUALCOMM Incorporated	-2.6%	Financials (+2.8%)
Intuit Inc.	1.3%	ON Semiconductor Corp	-1.6%	Tech (-2.1%)
Intercontinental Exchange	1.2%	Jabil Inc.	-1.3%	Industrials (-1.9%)

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Accenture Plc Class A	1.8%	1.1%	AbbVie, Inc.	2.0%	3.2%
Comcast Corporation Class A	2.0%	1.4%	ICON Plc	0.7%	1.3%
Salesforce, Inc.	2.2%	1.7%	BorgWarner Inc.	0.7%	1.1%

Rebalance Calculation Date: **6/25/2026**

U.S. FSV Portfolio Characteristics*

	U.S. FSV	Russell 1000 Val	S&P 500
Free Cash Yield to Mkt Cap[1]	7.9%	3.9%	3.2%
Free Cash Yield to EV[1]	6.7%	3.3%	2.9%
P/E[2]	12.5	18.4	21.1
Leverage[3]	0.9	1.5	0.7
Cash Flow Stability[4]	0.84	0.66	0.69
Dividend Yield	1.6%	1.6%	1.0%

*as of 7/10/2026, see methodology endnotes.

U.S. FSV Portfolio Sector Weights

	U.S. FSV	Russell 1000 Val	S&P 500
Communication Services	6.5%	3.2%	10.0%
Ex GOOGL & META	6.5%	2.5%	1.9%
Consumer Discretionary	10.3%	10.6%	9.3%
Ex AMZN & TSLA	10.3%	4.5%	3.8%
Consumer Staples	2.4%	7.4%	4.6%
Energy	4.6%	5.6%	3.1%
Financials	12.9%	19.3%	12.1%
Ex Banks	12.9%	5.1%	5.0%
Health Care	22.9%	12.5%	8.9%
Industrials	17.2%	10.9%	8.7%
Information Technology	19.6%	18.3%	37.7%
Ex MSFT, AAPL & NVDA	19.6%	18.3%	22.7%
Materials	2.8%	3.7%	1.8%
Real Estate	0.0%	3.6%	1.8%
Utilities	0.9%	3.8%	2.2%

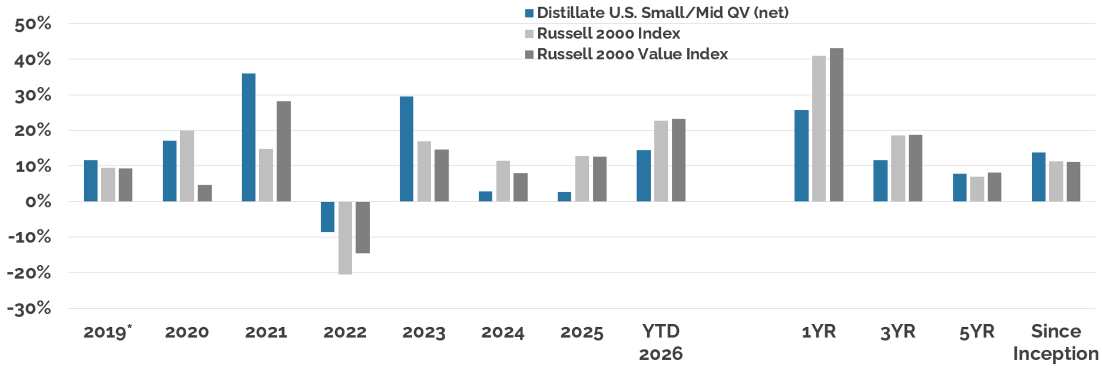
*as of 7/10/2026

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:

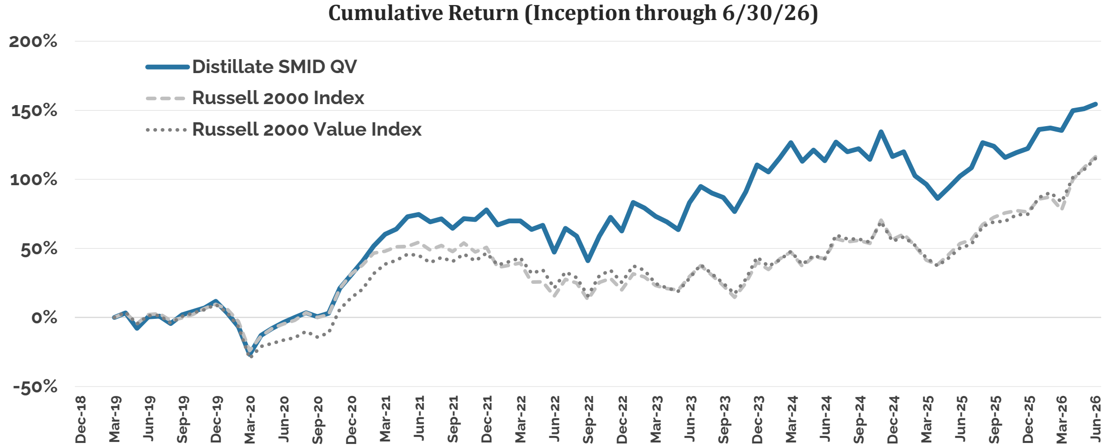
As of June 30, 2026

	2019*	2020	2021	2022	2023	2024	2025	YTD 2026	1YR	3YR	5YR	Since Inception
Distillate U.S. Small/Mid QV (net)	11.65%	17.15%	36.03%	-8.64%	29.46%	2.92%	2.63%	14.47%	25.74%	11.59%	7.82%	13.75%
Russell 2000 Index	9.53%	19.93%	14.78%	-20.46%	16.88%	11.52%	12.79%	22.69%	40.91%	18.62%	6.98%	11.23%
Russell 2000 Value Index	9.33%	4.60%	28.21%	-14.50%	14.58%	8.03%	12.58%	23.15%	43.18%	18.76%	8.23%	11.15%



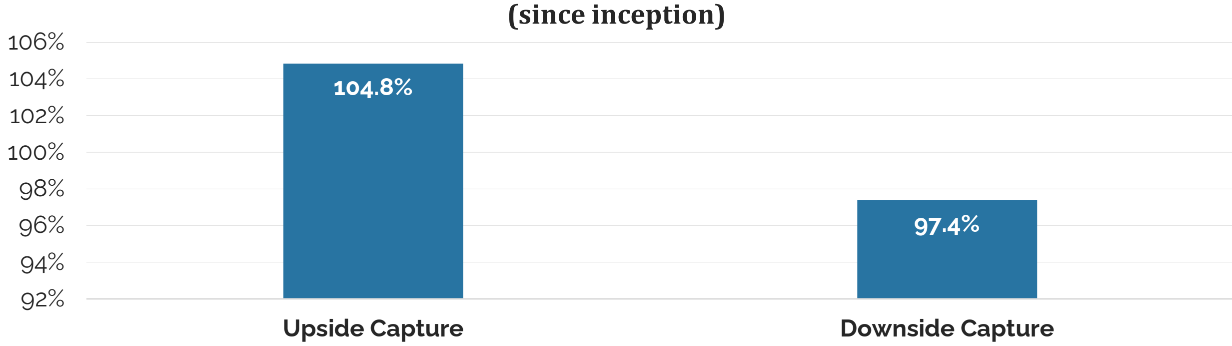
Source: U.S. Bank, Morningstar Data; Inception 3/31/2019; the period "2019*" reflects returns from inception through 12/31/2019. One cannot invest directly in an index. See performance disclosures.

Cumulative Return (Inception through 6/30/26)



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

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Top Contributors and Detractors From Relative Performance:

U.S. SMID QV: Owned Stocks 2026 YTD Impact to Relative Returns (vs. Russell 2000)

Top Contributors	Impact	Largest Detractors	Impact
HF SINCLAIR CORP	0.83%	DXC TECHNOLOGY CO	-0.54%
ENPHASE ENERGY INC	0.76%	EVERFORTH INC	-0.39%
TD SYNNEX CORP	0.74%	EPAM SYSTEMS INC	-0.37%
APA CORP	0.61%	AMDOCS LTD	-0.36%
CF INDUSTRIES HOLDINGS	0.44%	ZOOMINFO TECH	-0.34%

Rebalance Summary:

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

Largest Purchases	Weight		Largest Sales	Weight	
Invesco Ltd.	1.1%		TD SYNNEX Corporation	-1.6%	
CDW Corporation	1.1%		Owens Corning	-1.1%	
Toll Brothers, Inc.	1.0%		Axcelis Technologies, Inc.	-1.0%	
Largest Adds	**Weight**	**Previous**	**Largest Trims**	**Weight**	**Previous**
DXC Technology Co.	1.1%	0.8%	HF Sinclair Corporation	1.1%	1.9%
Ingredion Incorporated	0.9%	0.7%	APA Corporation	1.1%	1.7%
Blackbaud, Inc.	0.5%	0.3%	Chord Energy Corporation	0.9%	1.3%
Rebalance Calculation Date:	**5/26/2026**				

U.S. SMID QV Portfolio Characteristics*

	SMID QV	Russell 2000	Russell 2000 Value
Free Cash Yield to Mkt Cap[1]	9.8%	2.4%	4.1%
Free Cash Yield to EV[1]	8.0%	1.4%	2.2%
P/E[2]	10.6	16.5	12.6
Leverage[3]	0.8	1.6	2.3
Fundamental Stability[4]	0.50	0.40	0.36
Negative FCF Weight[5]	0.0%	18.4%	18.6%

*as of 7/10/2026, see methodology endnotes.

U.S. SMID QV Portfolio Sector Weights

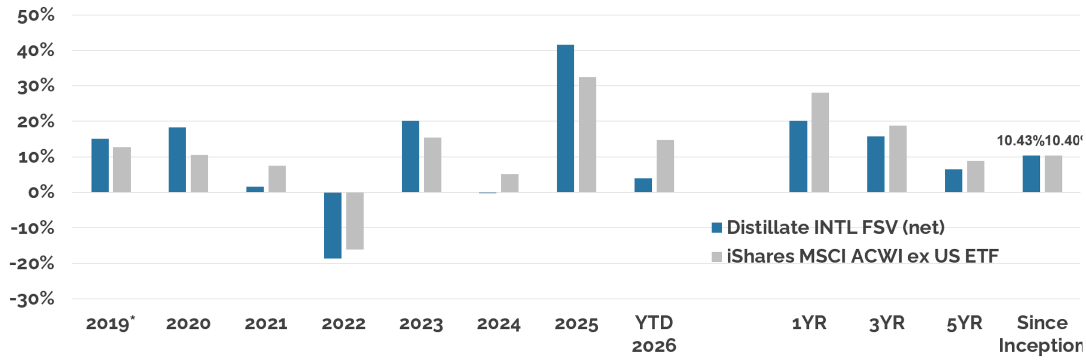
	SMID QV	Russell 2000	Russell 2000 Value
Communication Services	5.1%	2.4%	2.5%
Consumer Discretionary	18.6%	9.4%	10.1%
Consumer Staples	8.9%	2.0%	2.4%
Energy	14.0%	6.0%	6.8%
Financials	8.6%	18.7%	28.6%
Health Care	11.0%	20.8%	11.3%
Industrials	18.1%	14.3%	12.3%
Information Technology	12.5%	13.5%	7.2%
Materials	3.1%	4.1%	3.9%
Real Estate	0.0%	5.8%	9.6%
Utilities	0.0%	2.8%	5.4%
Not Classified	0.1%	0.0%	0.0%

*as of 7/10/2026

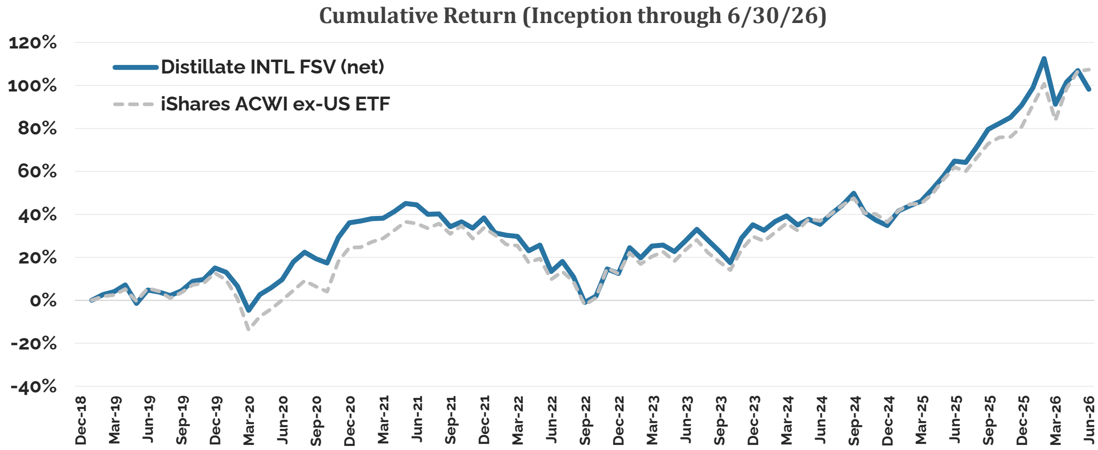
International Fundamental Stability & Value Composite Performance:

As of June 30, 2026

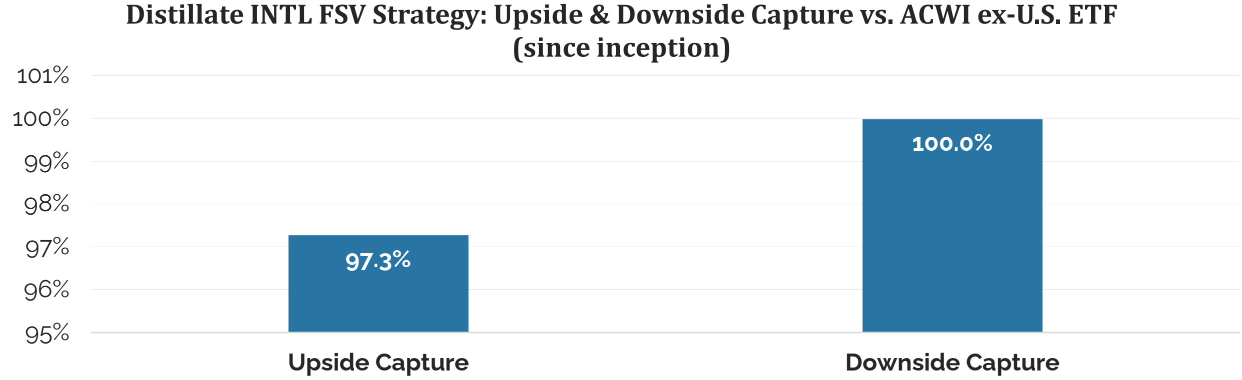
	2019*	2020	2021	2022	2023	2024	2025	YTD 2026	1YR	3YR	5YR	Since Inception
Distillate INTL FSV (net)	15.08%	18.26%	1.67%	-18.68%	20.10%	-0.25%	41.53%	3.89%	20.23%	15.76%	6.54%	10.43%
iShares MSCI ACWI ex US ETF	12.67%	10.48%	7.48%	-16.01%	15.47%	5.19%	32.48%	14.69%	28.05%	18.85%	8.85%	10.40%



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.



Source: Zephyr Analytics, see definition

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Top Contributors and Detractors From Relative Performance:

INTL FSV Strategy: Owned Stocks 2026 YTD Impact to Rel Returns (vs. ACWI Ex U.S.)

Top Contributors	Impact	Largest Detractors	Impact
UNITED MICROELEC	1.97%	INFOSYS LTD-SP ADR	-0.58%
SAMSUNG ELECTR-GDR	1.34%	CAPGEMINI SE	-0.45%
SCREEN HOLDINGS CO LTD	1.14%	KUAISHOU TECHNOLOGY	-0.37%
REALTEK SEMICONDUCT	0.52%	WOLTERS KLUWER	-0.36%
AMERICA MOVIL SAB	0.45%	NETEASE CLOUD MUSIC	-0.35%

Rebalance Summary:

INTL FSV Strategy: Portfolio Changes During Recent Quarterly Rebalancing

Largest Purchases	Weight	Largest Sales	Weight
Suncor Energy Inc.	1.8%	United Microelectronics Corp.	-3.3%
Tokio Marine Holdings, Inc.	1.6%	America Movil SAB de CV	-2.0%
Aluminum Corporation	1.6%	SCREEN Holdings Co., Ltd	-1.5%

Largest Adds	Weight	Previous	Largest Trims	Weight	Previous
Canadian Natural Resources	1.9%	1.2%	Realtek Semiconductor Corp	0.8%	1.3%
Gold Fields Limited	1.4%	0.8%	Pandora A/S	0.7%	1.3%
Netease Inc	1.8%	1.2%	Compagnie de Saint-Gobain	1.2%	1.6%

Rebalance Calculation Date: 6/25/2026

INTL FSV Portfolio Characteristics*

	INTL FSV	ACWI Ex U.S. ETF
Free Cash Yield to Mkt Cap[1]	9.9%	5.1%
Free Cash Yield to EV[1]	8.5%	4.6%
P/E[2]	10.6	14.6
Leverage[3]	0.5	1.1
Cash Flow Stability[4]	0.78	0.62
Dividend Yield	3.7%	2.3%

*as of 7/10/2026, see methodology endnotes.

INTL FSV Portfolio Region Weights

Region	INTL FSV	ACWI Ex U.S. ETF
Europe	38.5%	40.9%
Japan	26.9%	12.4%
Asia Ex China & Japan	13.9%	17.5%
China & Hong Kong	7.2%	10.4%
Americas	10.4%	14.4%
Middle East & Africa	3.1%	4.4%

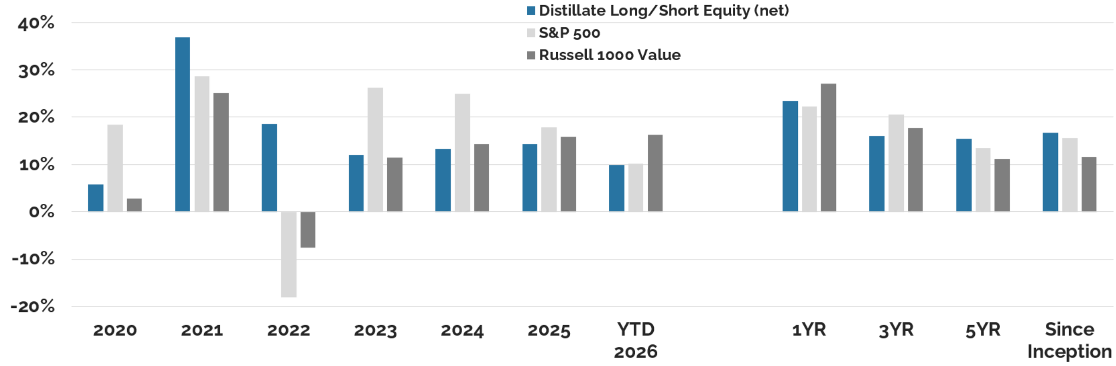
*as of 7/10/2026

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.

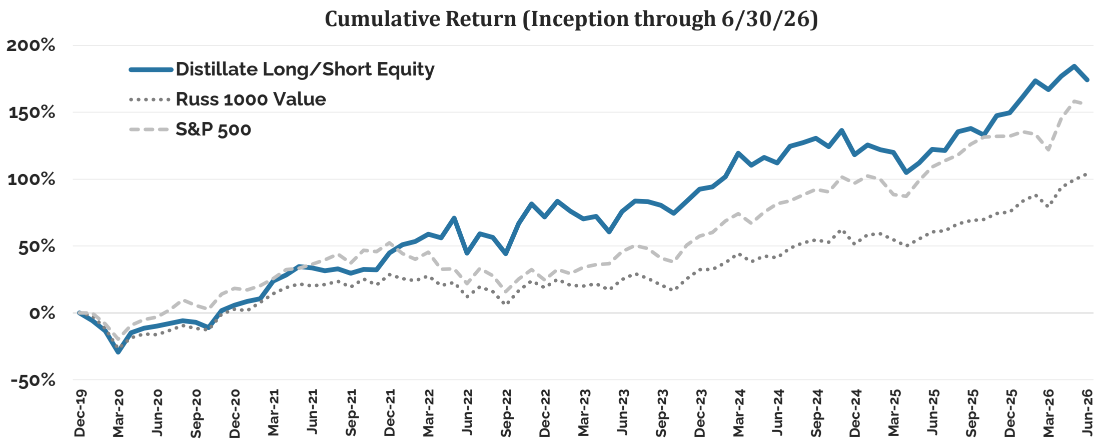
Long/Short Equity Composite Performance:

As of June 30, 2026

	2020	2021	2022	2023	2024	2025	YTD 2026	1YR	3YR	5YR	Since Inception
Distillate Long/Short Equity (net)	5.81%	36.86%	18.59%	12.08%	13.34%	14.36%	9.87%	23.34%	15.99%	15.45%	16.78%
Russell 1000 Value	2.78%	25.12%	-7.56%	11.41%	14.35%	15.88%	16.22%	27.05%	17.75%	11.14%	11.59%
S&P 500	18.39%	28.68%	-18.13%	26.26%	25.00%	17.86%	10.19%	22.29%	20.59%	13.38%	15.53%



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.

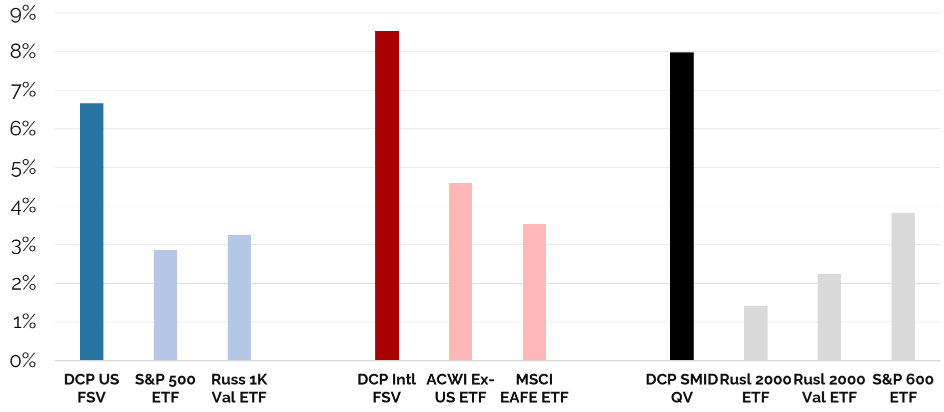
Long/Short Equity Portfolio Characteristics*

	Long	Short	Russell 1000 Val	S&P 500
Free Cash Yield to Mkt Cap[1]	9.3%	-2.4%	3.9%	3.2%
Free Cash Yield to EV[1]	7.5%	-2.4%	3.3%	2.9%
P/E[2]	10.9	27.8	18.4	21.1
Leverage[3]	1.2	2.3	1.5	0.7
Fundamental Stability[4]	0.61	0.55	0.66	0.69
Negative FCF Weight	0.0%	42.3%	13.2%	11.1%

*as of 7/10/26, see methodology endnotes.

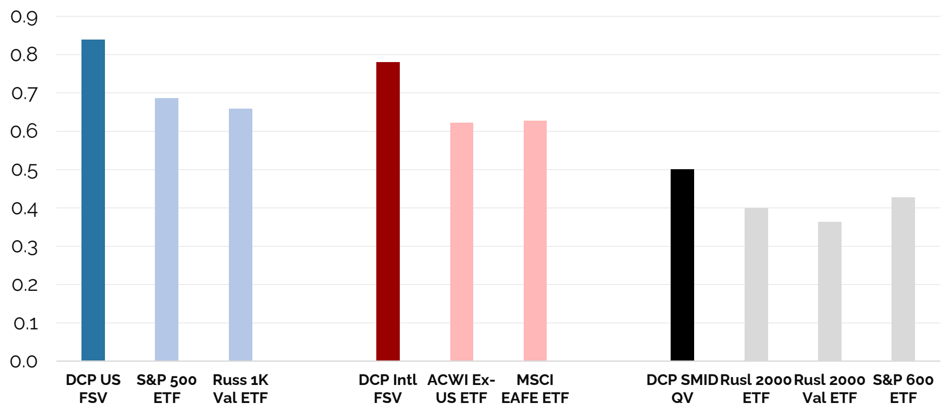
Past performance does not guarantee future results. See disclosures. Statistical data is sourced from FactSet.

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



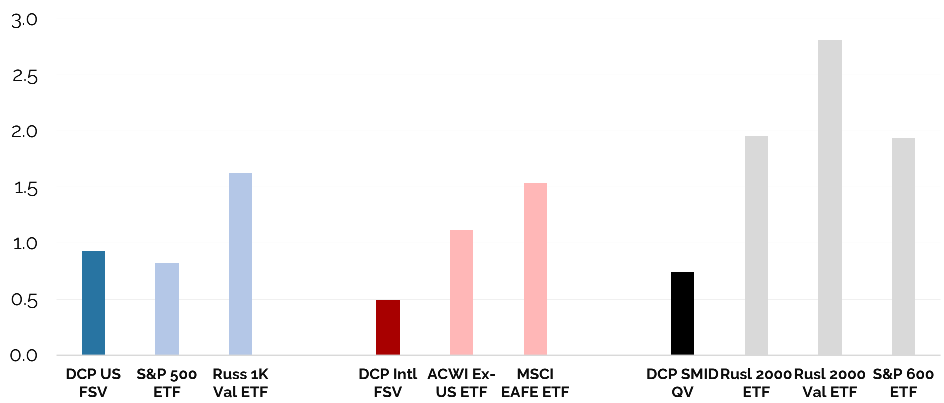
Source: FactSet, See end-notes for methodology. As of 7/10/2026

Quality: Distillate's Cash Flow Stability Score



Source: FactSet, See end-notes for methodology. As of 7/10/2026

Quality: Net Debt to Adjusted EBITDA



Source: FactSet, See end-notes for methodology. As of 7/10/2026

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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All investments in securities, options and derivatives involve a risk of loss of capital and no guarantee or representation can be made that an investment will generate profits or that an investment will not incur a total loss of invested capital. ***Past performance does not guarantee future results*** *and there can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance level(s), or prove successful. Investment returns and value will fluctuate in response to issuer, political, market, and economic developments, which can affect a single issuer, issuers within an industry, economic sector or geographic region, or the market as a whole. Furthermore, nothing herein is intended to imply that Distillate's investment strategies may be considered "conservative", "safe", "risk free" or "risk averse." Portfolio holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. The information in this presentation has been obtained or derived from sources believed to be reliable, but no representation is made as to its accuracy or completeness.*

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.