



Wedgewood Partners First Quarter 2026 Client Letter

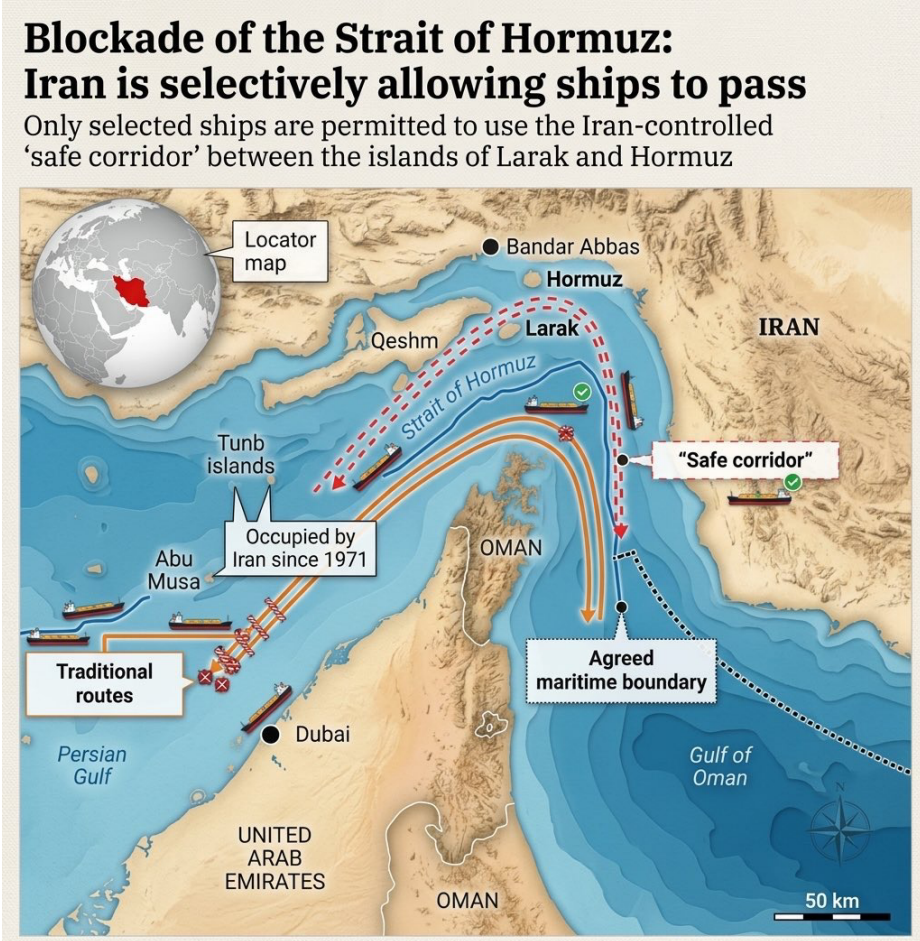
Dire Straits

“Iran’s exercise of sovereignty over the Strait of Hormuz is and will remain Iran’s natural and legal right, and it constitutes a guarantee for the implementation of the other party’s commitments and must be recognized.”

Iran’s counterproposal, Point 5

“Iran probably did not expect its Hormuz strategy to be this successful...the lesson Iran has learned from this war is that holding the global economy hostage is cheaper than anticipated.”

Bloomberg Middle East Economist Dina Esfandiary



Review and Outlook

	<u>1Q</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
Wedgewood Composite Net	-6.3	-6.3	4.3	14.1	8.9
Standard & Poor's 500 Index	-4.3	-4.3	17.8	18.3	12.1
Russell 1000 Growth Index	-9.8	-9.8	18.8	21.2	12.8
Russell 1000 Value Index	2.1	2.1	15.9	14.3	9.4
	<u>10-Year</u>	<u>15-Year</u>	<u>20-Year</u>	<u>25-Year</u>	<u>30-Year</u>
Wedgewood Composite Net	12.9	12.0	10.5	9.5	11.8
Standard & Poor's 500 Index	14.2	13.3	10.5	9.2	10.0
Russell 1000 Growth Index	16.8	15.3	12.5	10.2	10.5
Russell 1000 Value Index	10.6	10.5	8.1	8.1	9.1i

Manager vs Universe: Gain to Loss Ratio

As of December 2025

April 06, 2026 | 1/1



	1 YEAR	3 YEARS	5 YEARS	10 YEARS	15 YEARS	20 YEARS	25 YEARS	30 YEARS
Median	1.15	1.36	1.11	0.99	1.05	0.96	0.97	1.01
■ Wedgewood Large Cap Focused Growth	1.02	1.68	1.16	1.13	1.21	1.17	1.11	1.26
◆ Russell 1000 Growth	1.14	1.71	1.15	1.07	1.20	1.10	1.05	1.06
◆ S&P 500	1.08	1.35	0.98	0.82	0.92	0.82	0.81	0.87
Valid Count	766.00	748.00	727.00	623.00	520.00	404.00	277.00	151.00

Source: PSN Large Cap Manager Database. Data are calculated on a gross-of-fee basis for managers. Past performance does not guarantee future results. Future results may differ materially from past results.

i. Portfolio returns and contributions, expressed as percentages, are calculated net of fees. Contribution to return calculations is preliminary. Returns are presented net of fees and include the reinvestment of all income. "Net (actual)" returns are calculated using actual management fees and are reduced by all fees and transaction costs incurred. Past performance does not guarantee future results. Additional calculation information is available upon request.

Q1 Top Contributors	Avg. Wgt.	Contribution to Return
Taiwan Semiconductor Manufacturing	9.46	1.23
Old Dominion Freight Line	3.92	0.81
Motorola Solutions	5.62	0.58
Chubb	3.31	0.15
O'Reilly Automotive	3.20	0.05

Q1 Bottom Contributors		
Microsoft	6.03	-1.49
Meta	8.15	-1.17
Booking Holdings	4.91	-1.12
Alphabet	9.35	-0.79
Visa	5.16	-0.71

Top-performing contributors in the first quarter include Taiwan Semiconductor Manufacturing, Old Dominion Freight Line, Motorola Solutions, Chubb, and O'Reilly Automotive. Top-performing detractors include Microsoft, Meta, Booking Holdings, Alphabet, and Visa.

During the quarter, we bought Toll Brothers and Progressive, sold PayPal, increased Amazon, and trimmed Taiwan Semiconductor Manufacturing twice.

Taiwan Semiconductor Manufacturing Company was a top contributor to portfolio performance in the first quarter. Revenues grew +25%, and the Company guided to accelerating revenue growth to +30% in 2026 as demand for compute accelerators for AI applications continues to ramp unabated. In addition, the Company recently reported that March revenue was up +45% year over year, +31% month over month, and +35% year to date. The semiconductor customer base has evolved to the point that the Company increasingly works directly with non-traditional end customers, particularly cloud service providers, to develop custom silicon. This helps the Company better match supply with demand, so despite strong revenue growth, the Company has kept capital expenditures relatively in line with revenue growth. In addition, the Company is raising prices as utilization rates at leading-edge nodes continue to climb. We trimmed positions because our holdings exceeded 10% of portfolios. Taiwan Semiconductor Manufacturing Company remains a top holding.

Old Dominion Freight Line also contributed to the quarter's performance. As in the fourth quarter of 2025, investors have grown more optimistic about a rebound in industrial activity, a core source of demand for Old Dominion's fleet, as U.S. manufacturing data suggests a nascent expansion is underway after more than three years of contraction. As usual, the Company has managed its capacity exceptionally well during this downturn, keeping costs under control and charging prices that reflect the longstanding, dependable service it

provides its customers. Compared with peers, Old Dominion maintains a significant buffer of spare capacity, which helps capture more of the economics during an expansion. The Company has significant pent-up earnings growth ahead, which should attract new investors.

Motorola Solutions contributed positively to performance, with organic revenue up 7% and orders growing in the double digits for the third consecutive quarter. The Company's core Land Mobile Radio (LMR) business offers a unique value proposition to its customers, particularly local governments and public safety agencies. LMR technology is well suited for inclement weather and harsh conditions because its antennas generate a high-powered signal, unlike competing modes of communication (e.g., cellular and satellite), which rely on clusters of low-power deployments and are more susceptible to degradation when power or network backhaul becomes unavailable due to power failures or deteriorating weather. In fact, Motorola devices can communicate radio-to-radio without a network if necessary. In addition, Motorola's command center software and new unmanned aerial communication platform (Silvus) are value-added services that public-safety customers are increasingly adopting to do more with the same personnel. We continue to hold Motorola as a core position in portfolios, having added to it in the fourth quarter of 2025.

Chubb contributed to performance during the quarter, growing core operating income by +25% on +8% growth in net premiums (FX-neutral) and achieving a record-low combined ratio. Despite a soft industry backdrop, particularly in property, Chubb grew new business by +17% in its core small and middle-market segment, and international global retail premiums were up by +13%, driven by distribution through large local financial intermediaries and a direct-to-consumer digital buildout. Underwriting has benefited from a quiet year on the "mega-cat" front, but the Company has also performed well during previous periods of higher mega-cat activity and is focused on driving margins by controlling overhead through several productivity initiatives. We expect Chubb to grow earnings per share and tangible book value per share at double-digit rates this year.

O'Reilly Automotive helped performance this quarter, as earnings per share grew by +13%, driven by a +6% increase in same-store sales (comps), marking the Company's 33rd consecutive year of positive comp growth. The primary driver of O'Reilly's quarterly comp performance was its professional business, which grew by over +10%. This was partially aided by tariff-driven inflation, which the Company successfully passed through to customers. Weather did not play a significant role, making this quarter a clear indicator of the Company's underlying fundamentals. Despite higher gas prices late in the first quarter potentially dampening consumer sentiment, we expect O'Reilly to continue posting solid comp and earnings growth, as the vast majority of its revenues are non-discretionary.

Microsoft was a leading detractor from performance in the first quarter. Despite revenue growth of +15%, operating income growth above 20%, and a backlog that more than doubled (to over \$600 billion), the stock's multiple contracted to multi-year lows. Much of the initial negativity during the quarter centered on Microsoft's capital expenditures, which grew +65%. As we have shown in recent letters, Microsoft's incremental capital expenditures have yielded excellent returns over the past few years. So, while revenue "only" grew +15%

compared to 65% capex growth, the more-than-doubling of the Company's backlog and the tripling of its commercial bookings are reasonable demand markers that suggest returns on invested capital from this capex cycle are likely to remain strong. Further, Microsoft is the largest shareholder in OpenAI, with a stake worth well over \$100 billion based on recent fundraises, a fraction of Microsoft's \$2.75 trillion market cap but close to 10X more than the Company's initial investments. Microsoft's capital allocation discipline and track record are sorely underestimated. Lastly, the market began discounting nearly all "seat-based" software stocks on the perception that they could be undermined by emerging AI workflows and competition. Rather, we believe investors are fading large-cap tech to make room for the mega IPOs later this year, particularly OpenAI, Anthropic, and SpaceX (which includes xAI). As these companies provide more disclosure and the market digests this impending glut of issuance, the long-term, complementary, and mission-critical (sticky) nature of Microsoft's productivity suite will become more evident.

TOP IPOs ANTICIPATED IN 2026

Company	Sector	Est. IPO Valuation	Exp. Timing
 SPACE X	Aerospace/Satellite	> \$1 Trillion	Q3-Q4 2026
 OpenAI	Artificial Intelligence	\$830B - \$1T	Late '26/Early '27
 ByteDance	Social Media	\$480-500B	Considering 2026
ANTHROPIC	Artificial Intelligence	\$230B - \$300B	Preparing H2 2026
 databricks	Data/AI Infrastructure	\$134B - \$160B	Likely Q1-Q2 2026
 stripe	Fintech/Payments	\$91.5B - \$120B	Signalled H1 2026
Revolut	Digital Banking	\$75B - \$90B	2026 Target
 Canva	Design Software	\$50B - \$56B	Exp. H2 2026

AMPLIFY ME

Sources: Bloomberg, Reuters, FinTech Weekly, Tech Funding News

Booking Holdings detracted from overall performance during the quarter. Earnings per share grew +17%, with revenues up +16%, as travel demand remained strong late into 2025 and into early 2026. Most of the stock's weakness stemmed from investors labeling it an "AI loser" and, later in the quarter, the outbreak of war in the Middle East. Consumer AI, as a disruptive force in existing commerce, is proving to be much more difficult than markets expect. We view these AI tools and distribution channels as incremental rather than as drivers of the "zero-sum" dynamics that markets have been craving. As for the Middle East,

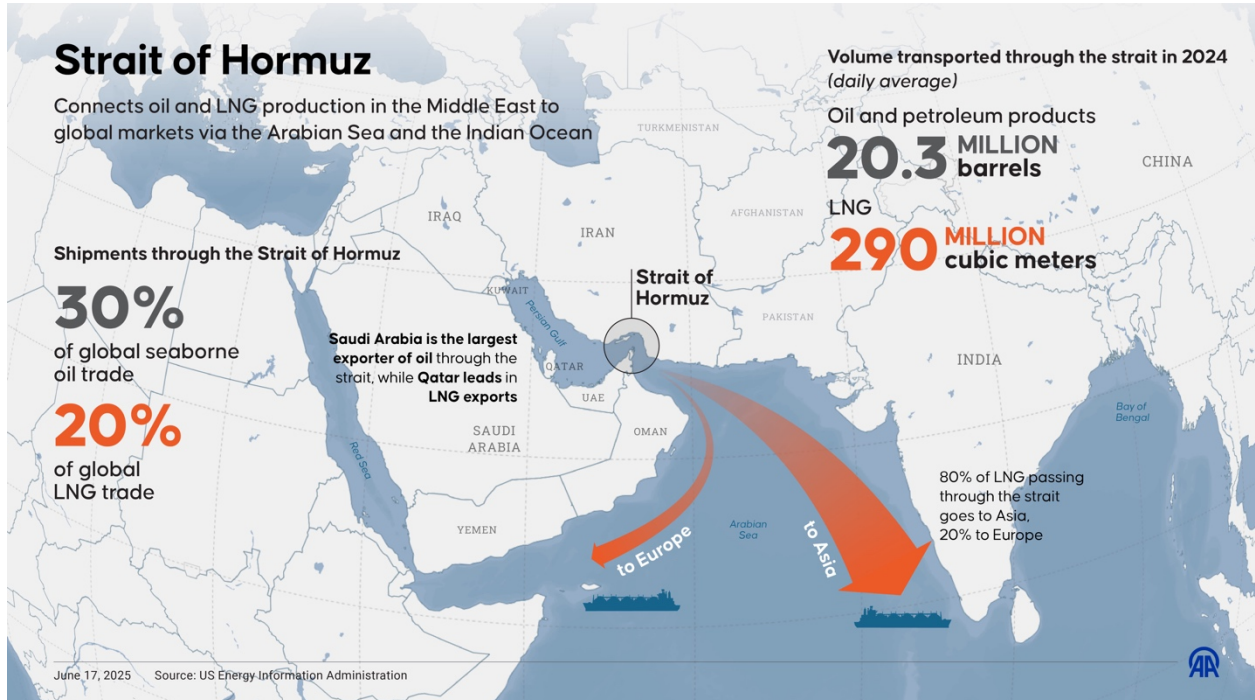
for now, it represents a short-term disruption to travelers, particularly air travelers, given credible risks to international airline fuel supplies. However, we expect this will not be a multi-year headwind - more like a few quarters.

Meta Platforms detracted from performance despite reporting fourth-quarter 2025 revenue growth of +24% and guiding to accelerating revenue growth of +30%, its fastest since 2021. The market began punishing stocks, such as Meta's, that are spending heavily on capex to fund AI-related infrastructure, regardless of the tremendous productivity gains they have exhibited - with headcount up just +6% on +24% revenue growth. The market further pressured the stock after oil prices spiked at the beginning of March. The assumption was that disposable income would be cannibalized at the pump, pressuring broader retail activity and related ad budgets. The forward earnings multiple on Meta has fallen to levels more consistent with much slower growth than the Company has guided to. After trimming Meta several times over the past few years, we are more likely to add to positions based on the strong Company-specific benefits that their long-term AI investments are yielding, given a valuation that is at a substantial discount compared to growth stocks and recent history.

Alphabet grew its core search revenue by +17% and continues to accelerate as users spend more time on Google properties, driven by the Company's AI offerings (AI Mode and AI Overviews). At the same time, Google advertisers are adopting more AI-enabled tools to improve ad relevance and accuracy. These AI gains are unlocking significant productivity and driving margin expansion across both core Google services and the \$70 billion run-rate Google Cloud business. Given this massive operating leverage, an accelerating revenue profile, and a historic ability to generate high returns on invested capital, we believe their elevated capex spending plans this year are fully justified. We continue to hold Alphabet as a top weighting.

Visa reported strong revenue and earnings-per-share growth of +15%, driven by solid consumer spending and the continued expansion of "value-added" services. Despite this fundamental strength, the market pressured shares, ostensibly due to potential regulatory and legislative headwinds. The White House recently backed a legislative amendment that could introduce incremental competition into the Mastercard/Visa duopoly in the United States. While a legal framework for competition is undoubtedly an incremental risk, we view the technological and practical execution of actual competition as far less of a threat. Furthermore, attempts to attach the amendment to recent legislation have failed, making it far from certain that this new competitive framework will see the light of day.

The Strait of Hormuz War

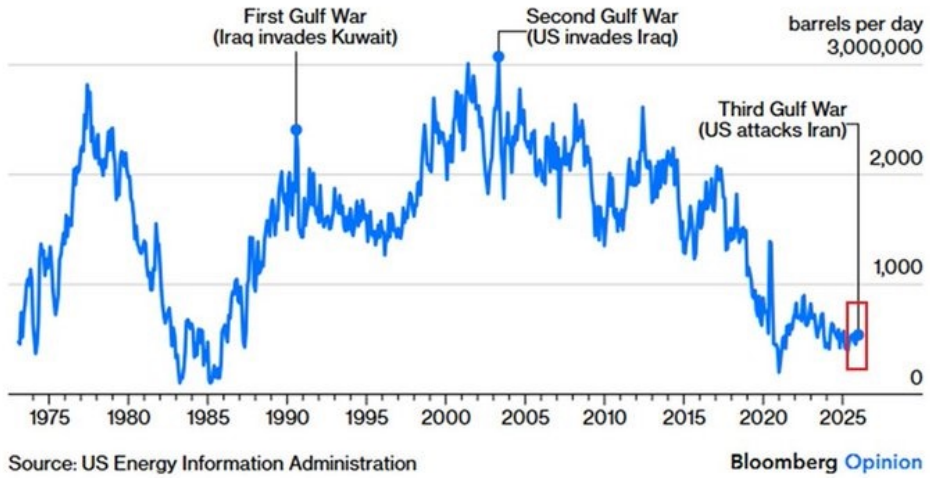


Since the beginning of the war in Iran, the financial and commodities markets have traded entirely on every notable military strike and every notable geopolitical pronouncement. The markets' reactions are fast and furious. So far, despite the daily volatility and fury, the stock market's reaction to any historical oil shock has been, from a historical perspective, extraordinarily muted. So too in the U.S. bond market.

Epic Fury commenced on February 28. As of this writing, the S&P 500 Index has declined by a mere 1%. (Note: Industry sector returns are significantly mixed, though.) The 10-year U.S. Treasury Yield has also risen to 4.30% from 3.96%, though it remains muted. Again, this seems modest, given that Brent Crude Oil has shot up from \$70 per barrel to roughly \$100. Such is the case circa-2026, when our dependence on oil shipped via the Persian Gulf is diminished compared to past Middle East oil shocks.

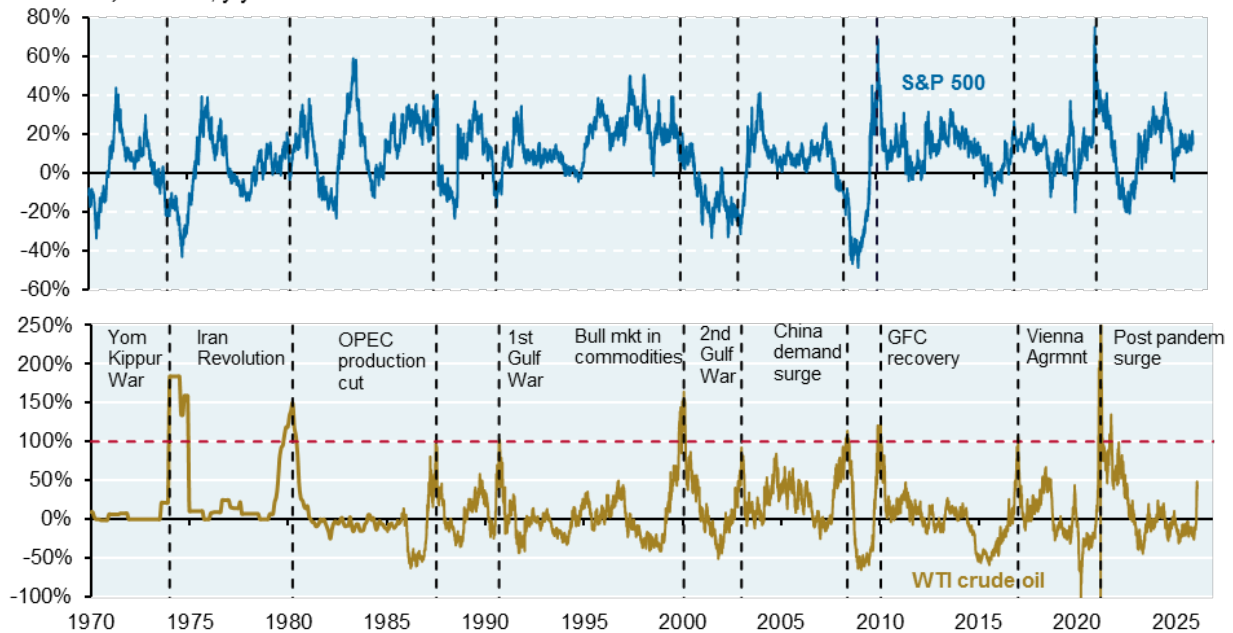
US Imports of Persian Gulf crude oil

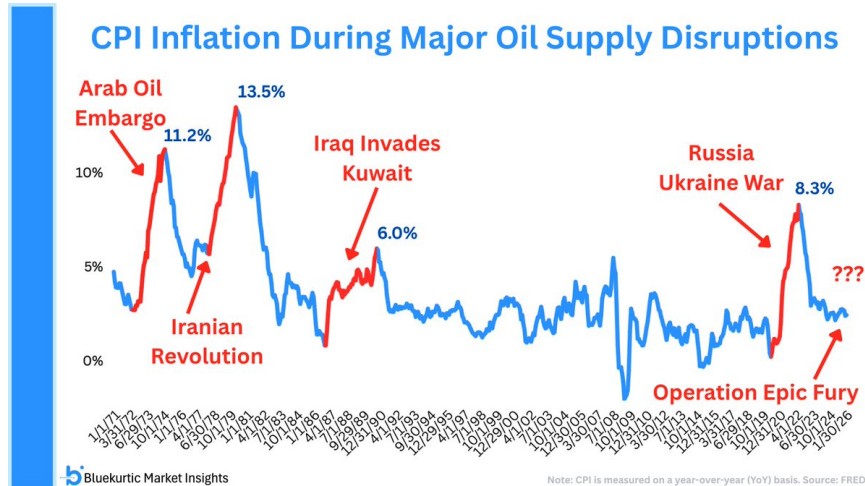
America remains exposed to Middle Eastern oil shocks, but its dependence on Saudi Arabia, Iraq, Kuwait, the UAE, Bahrain and Qatar has fallen significantly



As for our ability to forecast geopolitical events, we humbly admit we are masters of the obvious; as goes the war, so goes oil, so goes inflation, so go interest rates... and so goes the stock market.

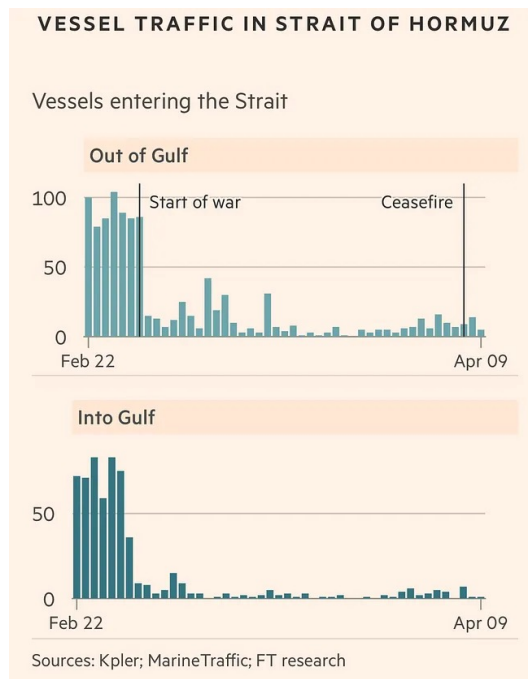
S&P 500 vs WTI crude oil price: 100% oil price spikes usually coincide with equity market declines, Percent, y/y

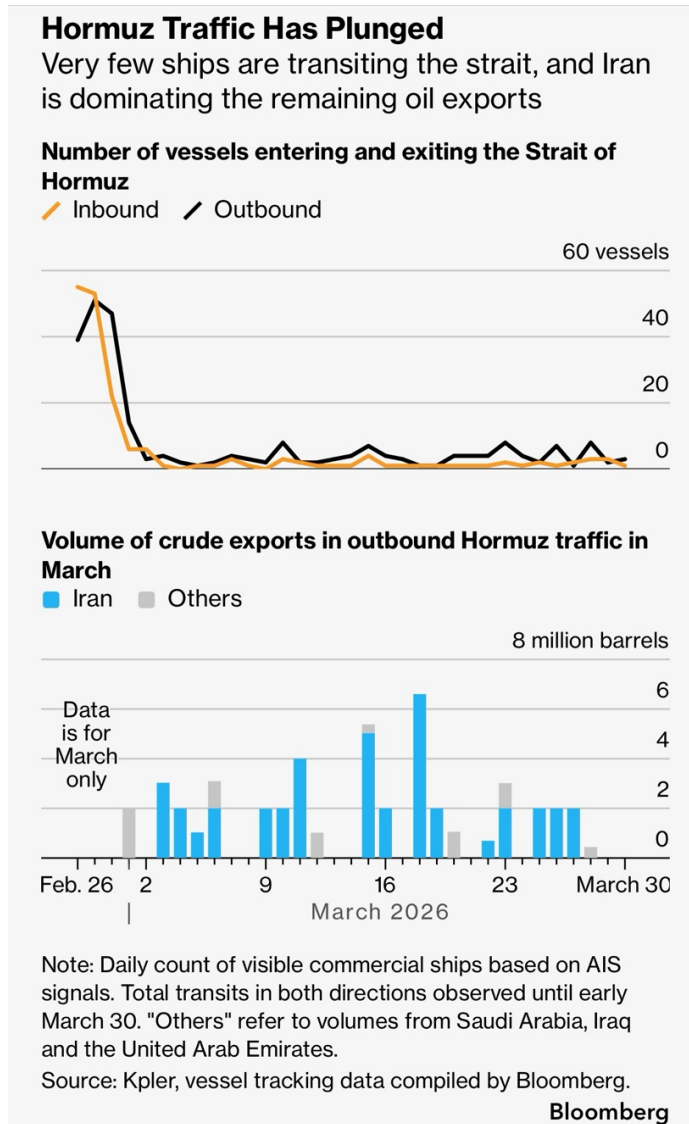




The war in Iran is beginning to look like two wars. The first, the Iran War, and the second, the gathering clouds of the soon-to-be-named Strait of Hormuz War. By any conventional measure, the Iran War has been a case of shooting fish in a barrel. The totality of the United States’ and Israel’s combined military strength and intelligence is hard to comprehend. In little more than 30 days, Iran’s IRCG leadership, along with every remnant of Iran’s vast military assets, sits in inoperable dust, with decades of repair required.

The Strait of Hormuz War is a whole other kettle of fish. The United States demands a “Free Maritime Zone,” while the IRGC demands sovereignty over the Strait and, incredibly, to begin tolling shipping at \$2 million (or \$1 per barrel of crude shipped) per commercial vessel through the Strait, an outcome inconceivable in terms of war-game unintended consequences.

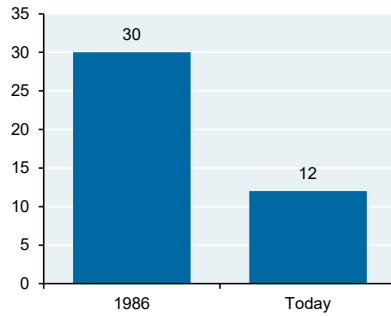




Again, as this is being written, President Trump demands that the IRGC open the Strait or risk significant escalation – Art of the Deal, so to speak, and utter devastation. Given the IRGC’s economic power to plunge the globe into a deep recession, we doubt the IRGC is eager to be so easily diplomatic. As each day passes, the Strait is effectively closed. The price of crude steadily rises – particularly for the oil available to oil-dependent countries. The IRGC’s economic power rises in lockstep: as it does with every extension of “deadlines.”

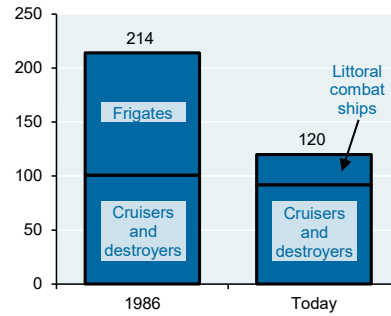
Iran derives 90% of its revenue from exporting crude through the Strait; any diplomatic agreement allowing the United States to maintain a military strike capability in the Strait would amount to an “unconditional surrender.” The U.S./Israel air supremacy is largely total and devastating. That said, our available naval assets for sweeping the Persian Gulf of mines are a fraction of what they were in 1986.

US warships in the Gulf region
Count



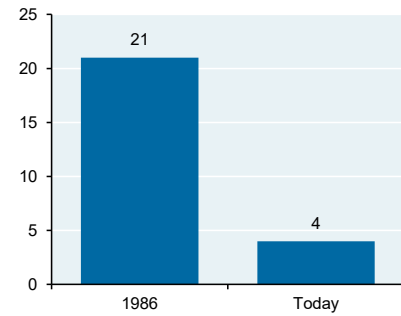
Source: Johns Hopkins (SAIS), March 25, 2026

US frigates, cruisers, destroyers and littoral combat ships, Count



Source: Johns Hopkins (SAIS), USNI, Mar 25, 2026

US mine hunting vessels
Count



Source: Johns Hopkins (SAIS), March 25, 2026

Source: J.P. Morgan Asset Management

In closing, negotiations brokered by Pakistan between the U.S. and a delegation from Iran have just begun – and quickly ended. No surprise really, as preconditions from both sides seem irreconcilable, particularly on the PRGC’s absolute insistence on continuing their military nuclear endeavors. The Trump administration will now begin stranglehold naval blockades of the Persian Gulf.

The longer the war, the longer the flow and rebuild of crude production and shipping, which at best is measured in months and quarters. Oil was \$67 per barrel when the war started. We fear a return to such levels may take considerably longer than many expect – or hope for.



Source: Paramount and Miramax

If history is any guide, oil shocks are undefeated in their impact on global financial markets...

April 2026

David A. Rolfe, CFA
Chief Investment Officer

Michael X. Quigley, CFA
Senior Portfolio Manager

Christopher T. Jersan, CFA
Portfolio Manager

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