TRIBUTARY
CAPITAL MANAGEMENT

EQUITY INCOME
MARKET COMMENTARY

PORTFOLIO MANAGERS: MARC SCOTT & BART WYRICK

SECOND QUARTER 2026

	Quarter	Year to Date	1 Year	3 Years	5 Years	Since Inception*
Tributary Capital Management (Gross of Fees)	10.5%	13.0%	28.3%	19.2%	-	14.9%
Tributary Capital Management (Net of Fees)	10.4%	12.7%	27.6%	18.5%	-	14.2%
Russell 1000 Value Index	13.9%	16.3%	27.1%	17.8%	11.2%	13.5%

**Inception: 5/1/2022*

PORTFOLIO REVIEW

The Tributary Equity Income Strategy generated a return of +10.5% in the second quarter vs. the Russell 1000 Value return of +13.9%. Stocks responded positively to a ceasefire in the Middle East conflict with the fall in oil prices helping calm concerns about inflation and the health of the consumer. Semiconductor and memory stocks surged as the AI trade resumed its upward move. The SOX (PHLX Semiconductor Sector) Index posted its best quarter (+88%) since its inception.

The Russell 1000 Growth Index (+16.7%) outperformed the Russell 1000 Value Index (+13.9%) in the quarter, although there was a rotation into value stocks in June as the Mag 7 underperformed. A lower exposure to energy and a higher exposure to mega-cap tech both contributed to the Russell 1000 Growth Index outperforming the Russell 1000 Value Index.

The top performing sectors in the Russell 1000 Value included information technology (+81%), industrials (+12%) and real estate (+9%). Technology outperformed as semiconductor stocks benefited from record data center spending. Industrials posted a solid quarter as we saw notable improvement in industrial production and manufacturing data. Real estate was aided by the decline in long-term rates as oil prices declined.

Russell 1000 Value laggards included energy (-14%), utilities (-1%) and consumer staples (+1%). Energy stocks underperformed as oil prices declined amid progress toward resolving the conflict in the Middle East. The utilities sector struggled as investors turned to growth stocks and concerns were raised about the amount of spending on power infrastructure with the potential for higher costs for consumers. The weakness in consumer staples was driven by the fear of rising input costs and concerns over the health of the consumer.

Communication services (+12% vs. +2%), financials (+11% vs. +9%) and real estate (+16% vs. +9%) contributed positively to relative performance of the Equity Income Strategy. Communication services benefited from an overweight in Google and a lack of exposure to wireless carriers as potential changes to the competitive environment (i.e. Space X) negatively impacted the performance of those companies. Within financials, exposure to large banks helped performance while the index's performance was negatively impacted by weakness in the financial exchanges which faced new competition from non-financial institutions. Real estate benefited from a rotation into office and residential REITs as long-term rates declined.

Information technology (+64% vs. +81%), consumer discretionary (-7% vs. +7%) and energy (-19% vs. -14%) were the biggest detractors in relation to the index. Information technology relative performance was negatively impacted by our lack of exposure to Intel, +136%, and a below-benchmark weighting in memory stocks, despite our position in Micron, +241%. In consumer discretionary, weaker consumer spending led to guidance cuts at both Chewy and Shake Shack. Underperformance in energy was driven by an overweight in integrated oil & gas companies which performed worse than the average index energy stock as oil prices fell.

As of June 30th, the strategy is generating a dividend yield of 1.7% compared to the Russell 1000 Value's 1.7% and the S&P 500 Index's 1.1%.

PORTFOLIO CHANGES

Five new positions were added to the strategy in the second quarter. P*epsiCo* was added to the portfolio as the company works to restage its brands and address changes in customer preferences. PepsiCo is a leader in beverages and convenient food with a portfolio of more than 30 billion-dollar brands.

Abbott is a healthcare company with products in diagnostics, medical devices, nutrition and branded generic medicines. Abbott expects its nutrition business to return to growth in the second half of the year, and the company should continue to produce solid organic growth.

Boston Scientific is a medical technology company that provides devices and therapies that treat cardiovascular, respiratory, digestive, oncological, neurological and urological diseases and conditions. Innovation and positive clinical trial results should continue to drive long-term growth.

Duke Energy is one of the largest energy holding companies in the U.S. Its electric and natural gas utilities serve customers in North Carolina, South Carolina, Ohio, Kentucky, Florida and Indiana. Duke has 5GW of data centers currently under construction in its footprint and is looking to add ~14GW of total capacity by 2031.

Apple is a global technology company that makes consumer electronics, including the iPhone, iPad, Mac and Apple Watch, along with a growing services business that includes the App Store, iCloud, Apple Music and Apple TV. A foldable iPhone launch later this year should support continued growth. Additionally, this stock was recently added to the Russell 1000 Value Index with a weight of 5.3%.

We also eliminated seven positions during the second quarter. *PayPal* was eliminated after a change in management and a weak earnings report raised questions about its competitive position.

Nike was eliminated after a management change and earnings report suggested that the pace of its recovery was likely to be slower than expected.

Novartis was eliminated as the stock traded at a premium valuation relative to its earnings prospects.

Royal Bank of Canada was eliminated due to its valuation relative to peers after a period of outperformance.

Saia was eliminated after the stock significantly outperformed in response to PMI data and signs of an industry turnaround.

Advanced Micro Devices was eliminated due to significant outperformance and valuation. Additionally, this stock was recently removed from the benchmark after previously being a 1% weight.

Genuine Parts was eliminated after a period of outperformance given the quality of its automotive business, the impending business separation and to fund other opportunities.

Top Contributors

Marvell Technology outperformed as they ramped shipments of their custom AI chip for Amazon and are working on designs for other customers including Microsoft. They are also seeing significant growth in connectivity products for AI data centers.

KLA Corporation outperformed as hyperscalers (Amazon, Microsoft, Google, Meta, Oracle) ramp spending from roughly $630 billion in 2026 to an estimated $1 trillion+ in 2027 towards the AI infrastructure buildout. KLA is a beneficiary as they provide equipment to the chipmakers, who need to expand capacity.

Micron Technology delivered strong results as demand for memory chips outpaced supply, driving up prices. This helped their revenue more than quadruple year-over-year and gross margins reach 84.9% in the latest quarter. The company also announced multi-year customer agreements to lock in demand and provide more stability to earnings going forward.

Top Detractors

Chewy underperformed due to concerns regarding the consumer and moderating trends in the pet space with management reducing their revenue guidance for the year by 2%. There have also been concerns about capital allocation with higher multiples being paid for acquisitions.

ExxonMobil was negatively impacted by falling oil prices as progress was made to resolve the conflict in the Middle East.

Chevron was negatively impacted by falling oil prices as progress was made to resolve the conflict in the Middle East.

Portfolio Managers: Marc Scott & Bart Wyrick