LARGE CAP CORE EQUITY
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)	10.6%	5.6%	-	-	-	5.6%
Tributary Capital Management (Net of Fees)	10.4%	5.2%	-	-	-	5.2%
S&P 500 Index	15.2%	10.2%	-	-	-	10.2%

Inception: 12/31/2025

PORTFOLIO REVIEW

The Tributary Large Cap Core Equity Strategy generated a total return of +10.6% in the second quarter vs. the S&P 500 at +15.2%. With a ceasefire potentially signaling the end of conflict in the Middle East, stocks resumed their upward climb with semiconductor and memory stocks surging. The S&P 500 had its strongest quarterly return since 2020, and the SOX (PHLX Semiconductor) Index had its strongest quarter ever (+88%). Energy was a big laggard as oil prices fell in response to the potential cessation of military action in the Middle East. Toward the end of the quarter, there was a rotation toward value stocks.

The top performing sectors in the S&P 500 were information technology (+32%), industrials (+15%) and consumer discretionary (+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. In consumer discretionary, performance was driven by Amazon and Tesla.

S&P 500 laggards included energy (-13%), utilities (-1%) and consumer staples (0%). Energy underperformed as oil prices fell on a potential resolution of the conflict in the Middle East. The Utilities sector struggled as investors turned to growth stocks, and concerns were raised about the amount of infrastructure spending with the potential for higher costs for customers. The weakness in consumer staples was driven by the fear of rising input costs and concerns over the health of the consumer.

On a relative basis, communication services (+10% vs. +8%), real estate (+12% vs. +9%) and financials (+9% vs. +9%) contributed positively to relative performance of the Large Cap Core Strategy. A lack of exposure to wireless carriers drove the favorable returns in communications services as potential changes to the competitive environment (i.e. Space X) negatively impacted the performance of those companies. Within real estate, the strategy benefited from holding Invitation Homes and Camden Property Trust as residential REITs were lifted by a rotation into the sector. In financials, the strategy saw good performance from large banks, including Citigroup, on an increase in fees and a strong IPO pipeline coupled with a lack of exposure to financial exchanges, which faced new competition from non-financial institutions.

Information technology (+23% vs. +32%), energy (-19% vs. -13%) and consumer discretionary (+6% vs. +9%) contributed to the relative underperformance. 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%. The 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. In consumer discretionary, relative performance was hurt by Chewy, which underperformed due to concerns about the consumer and moderating trends in the pet space.

PORTFOLIO CHANGES

Seven new positions were added to the strategy in the second quarter. *Philip Morris* was added to the portfolio as the company continues to benefit from an increasing percentage of revenue from smoke free products and improved margins.

Canadian Pacific Kansas City is a transportation company with the only railway linking the U.S., Canada and Mexico. Canadian Pacific should continue to take share and improve margins following its acquisition of Kansas City Southern.

SouthState Bank is a regional bank with $68 billion in assets with key markets in South Carolina, Florida, Georgia, Texas and Colorado. SouthState generates strong returns and is trading at an attractive valuation given it underlying business fundamentals.

Stryker is a medical technology company that offers innovative products and services in MedSurg, Neurotechnology and Orthopedics. After experiencing a cybersecurity attack in the first quarter, Stryker reported weak first quarter earnings due to the attack but maintained guidance for the full year. The stock continued to underperform, creating the opportunity to purchase a high-quality healthcare company at a reduced valuation.

Fluor is an engineering and construction firm with exposure to life sciences, mining & metals, energy and other infrastructure projects. Quality of the backlog is improving with higher margin projects and a higher percentage of reimbursable projects. Fluor has also seen their prospect pipeline increase by 50% in the past 12 months.

Truist Financial is a super-regional bank with $549B in assets. Truist is focused on improving returns. Volatility around the naming of a new CEO created the opportunity to establish a position at an attractive valuation.

AECOM is an engineering and construction firm with exposure to water, transportation, environment & energy and facilities that is seeing a record backlog and improving margins as it benefits from the growing opportunity in infrastructure investment.

We also eliminated four positions during the second quarter. *Nike* was eliminated after a management change and its earnings report suggested that the pace of its recovery was likely to be slower than expected.

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

Adobe was eliminated on concerns about potential AI disruption and management turnover.

Warner Bros. Discovery was eliminated due to its limited upside potential after Paramount Skydance agreed to acquire it.

Top Contributors

Advanced Micro Devices was a strong contributor driven by the rise of agentic AI, where systems can carry out automated tasks at once independently. This created a new source of demand for the CPUs that coordinate these workloads, leading management to roughly double its estimate of the addressable market.

Alphabet Inc. contributed to performance as the Google Cloud business grew 63% year over year, with backlog nearly doubling to over $460B. The company is also beginning to monetize its custom TPU chips by selling them to external customers and has seen strong momentum in its Gemini AI models.

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.

Top Detractors

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

Netflix detracted this quarter as slowing viewer engagement raised concerns about the durability of subscriber growth and the company's ability to keep raising prices.

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.