Letter to Investors

April 13, 2026

Broader participation in stocks that marked the start of the year quickly reversed in March, with major indices falling more than five percent. Over the past few weeks, military operations in Iran created the prospect for terminally higher commodity prices and inflation. We experienced a similar scenario in 2022 when an unexpected war in Ukraine led to growth stocks selling off as rates and commodity prices spiked. But unlike that period, we currently do not have the Covid Fiscal Stimulus boosting growth and incomes.

Given recent events, there is a good chance that there is a new higher floor for oil prices, but in our view, it should not be enough to derail the United States' economic engine. But the market's reaction during the quarter was puzzling, and to our surprise, the expected defensive sectors such as healthcare, financials, and consumer staples did not act as the historical "safe havens," and prices were hit hard. Overall, we view this as temporary. Corporate earnings and economic fundamentals over the next twelve months should prevail over the current shorter term geopolitical shocks.

Technology companies continue to tout Artificial Intelligence's ("AI") development and its capability to displace a variety of businesses and even whole industries, many of which we consider to be high quality and dependable. Targeted press releases are issued regularly to show how AI can replicate functions in the software, insurance, legal services, cybersecurity, and finance industries due to its ability to generate code at the "snap of a finger." This has caused lower stock prices in these industries and has created an opportunity to buy, because in our view, Generative AI will not be the primary hurdle for their future success.

In contrast to the current consensus, we believe AI will take longer to integrate into our daily lives than is currently expected by the financial markets. To expand further, we will be monitoring the following themes and data to guide our decision-making over the next twelve months:

- Estimates show AI companies need to scale revenue forty times their current run rate to achieve adequate returns on investment over the next four years.

- Three blockbuster IPOs (Anthropic, SpaceX, and OpenAI) this summer will make the S&P 500 and Nasdaq even more dependent on the success of Artificial Intelligence.

- Political backlash and the converging performance of running AI models on a laptop versus in the cloud will slow data center investment over time.

- "Picks and shovels" companies feeding the AI theme have already priced in tremendous earnings growth over the coming years, leaving little room for error.

- Four million Baby Boomers retiring a year will provide a tailwind to the healthcare sector over the next decade and more.

- Our collective Quality Growth stocks now trade at a mild forward discount to the S&P 500, a rare occurrence that provides a path for good potential future returns.

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Furthermore, our recent activity can be summarized as follows:

• Buying activity has modestly outpaced sales over the past 12 months, as we remain bullish about the underlying economy and outlook for growth.

• We continue to rotate toward undervalued issues in equities while keeping capital gains as low as possible.

• We will continue to buy Treasury Bills with excess cash in portfolios if short-term rates remain meaningfully above zero.

• Cash reserve targets still hover around 10% as we stay constructive on stocks.

• Longer duration fixed income securities have become more attractive as rates have spiked in the aftermath of the Iran war.

Though our portfolios were down during the First Quarter, overall, we continue to remain constructive on the stock market in 2026 and expect it to be higher by year end. While there will be bumps along the way, owning a broadly diversified, higher quality portfolio should track well, and progress will be made as corporate fundamentals improve and political tensions lessen.

As always, please do not hesitate to call or set up a meeting to discuss your circumstances or any questions you may have.

Warmest Regards,



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President



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Portfolio Manager

We invite you to review our regulatory disclosure brochure (Form ADV Part 2) and Client Relationship Summary (Form CRS) as filed with the U.S. Securities and Exchange Commission (SEC) pursuant to the Investment Advisers Act of 1940. You can access these materials through our website (www.carderockcapital.com) or through the SEC's Investment Adviser Public Disclosure database, available on their website at https://adviserinfo.sec.gov/firm/summary/104570. With reference to Rule 206(4)-2, Carderock Capital urges you to compare the information on your statement with the statements received from your custodian. Please call if you have any questions.

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"It is a little ironic that the biggest threat to American business is a technology that cannot reliably count the number of times the letter 'R' appears in the word 'raspberry.' Yet the specter of AI domination has wiped out hundreds of billions of dollars' worth of market capitalization from a litany of sectors. AI is new to the headlines but relatively old hat to corporate IT departments: Around 70% of firms are already using the technology in some form, according to a new NBER paper. Notably, firms report little impact of AI over the last three years, with over 80% of firms reporting no impact on either employment or productivity." Evan Lorenz, "*Armageddon With an Asterisk*," **Grant's Interest Rate Observer**, February 27, 2026.

"Even if the Iran conflict ends soon, the world economy will suffer collateral damage. For commodity inflation from the war to become embedded, these aftershocks require a strong economy and tight labor markets, the conditions that fueled uncontrollable price rises after Russia's invasion of Ukraine in February 2022. This time around, the economic outlook was much weaker even before the war started, and the longer-term risks to growth should offset inflation concerns. Even if the conflict ends soon, downgrades to GDP across the world are set to come through thick and fast. Sometimes during crises, until things become clear, doing nothing is the best course of action." Marcus Ashworth, "*The Iran War is Bad for Inflation-But Worse for Growth,*" **Bloomberg**, April 1, 2026.

"A quarter of a century ago Irish writer Eamonn Fingleton argued governments and investors were foolish to focus obsessively on intangible services such as tech and law- manufacturing mattered too. It was a countercultural message back then that won more applause after the dotcom bubble burst. As the Iran conflict grinds on, two lessons have become clear. First, the interconnections that stitched the world together in recent decades are no longer contributing to peace. The second lesson is that we are in an age where 'hard industries' matter. Yes, Big Tech stocks have soared in recent years amid excitement about AI. But the Iran war shows that countries are very vulnerable if they lack industrial processes, however old-fashioned. It has shown politicians why industrial self-sufficiency matters." Gillian Tett, "*Molecules Are Taking Their Revenge on Services,*" **Financial Times**, March 27, 2026.

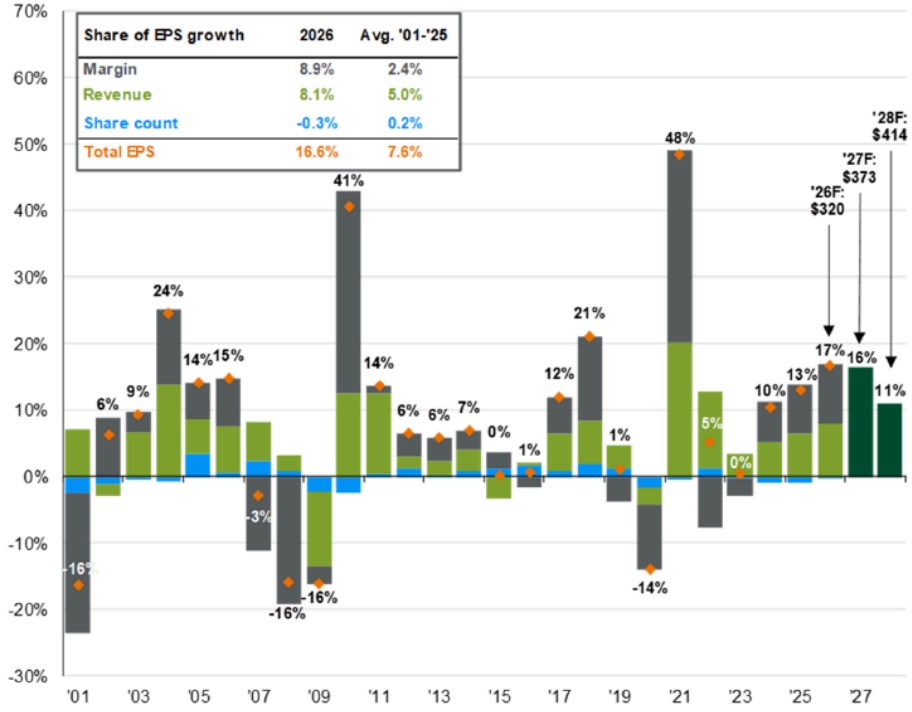
"The relentless accretion of household wealth has built an economy within an economy. It has quickened US economic growth, fattened federal capital gains tax receipts, exaggerated the disparities between haves and have-nots and dulled the risk sensors of all but the most hardened bears. Paul Isaac invented the idea of the 'bizzle' to describe the increment of consumption that bull markets stimulate, and the increment of saving they discourage. You start to wonder which portion of the boomtime superstructure will require recapitalization, reorganization or liquidation come the next cycle reaction. Given elevated levels of valuation and financial leverage, we judge that the post-boom adjustments will be extensive." Jim Grant, "*Business of the Boom,*" **Grant's Interest Rate Observer**, March 13, 2026.

"Does artificial intelligence herald soaring prosperity or mass unemployment, political breakdown and Orwellian subjection? Nobody, not even AI, can honestly say. What happens depends on choices that we humans will be making. Previous economic revolutions, driven by mechanization and electrification, ended up being vastly more beneficial for labor than contemporary pessimists predicted. Technological progress displaced labor on an enormous scale but created entirely new jobs as well. Many of the tasks modern workers carry out today were scarcely even imaginable a century ago. Amid all the uncertainties, economists are paying close attention, and many businesses are aiming to use AI to improve their products and services rather than simply cut payroll. But better policy also has an important role to play." Clive Crook, "*Humans Can Decide Whether AI Kills or Creates Jobs,*" **Bloomberg**, March 31, 2026.

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S&P 500 EPS growth

Year-over-year growth broken into changes in revenue, profit margin and share count

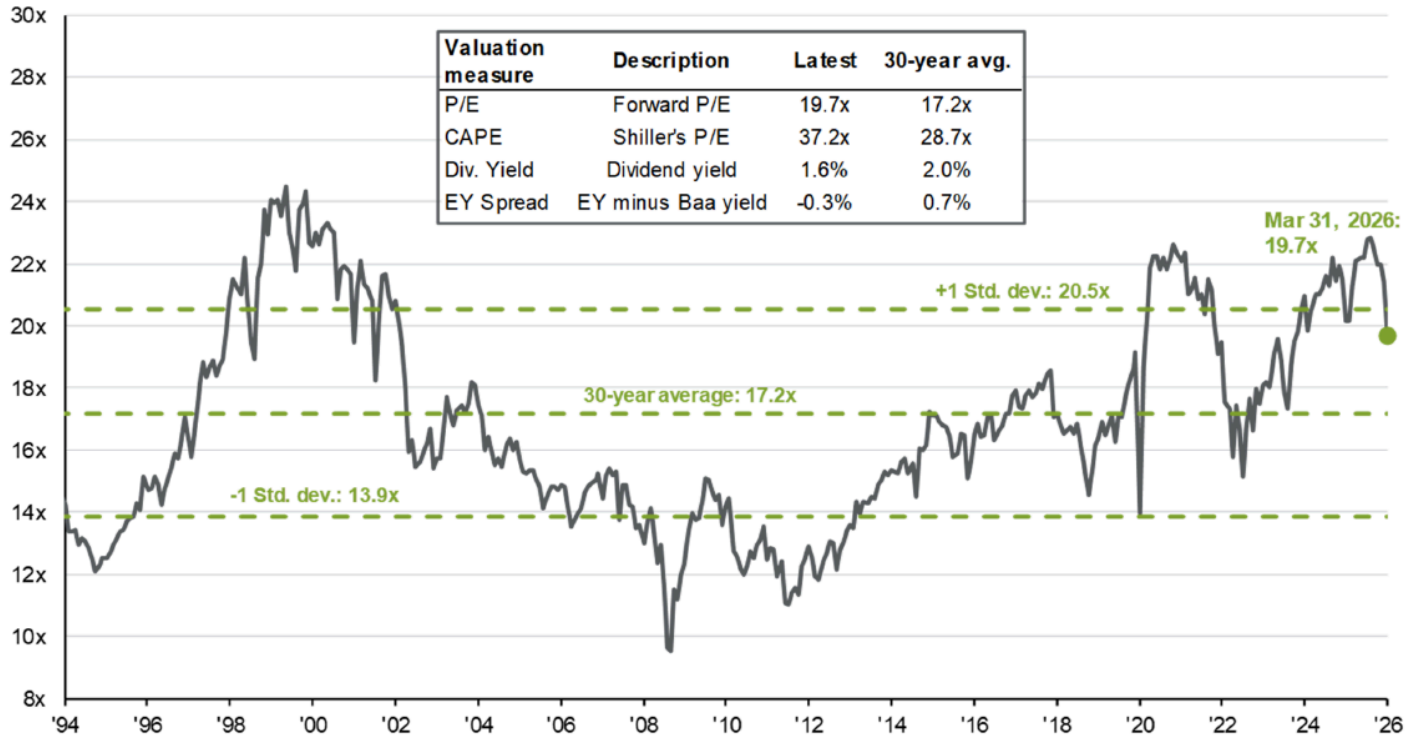


S&P 500 profit margins

Quarterly earnings/sales



S&P 500 index: Forward P/E ratio



Forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since March 1994 and FactSet since January 2022. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as consensus estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. EY minus Baa yield is the forward earnings yield (the inverse of the forward P/E ratio) minus the Bloomberg U.S. corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand. Data are as of March 31, 2026.

Sources: FactSet, Standard & Poor's, J.P. Morgan Asset Management, and Bloomberg