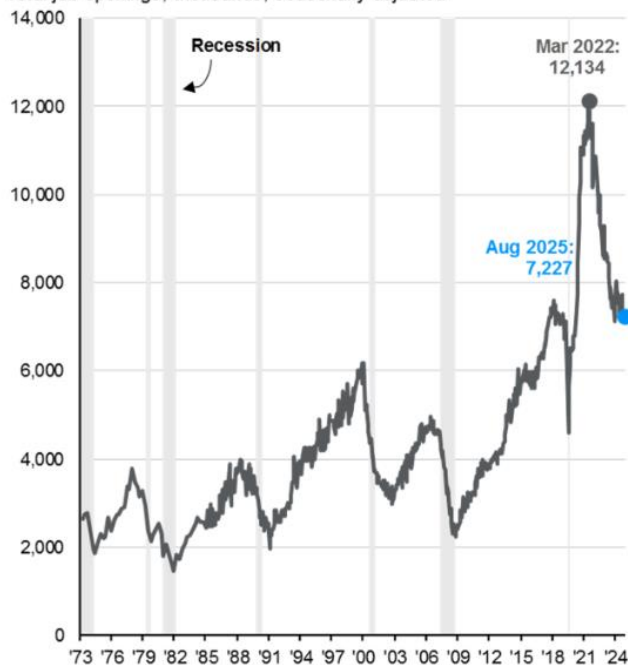


QUARTERLY LETTER

The Federal Reserve gave the U.S. economy a boost during the third quarter, which could increase already elevated risks in certain corners of the market. It resumed cutting interest rates despite inflation halting its descent toward the central bank's long-run two-percent target rate. The scale tipped to the other side of the Fed's dual-mandate as the jobs market showed signs of softening. Employees quit at the slowest rate in several years and employer hiring followed suit with the number of job openings continuing their rapid drop. This dynamic is captured in the JOLTS (Job Openings and Labor Turnover Survey) charts below.

JOLTS job openings*

Total job openings, thousands, seasonally adjusted



JOLTS quits

Total nonfarm quits, thousands, seasonally adjusted



JOLTS layoffs

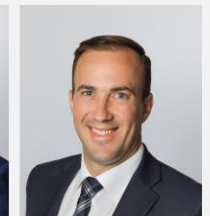
Total nonfarm layoffs, thousands, seasonally adjusted



Source: U.S. Department of Labor, J.P. Morgan Asset Management

INVESTMENT TEAM

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However, the U.S. remains steadfast when one looks through a different lens. The U.S. Bureau of Economic Analysis measured the year's second quarter real gross domestic product as increasing at a 3.8 percent annual rate, with real consumer spending rising 2.5 percent. Further, the Atlanta Fed's GDPNow model estimated in early October that third-quarter real GDP will again land at 3.8 percent growth on an annual basis.

Contributing to economic strength has been extensive investment in artificial intelligence. According to Gartner, worldwide spending on AI is estimated to be \$1.5 trillion in 2025, a staggering sum, with no signs of capital expenditure waning. In the U.S. alone, Alphabet, Amazon, Meta, and Microsoft are estimated to spend north of \$300 billion just this year. The technology's evolution, if used productively, holds tremendous promise and opportunity for society and is likely to impact most industries.

Despite its potential, the buildout of AI may follow a similar path as the dawn of the Internet in the late 1990s. First, there was a substantial investment to lay the foundation, then a shakeout period where unsustainable business models faltered, and eventually came a time when the technology provided lasting economic benefit to society along with select companies that prospered. Presently, capital invested to date has produced a negligible return and will have to improve for the AI capital expenditure boom to continue. Investors needed to be discerning during the late 1990s as the Internet-era unfolded, and the same approach is necessary today. Particularly, in the face of elevated concentration levels within certain market indices.

Balancing both risk and return is paramount to generating attractive, risk-adjusted returns over the long term. Accordingly, discipline around company and sector weightings, along with overall portfolio diversification, are key components in Alley Company's portfolio construction process.

Quarterly Performance Update

During the third quarter of 2025, the Alley Company Dividend Portfolio underperformed the Russell 1000 Value Index.

From an individual holdings perspective, top contributors to and detractors from performance in the portfolio during the second quarter were:

Top Contributors	Top Detractors
AbbVie (ABBV)	Philip Morris International (PM)
Apple (AAPL)	Chevron (CVX)
JPMorgan Chase & Co. (JPM)	Kenvue (KVUE)

Top and bottom performing sectors in the Russell 1000 Value Index during the quarter are displayed in the table below. (+) and (-) symbols indicate the Dividend Portfolio being overweight or underweight the sector relative to the benchmark weighting.

Top Performing Sectors	Bottom Performing Sectors
Communication Services (-)	Consumer Defensive (-)
Basic Materials (-)	Technology (+)
Energy (+)	Real Estate (-)

Portfolio Changes

Accenture (ACN) was sold due to technological threats to the company's business. Advancements in generative artificial intelligence pose an immediate threat to the company's managed services business. This same technology could also mute long-term demand for Accenture's consulting offerings.

A position was initiated in Hershey (HSY). Hershey has a strong track record of returning capital to shareholders via dividends, and of growing those dividend payments. The stock's valuation based on normalized earnings provided an attractive opportunity to own a high-quality company with a solid balance sheet.

Alphabet (GOOGL) was added to the portfolio. Alphabet is the leading global internet search provider. Its below-market forward earnings multiple was a clear value, and an appealing entry point for a high-quality business with strong fundamentals and a fortress balance sheet. Alphabet pays an annual per-share dividend that is a fraction of the free cash flow it generates. This leaves ample room for the company to increase the amount of cash it returns to shareholders via dividends.

A position was initiated in CME Group Inc. (CME). CME Group Inc. is a leading financial derivatives exchange with a history that dates back to the 1800s. The company generates significant free cash flow and prioritizes returning the vast majority of that capital to shareholders through a combination of regular and special annual dividends.

Trims: NEE, PSX, AAPL, USB, JPM, AMP, BLK, KVUE

Adds: WEC, CVX, LMT, DUK, T

Dividend Announcements

Dividend announcements among Alley Company Dividend Portfolio holdings during the calendar year are below:

Q1 2025	
Company	Dividend Change
Arthur J. Gallagher (AJG)	+8%
BlackRock (BLK)	+2%
Chevron (CVX)	+5%
Cisco Systems (CSCO)	+3%
Home Depot (HD)	+2%
JPMorgan Chase (JPM)*	+12%
NextEra Energy (NEE)	+10%
Prologis (PLD)	+5%

Q2 2025	
Company	Dividend Change
Apple (AAPL)	+4%
Ameriprise (AMP)	+8%
Paychex (PAYX)	+10%
Procter & Gamble (PG)	+5%
Parker-Hannifin (PH)	+10%
Phillips 66 (PSX)	+4%

Q3 2025	
Company	Dividend Change
Duke Energy Corp. (DUK)	+2%
Illinois Tool Works (ITW)	+7%
JPMorgan Chase (JPM)*	+7%
Kenvue (KVUE)	+1%
Morgan Stanley (MS)	+8%
Microsoft (MSFT)	+10%
Philip Morris International (PM)	+9%
US Bancorp (USB)	+4%
Verizon (VZ)	+2%

Alley Company Dividend Portfolio

The investment philosophy of the Alley Company Dividend Portfolio focuses on striking the balance between attractive absolute dividend yield and strong dividend growth underpinned by solid company fundamentals of our portfolio holdings. We employ a bottom-up, research-driven process focused on fundamental analysis of our portfolio holdings.

*JPMorgan Chase has increased their dividend twice this year for a total increase of 20% compared to the prior year.

ALLEY COMPANY

Alley Company is a boutique investment management firm that is dedicated to operating a discernible and disciplined investment philosophy and generating superior risk-adjusted investment returns. Alley Company was originally founded in 1998 and in 2006 established the Alley Company Dividend Portfolio to capitalize on investment opportunities in quality companies with strong dividend-paying cultures.



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