

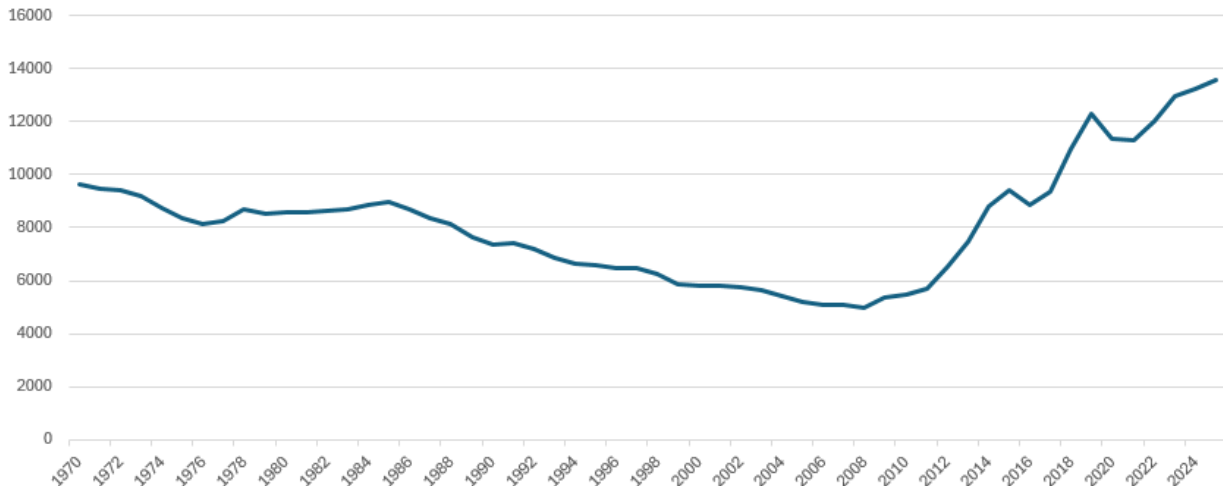
QUARTERLY LETTER

At the end of February, the United States and Israel initiated war with Iran through joint military strikes. Iran responded by effectively blockading the Strait of Hormuz and disrupted the transport of one-fifth of the world’s oil and natural gas supply.

Generally, the impact of geopolitical crises on stock markets is short-lived, though, crises that interfere with energy markets can have a more lasting impact. Two factors brace our economy for the current conflict: the United States’ lower energy dependence relative to its history, and the country’s sound economic footing.

In the 1970s, U.S. oil production faced a steady decline and the specter of “Peak Oil” (i.e., the point at which global oil production hits its maximum level and begins an irreversible decline) permeated energy markets. However, innovation within the oil industry beat back this threat as decades of experimentation led to breakthroughs around the turn of the century. In the early 2000s, energy companies began in earnest to combine hydraulic fracturing with horizontal drilling into shale rock formations. This advancement laid the groundwork for reversing the decline in U.S. oil production and simultaneously driving a tremendous spike in U.S. production of natural gas, as the two charts below depict.

U.S. Field Production of Crude Oil (Thousand Barrels per Day) Since 1970



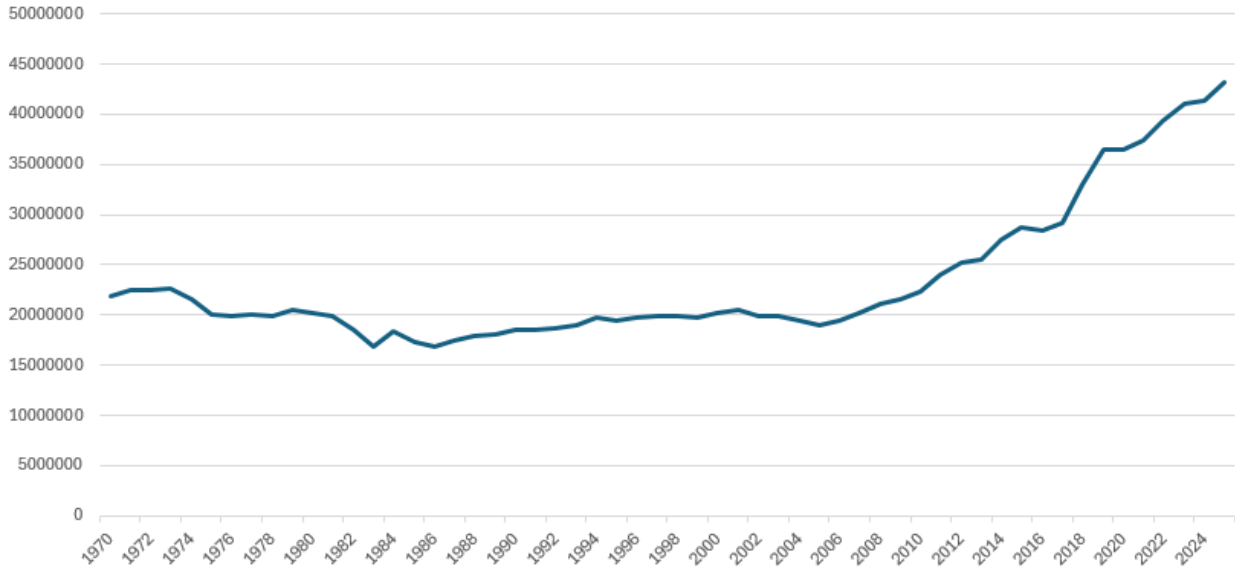
Source: U.S. Energy Information Administration

INVESTMENT TEAM

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U.S. Natural Gas Marketed Production (Million Cubic Feet) Since 1970

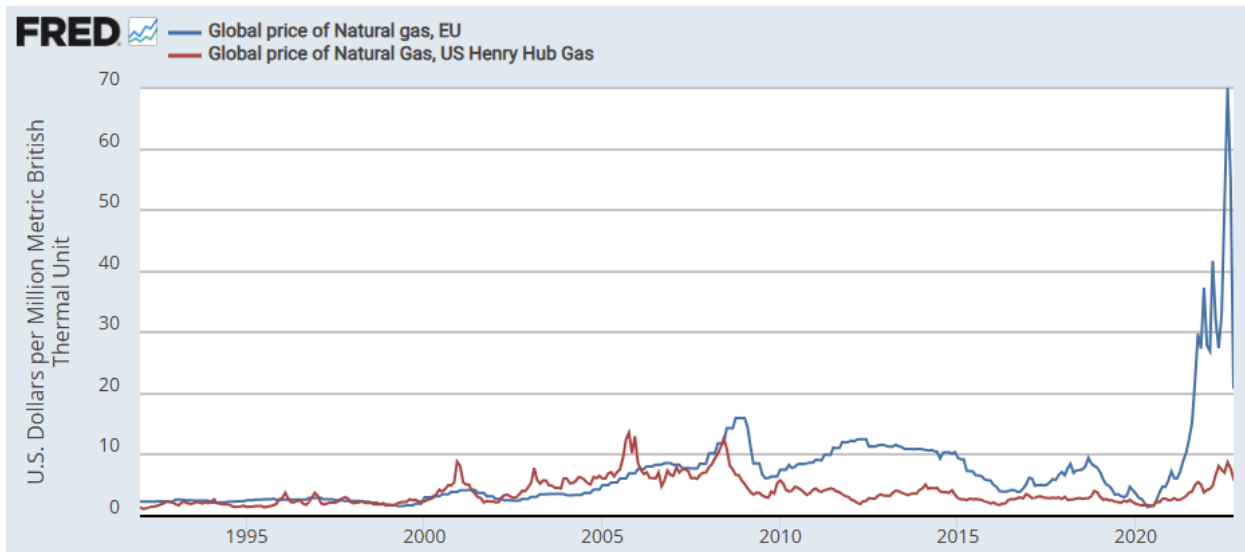


Source: U.S. Energy Information Administration

The shale revolution catapulted the U.S. to the position of the world’s top producer of oil and natural gas. This status brought about many benefits, including domestic job creation and consumer cost savings. Most salient today is the reduced dependence on foreign oil and, to a greater extent, natural gas.

To be clear, reduced dependence on foreign oil does not equate to U.S. immunity from global oil supply disruptions. The oil produced domestically is a commodity that trades on a global stage. So, if prices around the world surge, prices in the U.S. surge as well. This results in higher prices at the pump and elevated input prices for those manufacturing and production processes that rely on oil.

Conversely, increased U.S. production of natural gas has translated to relatively lower domestic natural gas prices and more insulation on this front. Dating back to the early 1990s, the below chart shows the price of natural gas in the European Union (blue line) and the United States (red line). Prices between the two regions were fairly tight through 2008, after which, ramping U.S. supply drove the price down compared to the EU. The 2022 Russian invasion of Ukraine unleashed an even starker contrast, when the EU price of natural gas touched \$70 per million metric British thermal units (MMBtu) while U.S. natural gas remained below \$10 per MMBtu. Though, the latter’s exposure to global natural gas markets still led to a rise in price.



Source: Federal Reserve Economic Data St. Louis Fed

As the above analysis suggests, increased production of U.S. oil and natural gas supply has led to greater independence for the U.S. relative to historical periods. In addition to this key distinction, several factors leading into the start of the Iran war pointed to the country’s economic strength. Corporate earnings have been strong, consumer spending has exhibited resilience (and should be further boosted by higher expected tax refunds from the One Big Beautiful Bill Act), and artificial intelligence-related investment spending should continue to flow through the economy.

Predicting the path a war will take is a futile endeavor. But, American innovation has better positioned our country compared to prior energy-disruptive conflicts, and a solid starting point further girds the U.S. economy.

Quarterly Performance Update

During the first quarter of 2026, the Alley Company Dividend Portfolio modestly underperformed the Russell 1000 Value Index.

Top and bottom performing sectors in the Russell 1000 Value Index during the quarter are displayed in the table below. (+) and (-) symbols indicate the Alley Company Dividend Portfolio being overweight or underweight the sector relative to the benchmark weighting. Lack of exposure to the Materials sector, which is comprised primarily of commodity-oriented businesses, weighed on results. An overweight to the Financial Services sector detracted from performance, as well. The strategy’s tilt toward Energy and Utilities sectors benefitted performance. To review, our sector weightings are driven by our bottom-up fundamental research process.

Top Performing Sectors	Bottom Performing Sectors
Energy (+)	Financial Services (+)
Materials (-)	Consumer Discretionary (-)
Utilities (+)	Communication Services (-)

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

Top Contributors	Top Detractors
Chevron (CVX)	Microsoft (MSFT)
Phillips 66 (PSX)	Capital One Financial (COF)
Lockheed Martin (LMT)	Paychex (PAYX)

Q1 2026 Review of Portfolio Changes

A position was initiated in RTX Corporation (RTX). RTX is a dominant defense and commercial aerospace player. Its revenues are split roughly evenly across both sides of its business and are comprised of three operating segments that each produce about one-third of total sales: Collins Aerospace (aerospace systems and components), Pratt & Whitney (aircraft engines), and Raytheon (myriad defense products including missiles and radar systems). RTX stands to benefit from robust and durable commercial aerospace demand trends on one-hand, and sustained U.S. defense spending on the other.

Carlisle Companies (CSL) is a new position in the strategy. CSL has been modifying its business in recent years to focus on product segments that have a higher return on invested capital. The market's underappreciation of the value that this transition brings to the business combined with a proven operational and dividend track record underpins our investment thesis. Notably, Carlisle has increased its annual dividend for 49 consecutive years.

A position was initiated in Intuit (INTU). INTU has an excellent fundamental track record. On an annualized basis for the past decade, the company has steadily grown revenue in the mid-teens, earnings per share in the low-to-mid twenties, and dividends per share in the mid-teens. The market's offer price of 17x this year's earnings expectations, 6.2% free cash flow yield, and 1.2% forward dividend yield makes for an appealing investment opportunity, in our opinion.

Kenvue (KVUE) was sold. The company has failed to make progress toward stated business goals since its decoupling from Johnson & Johnson (JNJ) in 2023. Additionally, litigation risks are elevated related to its Tylenol product as well as non-U.S. talc liability.

Trims: Ameriprise (AMP), BlackRock (BLK), Arthur J. Gallagher (AJG), Philip Morris International (PM), Parker Hannifin (PH), Lockheed Martin (LMT)

Adds: Eaton (ETN), Verizon Communications (VZ), AT&T (T), Procter & Gamble (PG), Paychex (PAYX), WEC Energy Group (WEC)

Dividend Announcements

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

Q1 2026	
Company	Dividend Change
Arthur J. Gallagher (AJG)	+8%
BlackRock (BLK)	+10%
CME Group Inc. (CME)	+4%
Chevron (CVX)	+4%
Cisco Systems (CSCO)	+2%
Eaton (ETN)	+6%
Home Depot (HD)	+1%
The Hershey Company (HSY)	+6%
NextEra Energy (NEE)	+10%
Prologis (PLD)	+6%
Phillips 66 (PSX)	+6%
Verizon Communications	+4%

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.

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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