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L2 US LARGE CAP VALUE STRATEGY

Portfolio Manager Quarterly Commentary as of December 31, 2025

Q4 2025 STRATEGY PERFORMANCE:

The Russell 1000 Value ETF rose 3.82%, while L2's strategy rose 2.39%[1] net in the quarter. The quarter closed out another solid year for L2 Value (17.61% vs. 15.68% for the R1000 Value ETF).

Since inception in 2013, L2's Large Cap Value strategy has outperformed the Russell 1000 Value ETF by 60%. We continue to believe that, similar to the peaks of the Nifty Fifty bubble and the dot.com bubble, we are at a generational moment for disciplined, low-cost, evidence-based active managers like ourselves. Against this backdrop, we find the opportunities in large cap value to be as compelling as they are important to achieve diversification from the highly concentrated large core and growth indexes.

MARKET OVERVIEW: QUICK SUMMARY

Large Cap Value led the way higher in Q4 up 3.82%, Large Cap Core rose 2.48%, and Large Cap Growth rose 1.15%.[2] Midcap, as measured by both the S&P Midcap (SPMD) and the Russell Midcap (IWR) benchmarks rose 1.63% and 0.12% respectively.[3]

This quarter delivered something of a reprieve from an intense period of speculative behavior by market participants, although low-quality stocks continued to outperform their high-quality peers. Our Q3 2025 commentary used ARKK to highlight the extent of this risk-seeking behavior. From January 1st to September 30th, ARKK rose +52% while the Large Core ETF (IWB) rose 14% and Large Value (IWD) returned 11%. We also noted that from April 8th (the low point of the "Liberation Day"-induced market decline) through September 30th, the ARKK ETF rose an incredible 113%, despite its preference for exorbitantly priced stocks of loss-making companies.

Q4 saw what we hope is the beginning of a genuine shift in risk attitudes, as ARKK fell -10.87% for the quarter. If investors start paying more attention to fundamentals and valuations, which drive long-run returns, 2026 could be a terrific year for L2's Active Strategies. Regardless of which "flavor"—from our Dividend & Income to our Large Cap Growth offerings—a return to basic investment principles could make our benchmark leading performance since inception, even better.

When many investors are in a speculative frenzy it's difficult for high conviction, low-turnover, valuation- and quality-aware, concentrated strategies like ours to shine. Yet such periods set the stage for significant return potential based on fundamentals, as the mania wanes and sanity and cash flows prevail. We have seen this repeatedly in the past, most recently in 2022. As a reminder the ARKK ETF lost -67.0% in 2022 while the market was down -18.1%. Today, as in 2021, we continue to believe our stable of actively managed products – which have fared surprisingly well in this speculative environment – have their best days ahead of them.

While this recent phase of nonsensical speculative behavior has lasted much longer than the data suggests it should, that indicates the consequences will be that much more painful for those who have jumped on

1 Returns represent the L2 US Large Cap Value Composite Strategy

2 As defined by the Russell 1000 Large Growth ETF "IWF", Russell 1000 Core ETF "IWB", and the Russell Large Value ETF "IWD"

3 As defined by the Russell Midcap ETF "IWR" vs. the S&P 400 Midcap ETF "SPMD"

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the speculation bandwagon. Without exception, the story is always the same: expensive, loss-making, and low-quality stocks fall while more rationally priced, quality stocks with decent to excellent growth profiles outperform.

At a macro level: Wealthy households are keeping the U.S. economy humming, along with enormous levels of capital expenditures to support the AI buildout. Those two sources of spending accounted for over 2/3rds of Q3 2025 GDP growth.[4] It's no big secret that one of the main reasons the U.S. economy has been able to absorb the shock of tariffs (which, as a result of various exemptions are much lower than the "headline" numbers that caused widespread recession fears last April) is that the wealthy keep spending. This creates a positive feedback loop, as spending supports corporate profit margins, which has boosted stock prices, making wealthy households wealthier, which leads to more spending. The top 10% of earners now account for almost half of all consumer spending in the U.S.).[5]

We believe a corollary of this has been the outsized concentration in a few well-known tech stocks that dominate index funds. The same folks driving spending are also cycling into index funds.[6] The good news is that, by definition, there is a large cohort of high-quality, blue-chip equities trading at discounts last seen at the peak of the dot.com bubble. Evidence-based, benchmark-aware active management processes like ours have done well despite these headwinds. Even better, the data suggests our best days may lie ahead.

	FCF/EV*	P/S	P/E	Fwd P/E	ROE	Total Yield	3 Yr Sales Grth	36m Beta
Large Cap Value Strategy	5.8%	2.2x	20.5x	15.0x	39%	6%	20%	1.04
Russell 1000 Value ETF	3.1%	2.1x	22.3x	17.6x	18%	4%	26%	0.95

Source: L2 Asset Management, LLC; Data from 12/31/2025; *ex financials

CONTRIBUTORS & DETRACTORS:

A positive contributor to the strategy, **Dollar Tree, Inc. (DLTR)** returned 30% in Q4 2025. DLTR operates more than 9,200 discount retail stores principally in suburban areas across the United States. In March 2025, DLTR announced a well-received agreement to sell its underperforming Family Dollar business to two investment firms for net proceeds of about $800 million.[7]

In many ways, DLTR is navigating the current retail environment more effectively than virtually any other retailer as consumers across the income spectrum are choosing to shop at DLTR stores. This broad-based spending growth has translated into strong comparable store sales and earnings growth. DLTR projects same-store sales will increase 4%-6% in 4Q FY 2025, the company's biggest sales and cash flow quarter. In turn, DLTR's adjusted 3Q FY 2025 was $1.21, up 12% from $1.08 in the year-ago period, and management forecasts full-year non-GAAP FY 2025 EPS of $5.60-$5.80 versus $5.10 in the year-ago period.[8]

4 "Wealthy Consumers Keep Economy Humming", Wall Street Journal, 12/26/2025, p. A2
5 Ibid.
6 https://awealthofcommonsense.com/2025/02/the-top-10/
7 Dollar Tree, Inc. FY 2024 10-K.
8 Dollar Tree, Inc. 3Q FY 2025 earnings release, December 3, 2025.

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DLTR is a consistent generator of free cash flow (about $900 million in FY 2024 and $1.2 billion in FY 2023), and the company uses much of that excess cash to repurchase its own stock.[9] Despite all these positives, including what appears to be current near-perfect competitive positioning in the retail sector, DLTR trades at a forward year P/E ratio of only 18.5x,[10] or about a 20% discount to the S&P 500. DLTR stock jumped 65% in 2025, but we think investors are still assigning DLTR a valuation multiple which is not consistent with its impressive and predictable growth prospects.

Amgen Inc. (AMGN), one of the largest and most successful biotechnology/pharmaceutical companies in the world, was also a positive contributor to the strategy. AMGN's chief fundamental attribute is the robustness of both the portfolio of medications it is actively producing and selling and the pipeline of drugs it is developing. This diversification of revenue should allow the company to report higher sales and adjusted EPS in 2025.

A key catalyst for further AMGN stock price appreciation is the progress of AMGN's MariTide weight loss drug. In Phase 2 of MariTide's study, not only did trial enrollees show significant weight loss, but AMGN also noted statistically significant reductions in blood pressure, triglycerides, and vascular inflammation. This suggests the drug may have more far-reaching uses than AMGN initially expected.

An especially noteworthy aspect of AMGN's impressive results over the first nine months of 2025 is the company's commitment to R&D spending (up 31% in 3Q 2025 and 21% higher over the first three quarters of 2025). This spending should translate into stronger longer-term earnings growth. Shorter term, R&D spending is unlikely to increase significantly in 2026 after the "step change" higher in 2025 implying more of AMGN's growing revenues should fall to the bottom line in 2026.[11] In addition, AMGN generates enormous amounts of free cash flow: $7.1 billion over the first three quarters of 2025 and $10.4 billion and $7.4 billion in the full years 2024 and 2023, respectively. The company has used some of this excess cash to repay $8.6 billion of debt in 2024 and 2025.[12]

AMGN stock performed well in 2025 rising 28% for the full year, and a resounding 17% over just the last quarter of 2025. However, AMGN still trades at a P/E of less than 16x (based on management's earnings guidance), a massive discount to the S&P 500. We think AMGN deserves to trade approximately in line with the broad market; consequently, AMGN remains a core position in our portfolio.

Live Nation Entertainment, Inc. (LYV) was formed after the 2010 merger of Live Nation, an events/concert promoter and venue operator, and Ticketmaster, a giant ticket sales and distribution company.[13] More than 60% of Americans who buy event tickets do so using Ticketmaster. LYV distributed about 643 million tickets through its platforms over the twelve months ended September 30, 2025.[14]

After reaching an all-time high in mid-September, LYV stock has dropped about 18% as LYV's 3Q 2025 revenue of $8.5 billion increased 11% but fell just short of analysts' consensus estimates. Investors seemed to focus on this miss and ignored LYV's impressive 3Q 2025 adjusted EBITDA of $1.03 billion, 14% ahead of the year-ago period.[15] Further, StubHub stock's disappointing performance since its mid-September IPO has weighed on LYV's share price.

9 Dollar Tree, Inc. FY 2024 10-K.
10 Yahoo Finance.
11 Amgen Inc. 3Q 2025 earnings call transcript, November 4, 2025.
12 Amgen Inc. 3Q 2025 10-Q; and 2024 10-K.
13 Wikipedia.
14 Live Nation Entertainment, Inc. 3Q 2025 Trended Results Grid.
15 Live Nation Entertainment, Inc. 3Q 2025 earnings release, November 4, 2025; Yahoo Finance.

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These short-term data points are overshadowing impressive growth trends in LYV's revenue and adjusted EBITDA. Furthermore, LYV generates significant and predictable quantities of free cash flow.[16] After the recent correction in its share price, LYV trades at an enterprise value-to-adjusted EBITDA multiple of about 15.5x, or a 20%-25% discount to the S&P 500. Given its dominant position in the entertainment industry, strong fundamentals and growth prospects, and what appears to be diminishing legal risks, LYV should trade at a premium valuation to the typical stock. Consequently, it remains a core position in our portfolio.

CF Industries Holdings, Inc. (CF) is the world's largest producer of ammonia, a key component in many fertilizers. In 2025, CF will manufacture about ten million tons of the chemical compound, or 6% of worldwide production.[17]

Bolstered by a strong ammonia market and CF's enormous cash flow generating capability, CF announced robust 3Q 2025 financial results in early November, continuing a long pattern of impressive quarterly reports. Even more impressive, CF generated more than $1.9 billion of free cash flow over this period.[18] Despite these results, CF trades at a P/E multiple of less than 10x and an enterprise value-to-adjusted EBITDA ratio of only 5x. Both valuation measures represent 50+% discounts to the S&P 500.

Furthermore, CF is an extremely aggressive purchaser of its own stock. The company repurchased $1.0 billion of its own shares over the first three quarters of 2025, $1.51 billion in 2024, and $580 million in 2023. As investors better appreciate CF's enormous competitive advantages in the ammonia market and the company continues to report eye-popping quarterly earnings and cash flows, we expect the discount at which the stock trades versus the typical stock to narrow. A prospective boost in its valuation multiple and continuation of an aggressive stock repurchase program represent the key reasons CF remains a core portfolio holding.

CONCLUSION:

We continue to follow the data which tells us that the current market backdrop, characterized by historically high concentration coupled with bloated valuations, will create substantial tailwinds for our evidence-based, process driven investment methods. Our biggest concern would be the return of a wildly speculative environment like 2020 which could temporarily inhibit the excess returns we believe are inevitable.

16 Live Nation Entertainment, Inc. 3Q 2025 Trended Results Grid; Live Nation Entertainment, Inc. 3Q 2025 earnings release, November 4, 2025; Live Nation Entertainment, Inc. 2024 10-K.

17 CF Industries Holdings, Inc. 3Q 2025 earnings conference call transcript, November 6, 2025.

18 CF Industries Holdings, Inc. 3Q 2025 and 4Q 2024 earnings releases, dated November 5, 2025 and February 19, 2025, respectively.

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Performance results presented in this material is not indicative of future results. The total net performance of L2's portfolios is available upon request.

INDEX DEFINITIONS

iShares Russell Micro-Cap ETF (IWC): iShares Micro-Cap ETF is an exchange-trade fund. The ETF tracks the performance of the Russell Microcap Index, which includes companies with market capitalizations typically below the threshold of the Russell 2000 Index.

Russell 1000 Value ETF: iShares Russell 1000 Value ETF is an exchange-traded fund incorporated in the USA. The ETF tracks the performance of the Russell 1000 Value Index. The ETF holds mid and large-cap U.S. stocks. Its investments are in companies that are thought to be undervalued by the market. The ETF weights the holdings using a market capitalization methodology and rebalances annually.