



Eastern Shore exploits a market phenomenon known as the **Quality Anomaly** which refers to the consistent mispricing of quality companies that leads to their outperformance over time. The strategy focuses on higher quality stocks which tend to have lower volatility and lower risk of capital loss. The strategy also invests in companies experiencing positive change in quality drivers and prefers those with long runways for future growth. Valuation discipline is used to enhance returns.

## Dire Strait

**Smid Cap Equity Net Performance Statistics Since Inception  
(12/31/2012 – 3/31/2026)\***

	Annualized Alpha (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio	Information Ratio
1 Year	2.6	116.6	107.6	1.9	0.9
3 Year	0.3	95.9	97.8	0.5	-0.1
5 Year	-2.4	91.1	101.8	0.0	-0.5
10 Year	0.4	92.8	94.7	0.4	-0.1
SI*	0.3	95.2	96.3	0.5	-0.1

*\*This information is presented as supplemental to the GIPS Report, which is available [here](#). Statistics are calculated using net of fee performance. Net of fee performance was calculated by retroactively applying the highest model fee for the composite (.90%). Performance Statistics are calculated using the Russell 2500 index. The risk-free rate used to calculate the Sharpe ratio is the FTSE 3-month T-Bill.*

### Markets/Economy

The beginning of the year started out positively as inflation data continued to moderate and fourth quarter earnings largely beat expectations. The broadening of earnings growth beyond the Magnificent Seven appears to be gaining traction and achieving recognition on the part of investors. Positive trends in the ISM Manufacturing and Services data also added to the positive economic and market narrative.

These positive developments in the US were immediately overshadowed by the conflict in Iran. The global economy is now experiencing the largest oil supply shock in history, sparking concerns about rising inflation and stagnating global growth. Investors cannot accurately predict the path ahead as this conflict unfolds. We remain vigilant in monitoring news flow to help us position our portfolios in this rapidly shifting environment.



#### Performance Summary (through 3/31/2026)\*

	1Q 2026	1 Year	3 Year (Annualized)	5 Year (Annualized)	10 Year (Annualized)	Since Inception† (Annualized)
	(%)	(%)	(%)	(%)	(%)	(%)
<b>Smid Cap Equity (Gross)</b>	1.0	28.6	13.7	3.6	11.2	11.6
<b>Smid Cap Equity (Net)</b>	0.7	27.5	12.7	2.7	10.2	10.6
<b>Russell 2500</b>	2.0	23.4	13.3	5.5	10.6	10.8
<b>Strategy Excess Return (Gross)</b>	-1.0	5.2	0.4	-1.9	0.6	0.8
<b>Strategy Excess Return (Net)</b>	-1.3	4.1	-0.6	-2.8	-0.4	-0.2

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#### First Quarter 2026 Results:

During the first quarter of 2026, the Eastern Shore Smid Cap Equity Composite delivered a return of 0.97% gross and 0.74% net of fees vs. the Russell 2500's 2.03% return.

Companies with higher returns on equity (ROE) and returns on invested capital (ROIC) outperformed the rest of the smid cap market during this turbulent quarter. Profitable companies outperformed non-earners, and lower beta companies outperformed higher beta peers. These conditions are typically favorable for our approach given our emphasis on higher quality stocks and provided a slight tailwind for the strategy. The Established Quality segment of the strategy outperformed both the Improving Quality component as well as the benchmark for the quarter.

The most significant positive sector contributors to the Smid Cap Equity strategy's relative performance during the first quarter were Industrials and Utilities. Holdings related to data center construction and infrastructure were the largest contributor to outperformance in the Industrials sector, while electric utility holdings outperformed in the Utilities sector. Sector detractors for the quarter included Health Care and Energy. Within the Health Care sector, a few negative outliers among biotechnology holdings detracted from relative performance. The strategy's underperformance in the Energy sector was similarly driven by a few lagging holdings, though being underweight in this outperforming sector also weighed on relative results.

The team made two meaningful changes to sector allocation in the first quarter – increasing exposure to the Industrials sector by 5.55% and decreasing exposure to the Health Care sector by 4.75%. No other sector adjustments equaled or exceeded 2% during the quarter.

At the individual company level, the two most significant contributors to the strategy's performance for the quarter were thermal products company Modine Manufacturing (MOD) and network technology firm Ciena (CIEN). Both Modine and Ciena continue to experience robust AI-driven demand from data center customers. Additional notable contributors during the quarter included infrastructure construction service firm MasTec (MTZ), specialty chemicals producer Element Solutions (ESI), and mechanical and electrical contracting service company Comfort Systems USA (FIX). We maintained exposure to all five of these top contributors at the end of the quarter as we feel that each presents further potential for upside.

The two most impactful detractors from the strategy's performance for the quarter were immunology company Argenx (ARGX) and financial services platform firm Robinhood Markets (HOOD). Argenx underperformed when its earnings report fell short of investor expectations, while Robinhood slid on weak cryptocurrency revenue and disappointing results.



Other significant detractors included biotechnology firm Crinetics Pharmaceuticals (CRNX), aerospace and defense company HEICO (HEI.A), and biotechnology firm Abivax (ABVX). We maintained exposure to all five of these holdings at quarter-end given their promising fundamentals and potential for share price recovery.

From a positioning standpoint, the balance of Improving and Established Quality holdings ended the quarter unchanged at roughly 45% and 55% respectively. This more balanced positioning has contributed to the strategy's relative returns vs. the Russell 2500 during the past two years, and we believe that it will continue to offer both downside protection as well as upside potential in this rapidly shifting environment.

Q1 2026 Top 5 Contributors <sup>†</sup>		
Security	Ticker	Avg. Weight (%)
Modine Manufacturing Company	MOD	1.3
Ciena Corp.	CIEN	1.3
MasTec, Inc.	MTZ	1.2
Element Solutions, Inc.	ESI	1.6
Comfort Systems USA, Inc.	FIX	1.3

Q1 2026 Top 5 Detractors <sup>†</sup>		
Security	Ticker	Avg. Weight (%)
argenx SE	ARGX	2.5
Robinhood Markets, Inc.	HOOD	0.7
Crinetics Pharmaceuticals, Inc.	CRNX	1.3
HEICO Corp.	HEI.A	1.8
Abivax SA	ABVX	1.5

<sup>†</sup>The information provided above should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this presentation or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of all securities recommended during the preceding year is available upon request. Past performance is not indicative of future results. The information is presented as supplemental to the GIPS Report available [here](#). Top Contributors and Detractors are considered Extracted. Attribution total return for portfolio differs from composite results due to attribution methodology not taking intraday trading into account. Return data presented gross of fees. Past performance is not indicative of future returns.

### Outlook:

Recent economic data has been encouraging, and management teams shared primarily positive commentary during recent earnings calls and conferences. These promising developments have been overshadowed in the past several weeks as the market has focused on the price of oil and the inflationary effects of supply disruptions from the Middle East. If the conflict persists for weeks or more, the global economy will experience real shortages in many critical products to include LNG, jet fuel, bunker (tanker) fuel, helium (used in semiconductor manufacturing, MRI machines, and other industrial uses), urea (a key fertilizer), and diesel fuel. This will be inflationary across a wide range of products and services.

From a fundamental perspective, earnings revisions for small, mid, and large cap equities have been accelerating after fourth quarter earnings and hover at or near all-time highs. With the market decline in the past month, valuations have contracted despite these positive revisions. This is normally a bullish signal for stocks, though companies have yet to see increased input costs flow through earnings.

We are closely watching inflation, interest rates, the dollar, and the price of crude oil. These are inter-related and will heavily influence the path ahead for equities. Companies will release first quarter earnings results over the coming weeks, and forward-looking commentary and guidance from management teams will exert a meaningful impact on sentiment going forward.



**EASTERN SHORE**  
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# Smid Cap Equity

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In our view, three potential scenarios could unfold from this point. The first is that the conflict drags on for several more weeks, and the Strait of Hormuz remains effectively closed. This would be inflationary and would curtail global growth, creating a stagflationary environment characterized by higher interest rates, lower corporate earnings, and multiple compression for stocks. The second scenario involves a rapid resolution that would open the strait, allowing for lower oil prices, lower inflation, and stronger economic growth. Equity markets would most likely experience a powerful relief rally, and corporate earnings would continue their upward trajectory.

The third scenario represents a continuation of the dynamic in place during the past few weeks, which is a stalemate regarding negotiations over the major points that both sides have demanded. In this scenario, daily macro headlines will continue to drive market movements. Sentiment would most likely remain neutral to negative overall with substantial short-term volatility to both the upside and downside.

We have positioned our portfolios with a combination of high-quality defensive names as well as exposure to more pro-cyclical companies and companies with strong visibility and secular growth. This mix has served us well in the first quarter and into April. We believe that this balanced approach will serve the strategies well in any of the scenarios described earlier.

We are monitoring new developments carefully and will adjust positioning as new data becomes available. While we are bottom-up fundamental investors, we recognize that macro factors will impact each of our holdings and are evaluating the risk-adjusted return potential of companies and industries on an ongoing basis. Please feel free to reach out if we can be helpful in any way. Thank you for your support of Eastern Shore.



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