Harris | Oakmark

QUARTERLY MANAGER COMMENTARY

U.S. Concentrated Strategy

March 31, 2026

Performance highlights

Contributors

- Phillips 66
- ConocoPhillips
- Targa Resources

Detractors

- Salesforce
- IQVIA Holdings
- Capital One Financial

MARKET ENVIRONMENT

U.S. equities finished lower during the quarter despite 6 of 11 GICS sectors posting positive returns. Information technology and financials detracted the most from market returns while energy and industrials contributed.

PORTFOLIO PERFORMANCE

The portfolio's return was -7.95% (net) for the reporting period. This compares to the Russell 1000 Value Index that returned 2.10% for the same period.

Top contributors:

- Phillips 66 was a contributor during the quarter. The U.S.-headquartered downstream energy company's stock price rose as it benefited from higher crack spreads (the difference in price between crude oil and refined petroleum), heightened geopolitical risk and solid fourth-quarter 2025 earnings. Fundamental results have been encouraging, and we believe PSX is set to be a major beneficiary of rising crack spreads. We continue to see PSX as a durably advantaged energy company focused on returning cash flow to shareholders.
- ConocoPhillips was a contributor during the quarter. The U.S.-headquartered oil and gas company's stock price rose as it benefitted from a favorable macroeconomic backdrop and results consistent with our expectations. Rising energy prices due to geopolitical conflict were the most significant driver of the stock performance. We continue to believe Conoco has some of the industry's highest quality assets managed by a team of strong operators and capital allocators.
- Targa Resources was a contributor during the quarter. The U.S.-headquartered midstream company's stock price rose as it benefited from geopolitical tensions and posted strong fourth-quarter 2025 results. Targa's earnings before interest, tax, depreciation, and amortization (EBITDA) grew by 20% compared to 4% year-over-year growth in total Permian oil production. This outperformance was driven by a confluence of factors, including: oil production on the company's acreage outpacing overall Permian growth, superior gas production, and Targa winning a solid share of new contracts. We appreciate management's guidance towards another year of double-digit volume growth and increased EBITDA, which can help the stock sustain strong performance over the long term.

Top detractors:

- Salesforce was a detractor during the quarter. The U.S.-headquartered software company's stock price declined as it contended with market fears over AI disruption. Quarterly results have remained strong and margins continue to improve. Management emphasized they expect subscription revenue growth to accelerate in the second half of 2026 as Agentforce becomes a more meaningful part of the business. We applaud management's commitment to share repurchase at recent market prices, including their recently announced $50 billion buyback authorization and $25 billion accelerated share repurchase plan. We believe these capital allocation actions position Salesforce to emerge stronger from today's AI-related stock price drawdown.

- IQVIA Holdings was a detractor during the quarter. The U.S.-headquartered provider of clinical research services, analytics, and solutions saw the price of its stock decline on AI-related fears despite reporting an in-line fourth quarter and 2026 outlook. Management believes the demand environment has stabilized and leading growth indicators, such as bookings and win rates, are encouraging. They expect IQVIA to be a net beneficiary of AI due to proprietary data, domain expertise, and regulatory and compliance barriers, among other factors. We continue to view IQVIA as a stable, long-cycle business that will benefit from a recovery in client spending in the coming quarters.
- Capital One Financial was a detractor during the quarter. The U.S.-headquartered consumer finance company's stock weakness was partially driven by President Trump's call for a 10% cap on credit card interest rates and partially driven by its earnings report. Capital One reported solid revenue but higher-than-expected marketing expenses. While some of this is expected with seasonality, we are tracking growth in spending and returns on those investments carefully in the coming quarters. Regarding the 10% cap, we view this as highly unlikely and note that this would require a law to be passed by Congress. We continue to view Capital One as a disciplined, tech-forward and well-capitalized company with a long runway for future growth.

PORTFOLIO POSITIONING

We initiated the following position(s) during the period:

- Gartner is a global leader in research services, with a long history of delivering valuable insights and data to business and technology leaders. In our view, the company has the best brand in IT research, supported by its scale and a compelling customer value proposition. These advantages have driven a long history of strong organic growth and robust free-cash-flow conversion. The stock price has declined meaningfully from recent highs due to investor concerns surrounding AI-related disruption. We believe these concerns are overstated. In our view, Gartner is well-positioned to reaccelerate organic growth due to continued high customer engagement and the large opportunity to sell to new and existing customers. We took advantage of the opportunity to buy shares in this well-managed company at a bargain price.

We eliminated the following position(s) during the period:

- Warner Bros Discovery

OUTLOOK

We actively rebalanced during the quarter, taking advantage of unusually wide dispersion in stock performance across the market. We trimmed in areas that rerated higher and redeployed into businesses that we believe are significantly undervalued, particularly in software and financials. The valuation gap between high and low multiple stocks remains unusually wide today, and we are positioned for that spread to narrow. We believe the low valuation, strong growth characteristics, and ample diversification of our portfolio today bode well for the future.

AVERAGE ANNUALIZED TOTAL RETURNS (%)

	QTD	YTD	1 yr	3 yrs	5 yrs	10 yrs	Since inception
U.S. Concentrated Strategy Gross of Fees	-7.72	-7.72	7.40	16.75	9.55	11.89	13.76
U.S. Concentrated Strategy Net of Fees	-7.95	-7.95	6.33	15.60	8.46	10.78	12.64
Russell 1000 Value Index	2.10	2.10	15.87	14.31	9.43	10.58	10.36
S&P 500 Index	-4.33	-4.33	17.80	18.32	12.06	14.16	11.00

Returns for periods less than one year are not annualized. Composite inception: 12/31/1990

Past performance is no guarantee of future results. *Current performance may be lower or higher than the performance data quoted. The gross performance presented above does not reflect the deduction of investment advisory fees. All returns reflect the reinvestment of dividends and capital gains and the deduction of transaction costs. The client's return will be reduced by the advisory fees and other expenses it may incur in the management of its account. The advisory fee, compounded over a period of years, will have an adverse effect on the value of the client's portfolio.*

Understanding the risks

All investments carry a certain degree of risk, including possible loss of principal. There is no assurance that an investment will provide positive performance over any time period. Value stocks may fall out of favor with investors and underperform growth stocks during given periods. Because the strategy is non-diversified, the performance of each holding will have a greater impact on the strategy's total return and may make the returns more volatile than a more diversified investment strategy. Medium-sized companies' stocks tend to be more volatile than those of large companies and have underperformed the stocks of small and large companies during some periods.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors.

The information, data, analyses, and opinions presented herein (including current investment themes, the portfolio managers' research and investment process, and portfolio characteristics) are for informational purposes only and represent the investments and views of the portfolio managers and Harris Associates L.P. as of the date written and are subject to change without notice.

The specific securities identified and described in this report do not represent all the securities purchased, sold, or recommended to advisory clients. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time one receives this report or that securities sold have not been repurchased. It should not be assumed that any of the securities, transactions, or holdings discussed herein were or will prove to be profitable.

Glossary

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. This index is unmanaged and investors cannot invest directly in this index.

The S&P 500 Index is a float-adjusted, capitalization-weighted index of 500 U.S. large-capitalization stocks representing all major industries. It is a widely recognized index of broad, U.S. equity market performance. Returns reflect the reinvestment of dividends. This index is unmanaged and investors cannot invest directly in this index.

SCM-5168CON-7/26