GROWTH OF INCOME

2026 – Second Quarter Update

The Groesbeck Growth of Income portfolio had a total return of 13% for the quarter compared with the S&P500 that gained over 15%, which continues to be driven by sharply higher technology stock gains. The portfolio outperformed the S&P500 equal weight index which was up 11%. In comparison to the dividend growth benchmarks, we significantly outperformed in the quarter period owing to a much larger technology exposure in the portfolio compared to those benchmarks.

Total Returns	3 Months	Year to Date
Groesbeck Growth of Income Portfolio	13.3%	14.0%
S&P 500 Index	15.2%	10.2%
S&P 500 Dividend Aristocrats Index	6.7%	9.3%
Russell 1000 Dividend Growth Index	7.5%	9.3%

As of June 30, 2026.

Sources: Groesbeck Investment Management, S&P Global and FTSE Russell.

Market Commentary

Stocks suffered a serious decline in the first quarter over rising oil prices owing to the outbreak of the conflict with Iran and related uncertainty. As the news of a cease fire and related negotiations to end the conflict spread stocks soared and recovered the lost 2026 gains. The S&P500 even had one of its best quarterly returns since 2020. Strong first quarter earnings reports and declining oil prices from the potential reopening of the strait of Hormuz stoked investor enthusiasm. Stocks experienced a broad advance and market averages achieved record highs during the quarter. The Fed, under its new Chairman Kevin Warsh, maintained interest rates at current levels as the inflation outlook has begun to moderate and the near-term outlook for interest rates appears stable at the moment. Political pressure has been strong for rate cuts and fears that the new Chairman may follow through had been a concern, but Kevin Warsh has made it clear inflation is his number one focus as is continuing to reduce the Fed balance sheet. These comments are exactly what the markets wanted to hear and given the softening labor market, rate increases do not appear to be in the cards

Quarter Performance

In the second quarter, the sectors that did well for the portfolio were information technology, financial, industrials and consumer discretionary. Technology was driven by the insatiable demand from artificial intelligence (AI) spending and the other sectors benefited from the broad advance of the market. Financials benefited from the stock market advance that drove broker and asset managers Goldman Sachs and T. Rowe Price to have strong gains. Industrial and consumer discretionary were aided by gains in Carrier Global, eBay, Starbucks and Owens Corning. The sectors that detracted from performance this quarter were communication services, as T-Mobile fell sharply, and consumer staples, which was hurt by a decline in Kroger.

The big winners this quarter were our recent purchase TD Synnex, Lam Research, and Owens Corning, all of which advanced over 50%. The weakest stocks were again Accenture and Genpact this quarter followed by Kroger. Accenture and Genpact, while beating earnings expectations, are falling on concerns about AI competition. More specifically for Accenture are worries over its acquisition strategy and slowing organic growth. Kroger, fell over issues regarding its pricing strategy, a new CEO and weakening same store sales.

Portfolio Changes

During the quarter we added a new position in Iron Mountain. This company, a Real Estate Investment Trust (REIT), is a provider of document storage and technology data storage. The company has been investing its high stable cash flow into data centers which in turn are benefiting from AI demand. Revenue growth has more than doubled and funds from operations is growing at a double-digit pace. In other portfolio actions, we took some profits in Lam Research as tremendous gains resulted in a very outsized position that needed to be reduced.

Portfolio Health

While the stock market has risen to recover from the current war concerns, we still have worries about high valuations and the economic weakness that could come from sustained high energy prices and macroeconomic uncertainty. We are encouraged as companies continue to increase dividends and by the fact that 2026 earnings expectations continue to go higher. We expect the defensive characteristics of the portfolio will help weather the stock market volatility and the growth characteristics will continue to generate healthy earnings growth and healthy dividend increases. The current dividend yield is 1.7% compared to 1.1% for the S&P 500. The average payout ratio for the portfolio is a comfortable 41%, allowing ample capacity for future dividend increases. Over the last five years, average annual growth in earnings and dividends of the companies in the Growth of Income portfolio was 9% and 13%, respectively. The trailing twelve-month portfolio P/E stands at 20.2x compared to 24.9x for the S&P 500.