



Missive

FEBRUARY 19, 2026

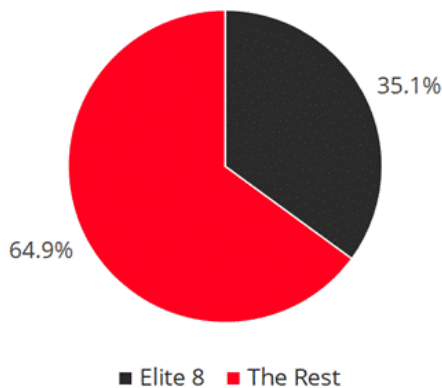
Willie Sutton Meets Wayne Gretzky

Dear fellow investors,

There are two sides to the current stock market. One side, ignorance avoidance, requires us to know where the money is. The other side, stock selection, is to know where the money is going. Since Willie Sutton knew where the money was, he robbed banks. We will discuss where the money is now and where we think it will go.

Wayne was asked why he was such a great hockey player. He said, "I skate to where the puck is going to be!" We believe we have had a portfolio over the last 17 years which spent a great deal of time where the puck was going to be. We will discuss why we believe that could be true over the next ten years as well.

The S&P 500's Elite Eight vs. The Rest



Source: Bloomberg as of 2/17/2026. "Elite Eight" Defined as Nvidia, Apple, Microsoft, Amazon, Alphabet, Broadcom, Meta, Tesla

If Willie Sutton was stealing money today, he wouldn't go to the bank. He would rob brokerage accounts and stock certificates holding the largest capitalization stocks in the S&P 500 Index. **Then he would sell them.**

Ironically, over the last three months, that is exactly what has been going on. The largest stocks in the S&P 500 Index are being sold and in turn the index itself is being sold. This lays the groundwork for a long-term trend and something of a vicious circle. Selling of one beget selling of the index and selling of the index will cause disproportionate selling of the largest names.

Stocks have been gathering the money from the bottom of the bear market in March of 2009 to today. This happened because the bear market interludes were short (60 days in 2020 and 12 months in 2022) and momentum investing was having its day in the sun. Like Pavlov's dog, investors sit in front of their TV screen or computer when the stock market opens to be fed wealth. Jack Bogle's invention (The Vanguard S&P 500 Index fund) has become the largest holder of wealth (money) in the world.

Anecdotally, when our team travels to Europe, Asia and elsewhere around the world, we find that the S&P 500 Index is the largest holding of nearly every institutional investor and family office. And those asset handlers tell us that they would get fired if they sold any of their S&P 500 Index holdings.

Since we know where the money is and we believe that much of it will come out of there over time, we must think about where it will go. As we think about where it will go, we must be there before the money gets there. Therefore, where would Wayne skate to so he's there when the puck (money) comes.

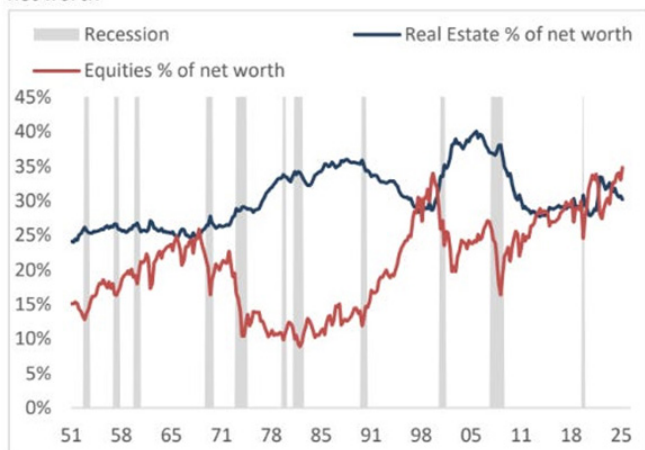
First, when the stock market broke in 2000 from the Dotcom Mania dying, a slice of the money coming out of the technology and bubbly stocks moved into the very neglected and attractively priced value stocks. At the start of 2026, our portfolio traded at a price-to-cash flow of 9.5 versus the S&P 500 Index of 21.6. Our price-to-book ratio was 2.38 and the S&P 500 Index 5.45. We aren't Maren Morris, but we would like the index to "meet me in the middle" on those ratios.

Second, when people go to the bank or mortgage lender to borrow to buy a home, the mortgage rates could very well decline because of the natural change in behavior of investors moving from greed to fear. Guaranteed interest-bearing securities look very attractive relative to stock market losses. We can tell you firsthand because when yours truly started in this business, investors were the opposite of today. They were happy to earn guaranteed interest rates and were scared to death of common stocks. Also, nobody offers you a 30-year fixed loan with tax deductible interest to buy common stocks.

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Exhibit 12 - Households have more net worth in stocks than in Real Estate

US Household allocations to equities and real estate as a % of total net worth



Source: Wells Fargo Securities, LLC, Bloomberg

*Household equity allocation includes stocks directly held, mutual fund equity shares, and equities in insurance and pensions

Lastly, we have not given up on inflation rearing its ugly head. Between massive federal deficits being monetized, declining U.S. oil production and labor shortages among entry level workers (think fast food), we believe that investors need some inflation protection and we get it with our large position in the oil and gas sector.

In conclusion, we are embracing both Willie Sutton and Wayne Gretzky and like where we think it will take us as we play the long game!

Play The Long Game,

Bill Smead
Chairman & Chief Investment Officer

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