

January 2026

As the S&P 500 continues its perilous ascent up the sheer rock face of worry<sup>1</sup> that is today's stock market, it's hard not to marvel at the dizzying heights it's been able to achieve. While there were several stumbles this past quarter—allowing us to show yet again how Marshfield performs when the market loses its footing—the prevailing direction of stocks has been an unimpeded vertical climb. The mountaineering skills the “Magnificent Seven” have demonstrated are prodigious; equipped with little apart from investors' fervent belief in a future of abundance untethered (to our eyes) to the harness of either reality or probability, they have defied the odds of traditional measures of valuation.

It's not just the avatars of AI that have been free soloing up the cliffside. Companies with little to recommend them apart from a tangential connection to Nvidia, ChatGPT, and the like have also tied in for the climb. Even in our own world of reality-based expectations, we've found ourselves hitching a free ride with the AI rock-jocks as **Cummins'** share price has chalked up gains. A long-term holding with a core business of manufacturing truck engines, Cummins also happens to have a power generation unit that sells backup generators to data centers. In consequence, it's seen its shares move upward with the sure-footedness of a seasoned Sherpa guide. Like us, management at Cummins is happy to go along for the trek—and indeed sees no plateau in demand in the immediate future—but is exceptionally clear-eyed about striking the right balance between optimism and caution, especially as far as the market's view of valuation is concerned.

While it would be easy to give a shoulder shrug to all of this and to simply wait until the belay fails and the high flyers come back to earth—we've been here before, many times, and pretty much know the drill—we nonetheless continue to compete, continue to be on the lookout for stocks that the market has underpriced in its quixotic attempt to crest El Capitan. With the benefit of protection from conservative valuations, stringent quality assessments, and no-nonsense vetting of managements, our research team remains at base camp avoiding the thin air, planning, fielding calls with companies, and working hard to shield ourselves from the risks of a free fall.

During the last quarter, the market gave us significant price premiums over our estimates of intrinsic value for **CMI**, **ORLY**, **ROST**, and **TJX**. In keeping with our sell price discipline, we trimmed the position size in each one. On the buy side, the market price for **PGR** fell such that we were able to increase our position size in this name.

<sup>1</sup>The phrase “wall of worry” is a Wall Street chestnut, capturing the idea that bull markets often continue to climb even as pessimism and skepticism grow, only to die, as Sir John Templeton observed, “on euphoria”.