

Protecting the Downside

Christopher Niemczewski and Chad Goldberg of Marshfield Associates explain how their strategy and process is built to avoid costly mistakes, why they have almost never invested in information technology, how they use the firm's chief economist, and why they see unrecognized value in Progressive, UnitedHealth, NVR, Ross Stores and O'Reilly Automotive.

INVESTOR INSIGHT



Marshfield Associates

Chris Niemczewski (l), Chad Goldberg (r)

Investment Focus: Seeking out resilient, high-return businesses with stocks trading at temporarily cheap prices and looking to hold on to them as they compound value.

Asset flows haven't been going value investors' way, but you wouldn't know that from Marshfield Associates' experience in recent years. From \$2.5 billion when we last interviewed founder Chris Niemczewski in 2019, the firm now manages over \$8 billion. "We've just been very conscious of selling only what we really do," he says. "Luckily enough people get it."

What the firm sells is a strategy constructed to win by protecting capital in down markets. The firm's single strategy since 1989 has earned a net annualized 11.7%, vs. 10.8% for the S&P 500, capturing 87% of the market's upside and only 44% of its downside. Today he and fellow portfolio manager Chad Goldberg see positive risk/rewards in such areas as healthcare, insurance, homebuilding, specialty retail and auto parts.

Your strategy is built to come out ahead by protecting downside more than by capturing upside. How do you try to do that?

Christopher Niemczewski: It's pretty simple to describe, if not to execute. We want to buy companies with long-term competitive advantages and resilient business models in high-return businesses when their stocks are at temporarily cheap prices. We avoid "consensus" stocks, but want companies that provide something that customers truly value and we believe will continue to value for the long term. We take a lot of time to understand the corporate culture and leadership capacity, which significantly impacts how well the company compounds intrinsic value over time. If we're right, we want to hold on as that value compounds – typically our annual portfolio turnover is only 10-15%.

Also central to our riding out bad markets is an absolute price discipline and willingness to let cash build – the current level is around 24% – if valuations are too high. We make conservative estimates of intrinsic value and require at least a 20% discount from that to take a position. Fewer value investors seem willing to do that these days, but it's how we want our own money to be managed and it's given us a return profile we're quite comfortable with. It doesn't look great when stocks just go up, but over the now 37 years since we founded Marshfield we've beaten the S&P 500 index on a net basis with 30% less volatility.

Let's talk about some long-time holdings and how they fit your desired profile, starting with Expeditors International [EXPD].

CG: The company is a freight forwarder that contracts with ocean and air carriers as well as ground transportation providers to move freight for its customers, who are typically vendors of things like apparel and electronic goods to be sold at retailers around the world. The customers are often relatively small and lack the expertise and buying power to negotiate complex transport on their own, which is what Expeditors provides.

Transportation isn't necessarily a great business in and of itself, but it's a much better business for companies like this that don't have any risk associated with owning the assets involved. It's a service company that adds value from its expertise, data and, importantly, relationships that are hard to disintermediate over time. They tend to do fine through the cycle and typically benefit from chaos, which we've had plenty of around global trade.

Even though the business has grown intrinsic value nicely over time, the cyclical nature and chaos of the transportation business can often provide opportunities to own shares at a discount. Just this month the stock got hit when a company that not long ago sold karaoke machines said it was going to disrupt the transportation-logistics business with AI. Overall, we're skeptical the world has changed with respect to trade in a meaningful way long term and believe Expeditors will continue to thrive in that world.

How about insurance company Arch Capital [ACGL], a name we talked about when we spoke six years ago [VII, March 31, 2019]. How has it remained interesting to you as long as it has?

CN: A lot of bad things happen in the world and when bad things happen you need insurance, which we think makes insurance a good secular growth business. Within that, you want to own the best underwriters and Arch actually does what others say they do, writing business to an absolute underwriting standard that means they pull back when pricing isn't sufficient. They're also not trying to be Warren Buffett and differentiate themselves on the investment side. If you care exclusively about the underwriting side of the business you better be good at it.

We've owned Arch since 2009 and it has grown book value more rapidly than the Markel's and Fairfax Financial's of the world. Over the past ten years book value has grown around 15% annually. If you can pay around book value for that, which we did, things work out pretty well.

One general point I'd add here is that while we're unlikely to pay for fast growth, we want intrinsic value to be growing at least at a reasonably good pace. You can find companies whose stocks are cheap, but if intrinsic value is growing very slowly it's hard to make money.

You've described instituting a research-process checklist in part to guard against biases in your work. What are some of those biases you're trying to avoid?

CG: The rationale behind our checklists is to make sure we're asking all the important questions about a business in the same way each time, starting with industry structure and working down through an individual company's competitive advantages and how that all flows through the financials. We don't want to take any shortcuts, covering everything we need to know or that could be a source of error.

This may sound overly basic – we're allowed to ask questions that are basic – but one item on our checklist is to just ask whether anyone has any biases they should put on the table. Just thinking about that is important. One fairly recent example for me is around Nike. I've loved this company, what it stood for and its products since I was 11 years old. That's

100% a bias, maybe rooted in some evidence, but I absolutely have to put that on the table when thinking through where the company goes from here.

CN: Some other potential biases are top of mind for us today. One is to resist the bias for action. We haven't been finding a lot to buy and there's a tendency at times like these to want to do something. Maybe an idea is almost good enough, so why not put it in the portfolio? Just saying that we're thinking this way helps avoid errors.

ON AVOIDING TECH:

You know the Charlie Munger quote that there aren't any degree-of-difficulty points handed out in investing.

Another one is being overly fond of an idea on which we've made a lot of money in the past. We've done really well investing before in Deere & Co., for example, so there can be sort of a halo around it when the stock seems to be getting cheap and we look at it again. You don't want that in any way to affect how you go about your research and analysis – the checklists in general are meant to help us avoid that.

You mentioned following an absolute discipline when it comes to valuation. Describe that a bit more fully.

CN: We're generally looking at businesses where discounted-cash-flow models are the best way to estimate intrinsic value. We run multiple scenarios – with our base case meant to reflect conservative assumptions – and we use a uniform 11.5% discount rate. That's higher than most people use, but to us it helps build in a margin of safety and makes sense as basically the risk-free 10-year U.S. Treasury rate plus an equity premium of 7%.

If we know something well, we'll usually take a 3% position if it trades at a 20% discount to our base-case value es-

timate. We likely buy more if the discount is 25%, and more again if it's 30% and above. We typically own 20 or so stocks at a time, and rarely have more than 10% of the portfolio in any individual position.

On the other end, we regularly update our value estimates and leave a lot of room above our base case – which we know is conservative – before we start selling. Our estimated-value range is broad, so we generally don't start selling until the shares get to 150% of the midpoint of our range. We'll sell more at 175% and more again at 200%. This might not translate well into how other people think about intrinsic values, but reflects the conservatism we want and has worked for us over time.

It's somewhat surprising you've been able to beat the market with almost no exposure over your history in information technology. What's the rationale behind that?

CN: You know the Charlie Munger quote that there aren't any degree-of-difficulty points handed out in investing. It's maybe changing at the margin now, but tech firms are really hard for us to understand. We once had a call scheduled with Oracle and realized that we couldn't understand enough in the 10-K so we had to call it off. We looked at – and obviously should have bought – Microsoft in 2011/2012. The desktop business was maturing and we asked what they were going to do next. They said a main priority was to dominate the cellphone software business. Maybe someone somewhere in the company was working on the cloud, but we didn't know anything about that and there was nothing in the company materials about it. Our investment horizon is long and we're just not comfortable investing in businesses where the future is so uncertain. Frankly, I also don't think we'd be very good at it.

We can't not ask about AI. How are you processing its impact on your companies?

CG: We do expect AI to have a significant impact in a number of areas, but for the time being we don't consider it a big driver one way or the other for many of the busi-

nesses we own. I would say, though, that for a lot of names on our watchlist today one aspect of the thesis is that people think AI is going to destroy the business and we think that's unlikely to be the case. Just as there were ideas on the other side of the "Amazon disrupts everything" trade, we expect that to be true today as well.

I play with AI all the time to see how it can help us be better at what we do. That's what we need to understand for our companies – how are they and can they use AI to make their businesses better. With all the pronouncements about AI from the tech visionaries, we think it's more important to track what people on the ground are doing. That's what's going to matter.

CN: Investors talk about one use case for AI being to summarize earnings calls. I can say now that I hope more people start using AI to summarize earnings calls. Any summary I've seen so far recaps the obvious stuff about the numbers and how they compared with the previous quarter or with expectations, but they can miss what we think is important. On the last earnings call for Progressive [PGR], for example, one analyst asked [CEO] Tricia Griffith if she thought the market was getting more competitive and prices were under increasing pressure. Her response was "This is when the fun starts," meaning they'll be happy in this stressed environment to keep the good risks for themselves and funnel bad risks to their competitors. My AI summary didn't mention that.

At another point one of the analysts asked her if she could help out with modeling the payment of special dividends and her response was, "Probably not." That's what we want to hear. You don't need to know exactly what they're going to do around capital allocation, but you want to be comfortable with how they make those decisions based on the facts at hand. You're getting a flavor of the culture and the way they think about the world that AI didn't seem to notice. Maybe it gets better, we'll see.

Let's talk about your broader investment case for Progressive.

CN: The core business is writing auto insurance, a high-incidence, low-severity business for the most part, and they're very good at it. They have more data than anyone and have proven creative in looking for causation and correlation that explains prospective losses. We've always loved about the company that they're happy to lose to other providers customers they don't consider profitable risks.

Progressive has more than 30% of the Florida auto-insurance market. You might think with a third of the business in the state they'd get results there pretty close to what everybody else does. But in the last

three years the company made so much money in Florida that they ran afoul of the state's excess-profits tax and had to refund nearly \$1 billion to customers. Analysts thought that was a bad thing but we don't look at it that way. It is not a bad problem to have that you're making so much money that you have to give some of it back.

We pay a lot of attention to culture and see that as a real competitive advantage for the company. They invest in customer service, training employees to treat customers with respect and go the extra mile to keep them happy. They have a tool on their website that allows prospective buy-

INVESTMENT SNAPSHOT

Progressive
(NYSE: PGR)

Business: Underwrites, markets and sells direct-to-consumer auto insurance in the U.S.; smaller businesses sell commercial-auto and residential-property insurance.

Share Information (@2/27/26):

| | |
|----------------|------------------|
| Price | 213.66 |
| 52-Week Range | 197.92 – 292.99 |
| Dividend Yield | 6.6% |
| Market Cap | \$125.23 billion |

Financials (TTM):

| | |
|-------------------------|-----------------|
| Revenue | \$87.64 billion |
| Operating Profit Margin | 16.5% |
| Net Profit Margin | 12.9% |

Valuation Metrics
(@2/27/26):

| | PGR | S&P 500 |
|--------------------|------------|--------------------|
| P/E (TTM) | 11.1 | 24.7 |
| Forward P/E (Est.) | 13.3 | 21.9 |

Largest Institutional Owners
(@12/31/25 or latest filing):

| Company | % Owned |
|-------------------------|----------------|
| Vanguard Group | 9.4% |
| BlackRock | 8.9% |
| Capital Research & Mgmt | 6.1% |
| State Street | 4.4% |
| Geode Capital | 2.7% |

Short Interest (as of 2/15/26):

| | |
|--------------------|------|
| Shares Short/Float | 1.2% |
|--------------------|------|

PGR PRICE HISTORY

THE BOTTOM LINE

The company's customer-first orientation and ingrained culture for disciplined underwriting should allow it to continue to take auto-insurance market share over time, says Chris Niemczewski. He doesn't think that is well reflected in the shares currently trading at 11x earnings and at a 25% discount to his conservative midpoint estimate of intrinsic value.

Sources: S&P Capital IQ, company reports, other publicly available information

ers to “name their price” and then shows coverage options that fit the desired cost. That’s a win for the driver, who feels taken seriously and is provided with an affordable policy, and a double win for Progressive, which is able to place new business at a profitable price while also making the customer feel valued and in control. The company also understands that claims are a pain point for drivers and puts a premium on responding to claims quickly, professionally and with a minimum of hassle. This may require a greater degree of back-of-house sophistication and front-of-house courtesy, but the faster claims are resolved the less likely they are to turn into costly litigation. Again, a win for both company and customer.

What’s driving the company's intrinsic value growth here?

CN: The number of cars on the road grows, though not very quickly, and miles driven grows a little more. The biggest driver is that they have steadily and profitably increased market share – they’re now at 16-17% of the market, up from 9% in 2009 – and we expect that to continue. Mutual insurers like State Farm, the biggest player in the market, have been contributors of share and there are still a lot of small insurers out there who have a difficult time competing with Progressive.

How do you process concerns about autonomous driving reducing accidents and the insurance needs of drivers?

CN: We think that’s a reason the stock trades where it does, but we’d argue people are misjudging the speed at which autonomous driving plays out. If we do the math, taking into consideration the new cars sold each year and the average age of a car, even if tomorrow every new car sold in the U.S. was self-driving, it would still take 25 years for the whole fleet to be autonomous. And that’s assuming everybody wants an autonomously driving car.

As technology in cars have improved over the past 50 years, the frequency of accidents has been going down but because

of the cost of that technology the severity has been going up even faster. We think there’s a case to be made that that continues for a long time even as self-driving cars account for more of the miles driven.

At today’s price of around \$214, closer to their 52-week low than high, how inexpensive do you consider the shares?

CN: The company consistently earns returns on equity of 30% and is able to reinvest a lot of that back into the business while paying regular and special dividends. It is not hard for us to envision it increasing cash flow at a mid-teens rate for some time. For that, the stock trades at 11x earnings and at more than a 25% discount to our, as described earlier, conservative midpoint estimate of intrinsic value. This is far and away one of the cheapest stocks in our portfolio.

Turning to a somewhat hairier idea, describe what you think the market is missing in UnitedHealth [NYSE: UNH].

CN: Before Chad starts I would just say that we have made in our history the most money in companies everybody just hates.

CG: I’ll start with a high-level thesis and then work down from there. We have also found that some of our most successful ideas work almost exclusively because we get the big picture right and then have the good fortune of buying into it when the stock is cheap.

UnitedHealth is a behemoth in multiple areas of the healthcare space, operating as both a provider of care and as a health insurer, variously managing and/or assuming risk for individual, corporate, Medicare Advantage and Medicaid clients. In all of those businesses it benefits from huge scale and is one of if not the most profitable in the market. As the U.S. healthcare system is constructed – with the government having mostly outsourced the provision, management and rationing of services – it is an indispensable player and too big to fail without causing massive turmoil.

That describes pretty well why this is something we want to own. So then we have to talk about the issues facing the company today that have impacted its business and the market’s perception of it. Brian Thompson, the CEO of UnitedHealth’s insurance division, was murdered in December of 2024, shining a bright light on some of the coding and other practices that were considered to inappropriately take advantage of government reimbursement programs and to deny needed care. In April of 2025 because of weakness in the Medicare Advantage business, the company cut earnings guidance. Then in May they removed earnings guidance and replaced the then-CEO, Andrew Witty, with Stephen Helmsley, who had been CEO previously from 2006 to 2017. More recently, the government last month announced it planned to keep 2027 Medicare Advantage payments essentially flat, far less than the 3-5% growth expected.

Do you think Mr. Helmsley is the right person to deal with all that?

CG: One thing we historically liked about UNH was what I’d call its green-eyeshade culture. It’s a complicated business and you want the culture to be very detail-oriented and buttoned up, holding the system solidly together. We think they lost some of that under Andrew Witty and expect that to return in force under Stephen Helmsley.

As a result we don’t expect the company to be in the news for pushing the envelope around government reimbursement. If policies have been mispriced, that will be corrected quickly and appropriately. With respect to Medicare Advantage reimbursements, management has already made it clear that if the 2027 reimbursements stay where they are, which is debatable, they will have to reduce benefits to protect margins, as will all their competitors. If we’re right all of this works out, the focus returns to UNH being the scale player in a secular growth business and solidly increasing intrinsic value over time.

CN: I’d add one thing on management here. Andrew Witty did a lot of what he

INVESTMENT SNAPSHOT

UnitedHealth
(NYSE: UNH)

Business: Provider of a broad range of healthcare insurance and services in the United States to corporate, individual, Medicare Advantage and Medicaid customers.

Share Information (@2/27/26):

| | |
|----------------|------------------|
| Price | 293.27 |
| 52-Week Range | 234.60 – 606.36 |
| Dividend Yield | 3.1% |
| Market Cap | \$265.66 billion |

Financials (TTM):

| | |
|-------------------------|------------------|
| Revenue | \$447.57 billion |
| Operating Profit Margin | 4.2% |
| Net Profit Margin | 2.7% |

Valuation Metrics

(@2/27/26):

| | | |
|--------------------|------------|--------------------|
| | UNH | S&P 500 |
| P/E (TTM) | 22.2 | 24.7 |
| Forward P/E (Est.) | 16.4 | 21.9 |

Largest Institutional Owners

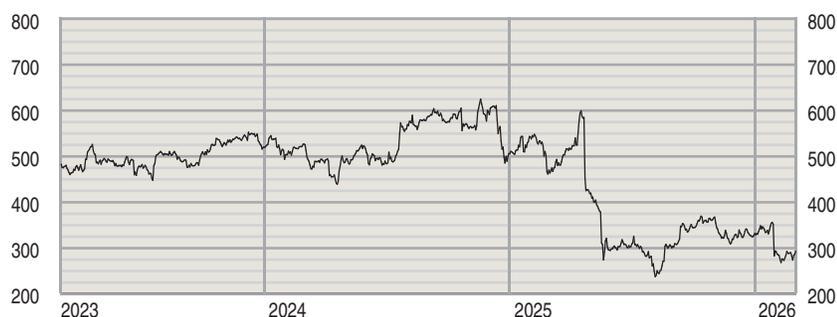
(@12/31/25 or latest filing):

| Company | % Owned |
|-------------------------|----------------|
| Vanguard Group | 10.1% |
| BlackRock | 8.2% |
| Capital Research & Mgmt | 5.3% |
| State Street | 5.0% |
| T. Rowe Price | 2.5% |

Short Interest (as of 2/15/26):

| | |
|--------------------|------|
| Shares Short/Float | 1.5% |
|--------------------|------|

UNH PRICE HISTORY



THE BOTTOM LINE

Chad Goldberg believes the company under returning CEO Stephen Helmsley will get back to basics and benefit again from the "green-eyeshade" culture that helped build it into an indispensable player in the U.S. healthcare system. The stock trades at close to a 50% discount to his estimate of intrinsic value, the largest discount in his portfolio today.

Sources: S&P Capital IQ, company reports, other publicly available information

was brought in to do, but he was primarily a pharmaceutical-company executive before, and I think it's often a mistake to bring a non-insurance person into an insurance business. In insurance you can grow as fast as you want, but if you grow too quickly – which is arguably what Witty did – bad things can happen. We expect the company to be disciplined around pricing and that should bring the business back to where it was.

At a recent \$293.25, off more than 50% from their 52-week high, how attractive do you consider the shares today?

CG: We believe the floor rate of growth for the company is the rate of growth for the industry, driving 6-8% top-line growth for a long time. Based on our DCF estimates, the stock trades at close to 50% discount to intrinsic value, the biggest discount in the portfolio today. There's a lot of bad news in the shares which we don't believe will prove to be warranted over time.

From health insurance to homebuilding, describe your interest in NVR Inc.?

CG: Homebuilding in general is only a fair business, as it is operationally chal-

lenging and can be both capital-intensive and extremely cyclical. NVR's business is somewhat higher quality than that, because they've gotten out of the capital-heavy land-development side of the business and focus on being the best manufacturer of new homes they can be. They don't stockpile land on their balance sheet, but instead buy options on land that they exercise only when they believe they can build houses on it that people want and will pay for.

Their traditional strength has been in mid-Atlantic states, particularly the Washington, D.C. area, but they have expanded successfully in the Southeast and that region now accounts for a larger number of their homes built. National scale doesn't count for that much in this business, but regional scale is important and they've built that in a number of U.S. markets where population growth is the most healthy. The median price of their new homes is around \$450,000, so closer to the entry level than the high end.

Is part of the bet here that housing supply needs to catch up with housing demand after general underbuilding since the financial crisis?

CN: It's actually not. That correction may happen and it would likely be a good thing for NVR, but our thesis is simpler than that. Within a wide range, a certain number of houses will be built every year over our time horizon and we believe NVR will get a good share of that and generate a lot of cash flow in a relatively consistent way that doesn't appear fully reflected in the current share price.

CG: The supply/demand imbalance is a difficult problem to solve. Local municipalities are restricting the supply of new homes built, but if you try to address that in a way that benefits new-home purchasers, you likely impact existing homeowners to a significantly negative degree. It's reasonable to assume housing supply and demand comes into better balance, but we haven't seen much progress on that front for a very long time.

INVESTMENT SNAPSHOT

NVR Inc.

(NYSE: NVR)

Business: Constructs and sells single-family detached homes and townhomes; key markets include the broader Washington, D.C. region and several markets in the Southeast.

Share Information (@2/27/26):

| | |
|----------------|---------------------|
| Price | 7,517.79 |
| 52-Week Range | 6,562.85 – 8,618.28 |
| Dividend Yield | 0.0% |
| Market Cap | \$21.00 billion |

Financials (TTM):

| | |
|-------------------------|-----------------|
| Revenue | \$10.44 billion |
| Operating Profit Margin | 17.1% |
| Net Profit Margin | 12.8% |

Valuation Metrics

(@2/27/26):

| | NVR | S&P 500 |
|--------------------|------------|--------------------|
| P/E (TTM) | 17.2 | 24.7 |
| Forward P/E (Est.) | 18.9 | 21.9 |

Largest Institutional Owners

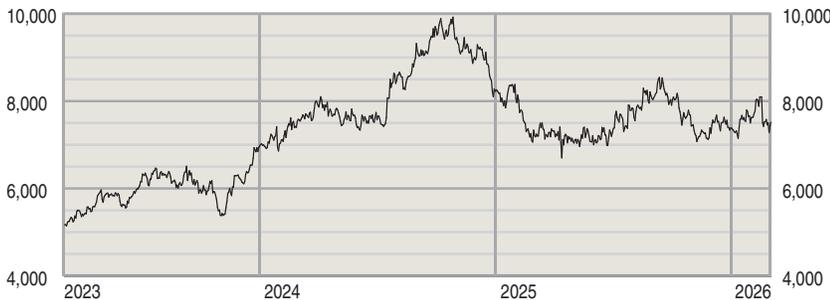
(@12/31/25 or latest filing):

| Company | % Owned |
|-------------------------|----------------|
| Vanguard Group | 11.6% |
| BlackRock | 10.5% |
| Capital Research & Mgmt | 6.2% |
| State Street | 4.8% |
| Geode Capital | 2.7% |

Short Interest (as of 2/15/26):

| | |
|--------------------|------|
| Shares Short/Float | 2.9% |
|--------------------|------|

NVR PRICE HISTORY



THE BOTTOM LINE

The supply/demand problem in the United States housing industry will remain a difficult problem to solve, says Chad Goldberg, but he believes the company can continue to prosper with its asset-light business model and strong manufacturing mindset. He says he likely wouldn't find overdone optimism built into the shares until the price was 50% higher.

Sources: S&P Capital IQ, company reports, other publicly available information

ment-store prices. The average unit price is around \$15, lower than the \$20-22 level at primary competitor TJX [TJX]. They're very good at creating a "treasure hunt" shopping experience that keeps customers coming back into the store and helps inventory turn over quickly. Given the price points, it's very hard for online to compete with them for people who like the hunt and want to try the clothes on first.

There's an ocean of overstock product out there. The nature of the apparel market is that full-price stores always over order, just in case something takes off and they don't want to be caught short of inventory. One of Ross's primary competitive advantages is its team of buyers that sort through all that overstock to identify the right products at the right prices that they believe they can re-sell most profitably. That's not that easy to do. Nordstrom has tried to get into the business but the results have been mixed at best. Ross has it down, and has translated that to a rapidly growing new concept selling at even lower price points called dd's DISCOUNTS. There are 350 dd's stores in the U.S. and the company thinks that number can double.

The Ross-branded stores also still have a lot of room to grow and enter geographies where they have little or no presence. As of the end of 2025 there were around 1,850 Ross Dress for Less stores and the company believes that can grow another 50-60%. As department stores continue to go out of business, these guys have been taking advantage.

How are you looking at valuation from the stock price today of around \$7,520?

CG: The shares today trade at closer to what we consider a fair price, which as Chris described earlier means we probably wouldn't start selling until the stock price were 50% or so higher. The business should grow nicely above GDP growth, from continuing to take share in regions with better-than-average population growth. The company also generates a lot of cash and has over time been smart in allocating capital. That includes share buy-

backs – over the last 12 months they've reduced the number of shares outstanding by more than 8%.

Ross Stores [Nasdaq: ROST] would seem to be an idea that's currently firing on all cylinders a bit more than usual for you.

CN: They are doing well, with what we think is an all-weather strategy that certainly appears to be resonating today. They're an off-price retailer, selling overstock branded apparel, accessories and home goods at 20-60% below depart-

How are you looking at share upside from today's price of around \$206?

CN: The stock is not optically cheap, trading at 29x estimated forward earnings, and it also isn't trading at a discount to our midpoint estimate of intrinsic value. But when we hold stocks for 8 to 9 years on average, this is an excellent example of a position we're more than happy to own in a concentrated portfolio. We believe the company's growth prospects are high and that the business will be resilient through a variety of economic environments. As

INVESTMENT SNAPSHOT

Ross Stores

(Nasdaq: ROST)

Business: Retailer of off-price apparel, accessories and home fashions sold through some 2,200 Ross Dress for Less and dd's Discounts stores located in the U.S.

Share Information (@2/27/26):

| | |
|----------------|-----------------|
| Price | 205.64 |
| 52-Week Range | 122.36 – 206.40 |
| Dividend Yield | 0.8% |
| Market Cap | \$66.51 billion |

Financials (TTM):

| | |
|-------------------------|-----------------|
| Revenue | \$22.03 billion |
| Operating Profit Margin | 11.9% |
| Net Profit Margin | 9.5% |

Valuation Metrics

(@2/27/26):

| | ROST | S&P 500 |
|--------------------|-------------|--------------------|
| P/E (TTM) | 32.1 | 24.7 |
| Forward P/E (Est.) | 29.3 | 21.9 |

Largest Institutional Owners

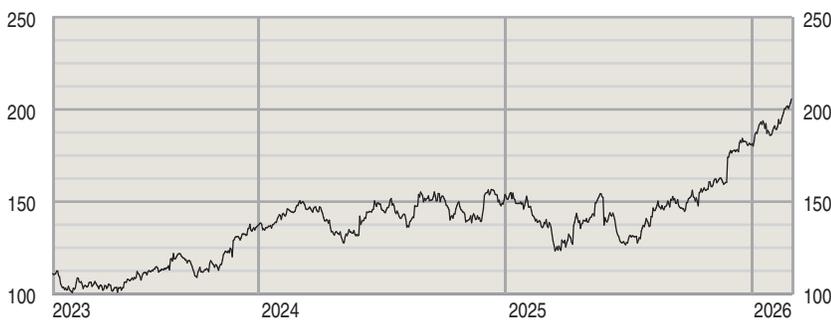
(@12/31/25 or latest filing):

| Company | % Owned |
|------------------------|----------------|
| Vanguard Group | 12.0% |
| BlackRock | 7.5% |
| State Street | 4.3% |
| T. Rowe Price | 3.0% |
| J.P. Morgan Asset Mgmt | 2.9% |

Short Interest (as of 2/15/26):

| | |
|--------------------|------|
| Shares Short/Float | 2.5% |
|--------------------|------|

ROST PRICE HISTORY



THE BOTTOM LINE

The company is performing well with what Chris Niemczewski considers an all-weather off-price retail strategy that also appears to be resonating particularly well today. While he doesn't now consider the shares to be cheap, he says its resiliency and growth profile make it the type of company he's more than happy to hold in a concentrated portfolio.

Sources: S&P Capital IQ, company reports, other publicly available information

with NVR, we probably wouldn't think the optimism built into the stock was significantly overdoing it until the share price was quite a lot higher than it is today.

Why are you high on the investment prospects for auto-parts retailer O'Reilly Automotive [Nasdaq: ORLY]?

CG: Selling auto parts is a business we know well and have very much come to appreciate for the two market leaders, O'Reilly and AutoZone [AZO], which we also own. Given their scale and reach, they can offer unmatched product selection,

unmatched product availability, expertise to diagnose problems, and highly competitive prices. As a result they consistently take market share in what is still a fragmented market, from smaller independent shops and from industry problem child Advance Auto Parts [AAP].

One driver of the business over time has been a proliferation in the number of auto parts. When we spoke recently with one of our contacts at AutoZone he said that when he got into the business General Motors had maybe five different kinds of alternators for their cars and trucks. They now have 130. As many parts become

more technologically advanced, they may be of better quality and last longer, but that's been more than compensated for by their being more expensive.

The biggest driver for O'Reilly, and AutoZone, is store growth. The companies combined have about 14,000 stores – 7,500 for AutoZone and 6,500 for O'Reilly – out of a market that in the U.S. is about 35,000 stores. The overall count isn't growing, but both companies continue to take more of the market by opening stores at a healthy rate. O'Reilly added more than 200 stores last year and AutoZone around 300. We believe there's a long way to go before that opportunity runs out. It doesn't bother us to own head-to-head competitors – we'd argue they benefit from having each other to push them harder to compete.

What potential impact do you see from an increasing proliferation of electric and self-driving vehicles?

CN: AutoZone and O'Reilly are far more exposed to mechanical parts than collision parts, so any impact from autonomous vehicles reducing accident rates – which as we've discussed may be a long way off – isn't likely to be that material.

With respect to electric cars, there is concern that they have fewer mechanical parts that need to be repaired and replaced. When we do the math on EV penetration – time horizons there keep lengthening – again we don't believe the impact on the auto-parts retailers over even a medium to fairly long time frame will be close to what some people have feared.

How do O'Reilly's shares at a recent price of around \$94 compare to your estimate of intrinsic value?

CG: The set up is consistent with what we said about Ross. The stock at 29x forward earnings also isn't cheap. But we think the company can grow both organically and through acquisition at a healthy clip for some time. We have reduced our position somewhat as the share price has risen, but this is another one where we wouldn't ex-

INVESTMENT SNAPSHOT

O'Reilly Automotive

(Nasdaq: ORLY)

Business: Retailer and distributor of automotive aftermarket parts, tools, supplies and equipment; as of year-end 2025 operated 6,500 stores in the U.S., Mexico and Canada.

Share Information (@2/27/26):

| | |
|----------------|-----------------|
| Price | 93.88 |
| 52-Week Range | 85.55 – 108.71 |
| Dividend Yield | 0.0% |
| Market Cap | \$79.04 billion |

Financials (TTM):

| | |
|-------------------------|-----------------|
| Revenue | \$17.78 billion |
| Operating Profit Margin | 19.5% |
| Net Profit Margin | 14.3% |

Valuation Metrics

(@2/27/26):

| | ORLY | S&P 500 |
|--------------------|-------------|--------------------|
| P/E (TTM) | 31.6 | 24.7 |
| Forward P/E (Est.) | 29.1 | 21.9 |

Largest Institutional Owners

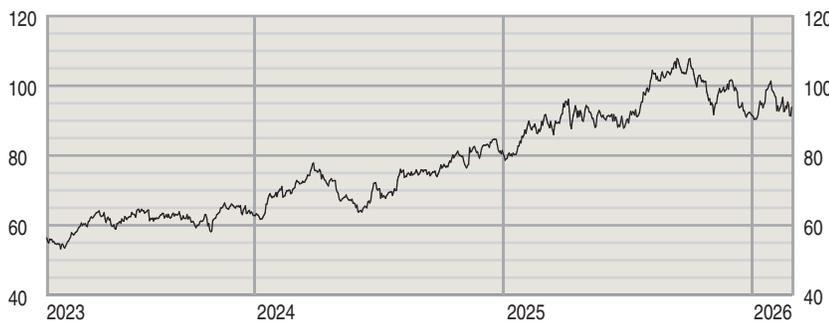
(@12/31/25 or latest filing):

| Company | % Owned |
|----------------------|----------------|
| Vanguard Group | 9.5% |
| BlackRock | 7.6% |
| State Street | 4.4% |
| Geode Capital | 2.9% |
| Principal Global Inv | 2.6% |

Short Interest (as of 2/15/26):

| | |
|--------------------|------|
| Shares Short/Float | 1.8% |
|--------------------|------|

ORLY PRICE HISTORY



THE BOTTOM LINE

The company's scale and reach in auto-parts retail has allowed it to consistently take market share in what is still a fragmented market, says Chad Goldberg, who also believes its rivalry with AutoZone pushes it harder to compete. The stock is fully priced, he says, but he wouldn't expect to consider it overbought until the price was significantly higher.

Sources: S&P Capital IQ, company reports, other publicly available information

pect to consider the market to be excessively optimistic until the shares were significantly higher.

Your firm is unique in having a chief economist on staff. How generally do you use him and what's he been working on lately?

CN: Cole Kendall has been with us in that capacity for 10 years and in addition to keeping us current on the key macro-economic developments we should know about that specifically impact our companies, we often ask him for a microeconomic analysis of different industries we're in-

terested in. How is the industry structure evolving? What's happening with input costs? How are market shares evolving?

One area he's looking into is the U.S. HVAC [Heating, Ventilation and Air Conditioning] industry. The shares of companies like Trane, Carrier and Lennox may be expensive today, but we think it's an interesting business that seems to be evolving for the better relative to where it was 10 years ago. Cole does an excellent job with that kind of research and analysis.

You've described starting to sell when share prices hit around 150% of your mid-

point intrinsic-value estimate. Is Cummins [CMI] a good recent example of that?

CN: It is. This is a long-term holding whose core business is manufacturing truck engines, but it also has a power-generation unit that sells backup generators to data centers. As a result of the latter the shares have done quite well. They're not yet to our final sales target, but we have reduced the position as the optimism around AI built into the share price in our view got ahead of itself. [Note: At a recent price of around \$584, Cummins shares have more than doubled from their 2025 low and now trade at 22x forward earnings.]

Have you sold anything of late where your thesis changed for the worse?

CN: The last stock we sold because we lost confidence in the company was probably Goldman Sachs [GS]. There were a number of questionable strategic moves around building out their consumer-banking operation, but the final straw for us was when they began discussing giant special "retention" bonuses to the CEO and President that we considered totally unnecessary and over the top.

The stock has done very well since then. Any regrets?

CN: That happens. Stocks often go up after we sell them and often go down after we buy them. But you can't learn from something like this that the next time we don't like the CEO we should keep the stock anyway. If we sold like we did five times in a row and the stock always performed well I suppose we'd have to think about it, but if we do things that make sense we try not to be too hard on ourselves when it turns out differently than we expect.

We're competitive and don't like losing, but on balance our style has worked in the way we want it to in protecting and growing people's capital. The ups and downs, it's all fascinating to me. We like to say around here we'd rather do this than eat. It's just a blast, my enthusiasm for the game hasn't diminished at all. VII



INVESTMENT PHILOSOPHY

Guided by patience, selectivity, and thoughtfulness as to what attributes make a company worth owning we seek out singular companies that the market misprices for transitory reasons. We back our convictions up with a willingness to hold cash — sometimes lots of it — when such opportunities are not available. All of this requires discipline, patience and a high tolerance for discomfort.

We are highly concentrated, industry and sector agnostic, and we avoid generic “consensus” stocks in favor of those that have:

- a strong and resilient value creation engine;
- a well-defined and appropriate corporate culture;
- thoughtful and disciplined capital management;
- a deeply embedded understanding of their competitive advantages and the discipline to exploit them; and
- the capacity to grow intrinsic value over time.

WHY USE MARSHFIELD

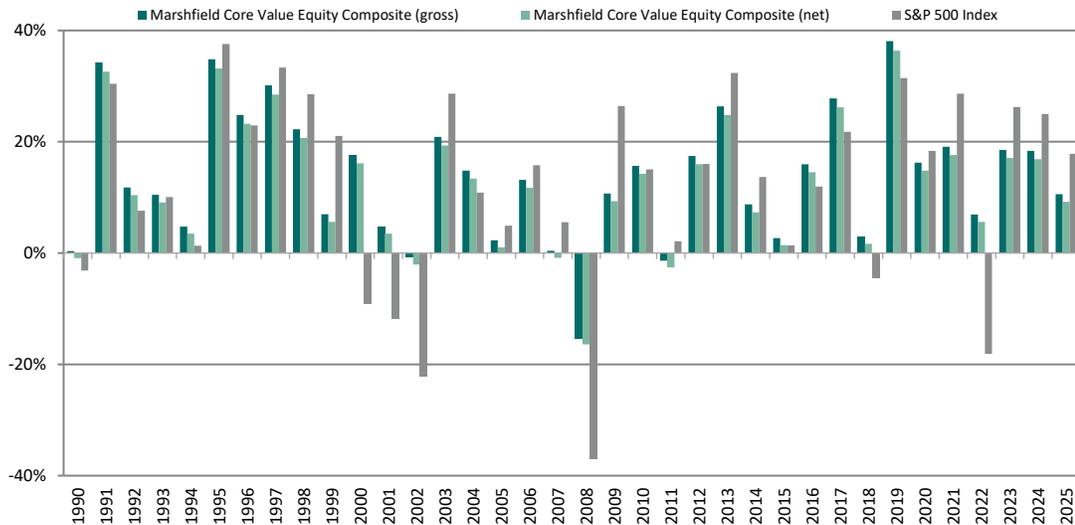
- 36-year record of out-performance over the S&P 500 Index.*
- Historically about 20%-30% less volatile than the S&P 500 Index
- Low turnover that averages 10-15% per year; 2025 was 11.1%

TOP 10 POSITIONS as of 12/31/2025*

| | |
|---------------|-------|
| Cash | 22.3% |
| AutoZone | 8.9% |
| Progressive | 7.3% |
| UnitedHealth | 6.8% |
| Ross Stores | 6.1% |
| Mastercard | 5.4% |
| Cummins | 5.2% |
| Visa | 5.0% |
| O'Reilly Auto | 4.9% |
| Domino's | 4.3% |

Marshfield Associates is a long only value equity manager who believes that to beat the market, you can't be the market. We've developed a disciplined process and strategy that intentionally differentiates us from the crowd in ways that add value on a risk-adjusted basis.

Marshfield Long-Term Performance* is a Result of Performing Well in Up Markets and Extremely Well in Down Markets with Less Volatility

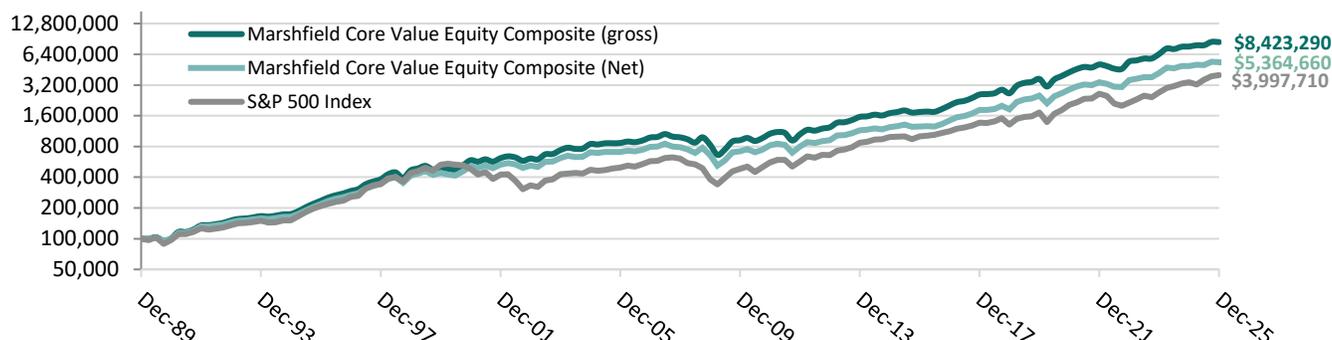


| Annualized Performance | One Year | Five Year | Ten Year | Twenty Year | Since 12/31/89 Inception |
|------------------------|----------|-----------|----------|-------------|--------------------------|
|------------------------|----------|-----------|----------|-------------|--------------------------|

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Marshfield Core Value Equity Composite (gross) | 10.58% | 14.58% | 17.07% | 12.05% | 13.11% |
| Marshfield Core Value Equity Composite (net) | 9.21% | 13.16% | 15.62% | 10.65% | 11.70% |
| S&P 500 Index | 17.86% | 14.40% | 14.81% | 10.99% | 10.79% |

| Metrics** | One Year | Five Year | Ten Year | Twenty Year | Since 12/31/89 Inception |
|-----------|----------|-----------|----------|-------------|--------------------------|
|-----------|----------|-----------|----------|-------------|--------------------------|

| | | | | | |
|------------------|------|------|------|------|------|
| Upside Capture | 34 | 74 | 90 | 87 | 87 |
| Downside Capture | -68 | 21 | 44 | 58 | 44 |
| Beta | 0.04 | 0.55 | 0.72 | 0.78 | 0.70 |

CORE VALUE EQUITY STRATEGY
Growth Of \$100,000
 Cumulative 12/31/89 to 12/31/2025

RESEARCH

- We invest bottom-up but worry in every direction.
- In-house, consensus-based decision-making and no silos.
- Four voting members who are principals of the firm. Eight members total.
- Continuously review companies in the portfolio and of interest.

WE EAT OUR OWN COOKING

- Buy and sell for our own accounts the stocks we buy and sell for our clients, only after doing so for our clients.
- Principals own no other publicly traded equities. **

Portfolio Management Principals

Chris Niemczewski founded Marshfield in 1989. While at Columbia, he was exposed to the Graham and Dodd school of security analysis and investing, an approach that has influenced his forty-plus years in the investment field. Chris is a member of the Swarthmore College Investment Committee and served as its committee chair from 2009 through 2017.

M.B.A. Columbia University, B.A. Swarthmore College

Chad Goldberg, CFA, joined Marshfield in 2006 and became a principal in 2012. He works with the research team analyzing Marshfield's current and potential future holdings. Prior to joining Marshfield, Chad worked as a research assistant for the National Security Division of the Congressional Budget Office where he assisted with research on the long-term implications of Department of Defense budgets and private sector mandates.

B.A. Stanford University

Elise Hoffmann joined Marshfield in 1995. Prior to joining Marshfield, she worked for Rep. Ed Markey, serving seven years as Counsel to the U.S. House of Representatives' Committee on Energy & Commerce, Subcommittee on Telecommunications and Finance, where she was responsible for developing securities legislation. Previously, she practiced law in the private sector at Steptoe & Johnson in Washington, DC.

J.D. Yale, A.B. Princeton University

Judy Becker joined Marshfield's research team in 2018 and became a principal in 2023. Prior to joining Marshfield, Judy worked at the U.S. Department of Education, primarily in the Office of the General Counsel as well as stints in the policy office and the Office of the Secretary. Prior to that, she worked as an associate at the litigation firm Williams & Connolly, having first clerked for a federal district court judge following law school.

J.D. Georgetown University, B.A., Duke University

* Net returns based on a model 1.25% management fee. See Appendix for a copy of the Marshfield Core Value Equity Composite and related performance disclosures. Past performance does not guarantee future results.

** Each of these portfolio/investment characteristics are calculated using the Marshfield Core Value Equity Composite's gross returns over the relevant period, and do not reflect the deduction of fees that a client would have paid. Note that metrics for the most recent one-year period may be skewed due to the small sample size.

*Based on aggregate holdings within the Marshfield Core Value Equity Composite as of the date referenced above. There are no assurances that securities of the companies listed above remain in the Composite beyond this date.

** Pursuant to and in accordance with Marshfield's Code of Ethics, principals may personally own private partnerships or, temporarily, stocks spun out, inherited, or held prior to becoming a principal.

APPENDIX: PERFORMANCE PRESENTATION

| Year | Composite Return Gross of Fees (%) | Composite Return Net of Fees (%) | S&P 500 Index (%) | Number of Accounts | Composite Market Value (\$Millions) | Total Firm Assets (\$Millions) | Internal Composite Dispersion: Asset-Weighted Standard Deviation (%) | Composite Three-Year Annualized Standard Deviation Gross of Fees | S&P 500 Index Three-Year Annualized Standard Deviation |
|------|------------------------------------|----------------------------------|-------------------|--------------------|-------------------------------------|--------------------------------|--|--|--|
| 2025 | 10.58 | 9.21 | 17.86 | 347 | 1434 | 8122 | 1.33 | 10.85 | 11.79 |
| 2024 | 18.33 | 16.86 | 25.00 | 374 | 1462 | 7501 | 1.79 | 14.34 | 17.16 |
| 2023 | 18.56 | 17.09 | 26.26 | 377 | 2895 | 6402 | 1.08 | 14.42 | 17.30 |
| 2022 | 6.91 | 5.58 | -18.13 | 383 | 1548 | 4443 | 1.42 | 17.13 | 20.87 |
| 2021 | 19.08 | 17.60 | 28.68 | 387 | 1448 | 4175 | 2.59 | 14.69 | 17.17 |
| 2020 | 16.27 | 14.84 | 18.39 | 374 | 1193 | 3594 | 2.26 | 15.18 | 18.53 |
| 2019 | 38.10 | 36.43 | 31.48 | 365 | 1027 | 3076 | 4.73 | 10.54 | 11.93 |
| 2018 | 2.92 | 1.64 | -4.39 | 365 | 693 | 2285 | 1.02 | 10.76 | 10.80 |
| 2017 | 27.78 | 26.23 | 21.80 | 372 | 715 | 2285 | 2.41 | 9.96 | 9.92 |
| 2016 | 15.98 | 14.56 | 11.93 | 376 | 597 | 1897 | 1.67 | 10.14 | 10.58 |
| 2015 | 2.69 | 1.41 | 1.38 | 358 | 693 | 1856 | 1.56 | 9.58 | 10.46 |

| Annualized Returns | | | |
|--------------------|------------------------------------|----------------------------------|-------------------|
| | Composite Return Gross of Fees (%) | Composite Return Net of Fees (%) | S&P 500 Index (%) |
| 1 Year | 10.58 | 9.21 | 17.86 |
| 3 Year | 15.76 | 14.32 | 22.98 |
| 5 Year | 14.58 | 13.16 | 14.40 |
| 10 Year | 17.07 | 15.62 | 14.81 |
| 15 Year | 14.78 | 13.35 | 14.05 |
| 20 Year | 12.05 | 10.65 | 10.99 |
| Since Inception | 13.11 | 11.70 | 10.79 |

Marshfield Core Value Equity Composite Performance Presentation

As of December 31, 2025
Inception December 31, 1989
Creation Date January 1, 2008

APPENDIX: PERFORMANCE PRESENTATION

Organization

Marshfield Associates (the "Firm") is a registered investment advisor under the Investment Advisors Act of 1940. The Firm focuses on value equity investing for institutions and individuals; it also manages balanced and fixed portfolios for clients who request them. The Firm claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The Firm has been independently verified by Kreischer Miller for the periods of January 1, 2008 to June 30, 2025. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Composite Description

The Core Value Equity Composite (the "Composite") includes all fully-discretionary, fee paying portfolios invested in the core value equity strategy, which utilizes proprietary research to build portfolios of securities invested in a single, long-only, bottom up style. The objective of the strategy is to generate outperformance over the benchmark index while exposing client assets to less risk (volatility) than the index and the strategy uses a concentrated approach emphasizing companies with good industry structure plus strong and appropriate corporate culture, purchased at a discount to the Firm's estimate of value; portfolios generally hold between 16 and 20 securities.

Portfolios are included in the Composite after they have been under active management for three full months prior to the start of the measurement period. They are removed from the Composite at the end of the prior month that they terminate or restrict their accounts, or when their investment objective changes. A complete list describing all of the Firm's composites is available upon request. Information relating to performance for periods beyond 10 years is also available upon request.

The index for the Composite is the S&P 500 Index. The S&P 500 Index is an unmanaged, market value weighted index, which broadly measures the performance of U.S. large capitalization stocks. The Index is presented for comparison only; one cannot invest in an index. The Index is provided to represent the investment environment existing during the time periods presented.

Performance Calculations

Performance results are calculated on a total return basis and include all realized and unrealized gains and losses as well as dividends and interest. Portfolios in the Composite record transactions based on trade dates. Portfolio performance calculations are time-weighted to account for periodic contributions and withdrawals. The Composite's returns consist of size-weighted portfolio returns using beginning of period values and cash flows to weight portfolio returns.

For the Composite, quarterly linking of interim performance results is used to calculate annual returns for 2000; from 2001 forward, interim performance results are linked monthly to calculate annual returns. All of the Composite's valuations and returns are computed and stated in U.S. dollars, and results are reported net of any non-reclaimable withholding taxes. Gross returns reflect the deduction of transaction costs. Net of fee returns for the Composite reflect the deduction of transaction costs and investment management fee. Net return computations are calculated by applying a model fee equal to the maximum management fee charged to prospective clients (currently 1.25%) to gross return calculations. Additional information regarding the Firm's policies for calculating and reporting performance results is available upon request.

Investment Management Fees

The fee schedule for prospective clients is as follows: 1.25% for accounts with assets of \$1mm to \$10mm, and 1% for accounts with assets of \$10mm or more. Some of the portfolios pay incentive fees of 10% of all gains. A client's return will be reduced by management fees and other expenses that may be incurred in the management of the client's account, and may differ from the Composite return. The Firm's management fees are fully described in the Firm's Form ADV, Part 2A and may be obtained by request.

Composite Dispersion

Composite dispersion measures the consistency of the Composite performance results with respect to the individual portfolio returns within the Composite. Composite dispersion is calculated using the asset-weighted standard deviation method for all portfolios that were included in the Composite for the entire year.

Three-Year Standard Deviation

The three-year annualized ex-post standard deviation measures the variability of the Composite and index returns over the preceding 36-month period.

Future Performance

The historical rates of return should not be relied on as indicative of future results. Investors should be aware that other performance calculation methods may produce different results and that comparison of investment results should consider qualitative circumstances and should be made only for portfolios with generally similar investment objectives.