INVESTMENT MANAGEMENT TEAM

SUMMER 2026 SPELLMAN FUND REPORT

Summary

Over the summer of 2026 (May 1st through August 31st), the Spellman Fund outperformed the broader market, delivering an 8.40% return compared to 6.75% for the S&P 500 benchmark. Financial and Healthcare led broad market gains across both the fund and the index. Financials advanced due to stabilizing net interest margins and a rebound in dealmaking activity, while Healthcare gained from strong elective-procedure demand and persistent momentum in GLP-1 pharmaceuticals. However, the fund's excess return was primarily driven by a positive selection effect in Industrials and Consumer Cyclicals. The fund's Industrials holdings, led by Union Pacific and Emerson Electric, generated an 11.87% return against the benchmark sector's 0.35%, while stock selection in Consumer Cyclicals, led by General Motors, produced an 8.58% gain against a -3.53% benchmark sector decline.

Geopolitical Tensions

During the summer of 2026, global shipping disruptions and uneven chip supply hit businesses hard, creating a volatile environment for the stock market. Conflicts near major ocean trade corridors like the Red Sea and Strait of Hormuz forced cargo ships to take long, expensive detours, which drove up transport fees and energy costs. At the same time, massive demand for artificial intelligence hardware absorbed foundry capacity and advanced memory chips, leaving traditional tech and consumer electronics struggling with higher input costs. These bottlenecks bumped up prices for typical consumers, which worried Wall Street about inflation staying high. To protect their money, investors staged a major mid-summer shift, pulling cash out of big tech stocks and rotating into energy, shipping, and industrial companies that could profit from higher freight rates and rising fuel costs.

Housing Market Impact

With 30-year fixed mortgage rates hovering between 6.5% and 7.1% throughout the summer, home sales remained sluggish and weighed down benchmark sectors tied to residential building and home improvement stores. While the broader market felt that drag, the Spellman Fund held up well because its top industrial picks do not rely on the housing cycle. Key holdings like Union Pacific and Emerson Electric generate business moving freight and supplying factory automation or energy infrastructure, rather than building materials. That steady enterprise demand helped keep the fund's industrial returns strong even as high borrowing costs slowed down residential real estate.

Summer Portfolio Performance (May 1st - Aug 31st)

The portfolio had an overall increase of 8.40%.

The three highest performing sectors were Finance (14.31%), Healthcare (12.68%), Industrials (11.87%).

Top 5 Highest Performers

SAP SE Sponsored ADR (SAP):

- 30.96% Increase
- 0.54% Contribution to return

Microsoft Corporation (MSFT):

- 22.90% Increase
- 0.75% Contribution to return

Prudential Financial, Inc. (PRU):

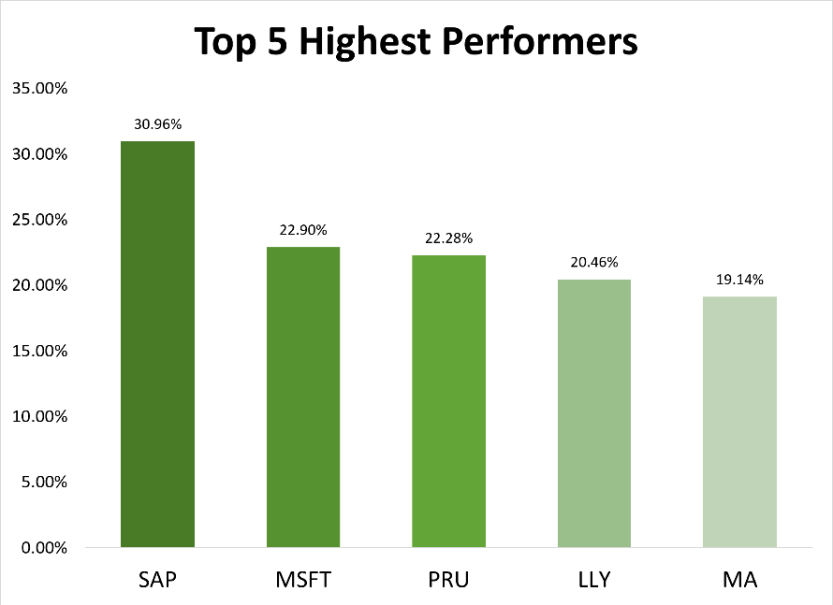
- 22.28% Increase
- 0.27% Contribution to return

Eli Lilly and Company (LLY):

- 20.46% Increase
- 0.33% Contribution to return

Mastercard Incorporated Class A (MA):

- 19.14% Increase
- 0.58% Contribution to return



The three lowest performing sectors were Utilities (-13.80%), Consumer Services (5.08%), Energy (5.56%).

Top 5 Lowest Performers

NextEra Energy, Inc. (NEE):

- -13.80% Decrease
- -0.38% Contribution to Return

Alphabet Inc. Class A (GOOGL):

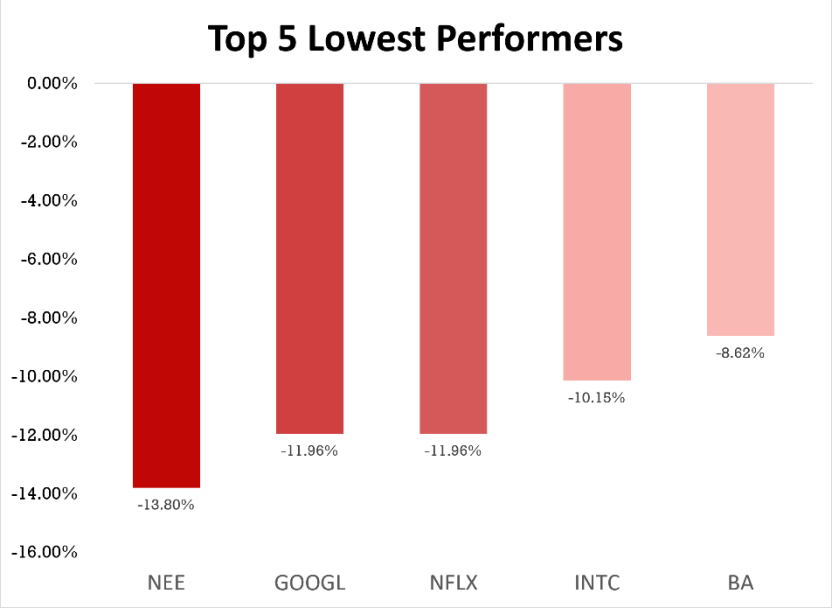
- -11.96% Decrease
- -0.42% Contribution to Return

Netflix, Inc. (NFLX):

- -11.96% Decrease
- -0.42% Contribution to Return

Intel Corporation (INTC):

- -10.15% Decrease
- -0.21% Contribution to Return

Boeing Company (BA):

- -8.62% Decrease
- -0.04% Contribution to Return