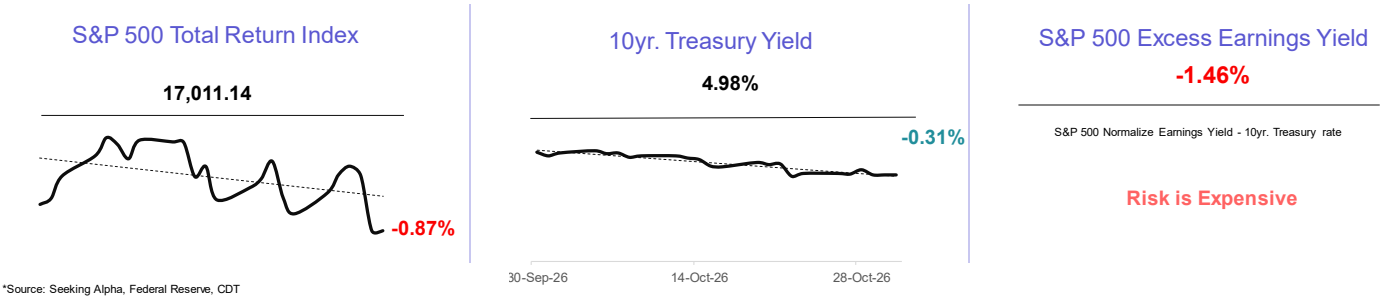
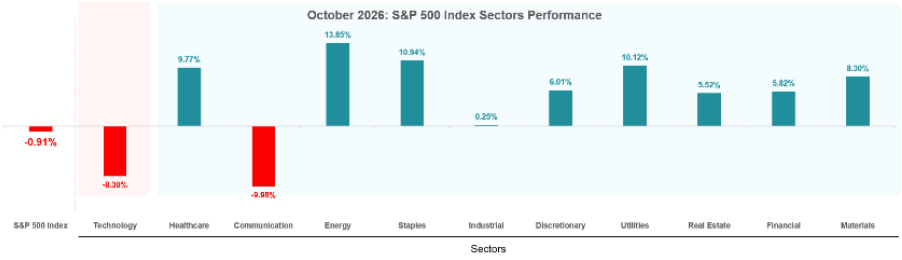
CDT October 2026 – The Price Discovery vs. Value Discovery Opportunity Part I

Market Update.

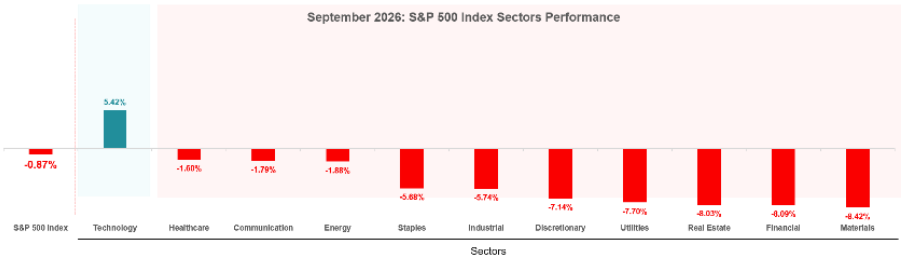


*Source: Seeking Alpha, Federal Reserve, CDT

A quiet market selloff shifts to a quiet market rally. What a difference 30-days can make. Under the hood, in October, almost all the sectors that struggled in September rallied back in October. At the market level, the volatility has been relatively muted in comparison to the sector breakdowns outlined below. Evidently, a broken market structure no longer reflects the health of the median stock, but the level of market interest around SI/AI. The extreme market concentrations that control the S&P 500's market weightings have made uncorrelated investing easier than ever. Aided by a retracement in interest rates, 9 out of the 11 sectors of the S&P 500 Index rallied and returns across all sectors were an average of +4.76%, but the market index declined by approximately -1%.



Source: CDT and State Street Sector ETFs

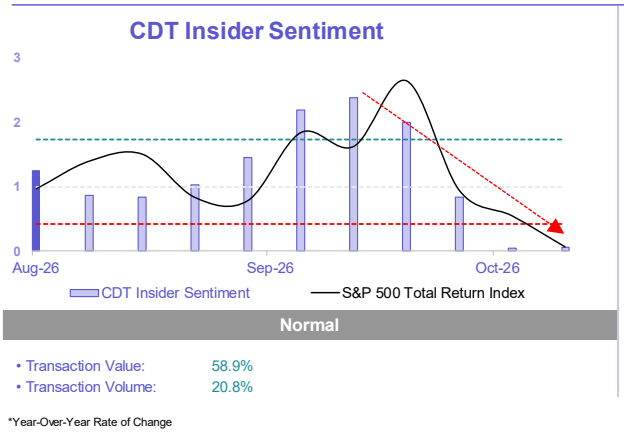


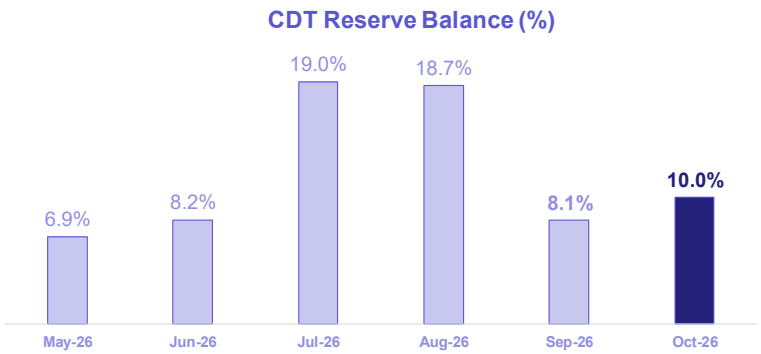
Source: CDT and State Street Sector ETFs

In part, interest rates declined this month as the market continued to question the veracity of the SI/AI investment thesis which entails spending and borrowing trillions of dollars of capital in hope of generating a yet to be understood return. Some major SI stocks that reported earnings this month across the technology stack including Google (GOOGL), Meta (META) and Intel (INTC) faced significant losses -18.3%, -15.3% and -45.3% respectively. We believe that these stocks are struggling because management teams are struggling to justify their results and capital allocation actions. For once highly cash generative companies like Google (GOOGL) and Meta (META), the torrent pace of investment is pushing company cash flows into the red resulting in capital raises and in some cases shareholder dilution. Such is the case with Meta that announced a nearly $100B equity capital raise. Further, increasingly high market expectations are becoming simply too difficult for some companies to realistically meet, putting additional pressure on these stocks when they report earnings.

To be clear, we are not sour on the SI/AI investment thesis. As we stated in our previous newsletter, we believe that the technology has the potential for evolutionary change in the way people interact with the world. However, the illogical nature of *the buy anything related to AI at any cost market* that we have been living in for the past 2 ½ to 3 years is simply too fragile to persist and a market construct in which Nvidia claims the majority of the profits defies economic sense. We remain long companies in the space that we believe are solving for the long-term problems of the SI buildout that must be resolved in order for the new technology to achieve its potential. These subsectors include semiconductor design, power generation and hyperscaler data centers. While at the same time we continue to exploit the lack of attention in the remaining 10 sectors of the market, giving us a durable edge in finding undiscovered value.

Above The Clouds.





50%. According to NASDAQ, that is how much of estimated trading volume on the U.S. stock market is related to high-frequency or algorithmic trading — we suspect the actual volumes are much higher. Arbitrage, macro and technical strategies that define the HF space now overwhelm the market. These strategies rarely if ever consider the underlying ***value*** of the security that they are trading as a meaningful factor in their calculus.

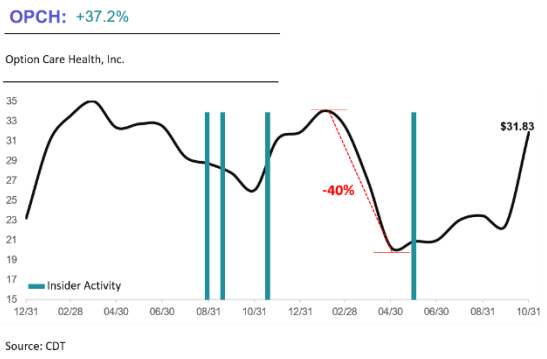
52%. According to Bloomberg, that is the market share of passive strategy ETFs and mutual funds vs. their active strategy counterparts. The dominant market-weighted passive strategies maintain a Darwinian-like structure in which size and increasing size are rewarded. As a result, much like the high-frequency trading strategies, passive strategies have a weak relationship relative to the ***value*** of the securities that they are trading in.

A Lost Art. ***Valuing*** businesses and patiently waiting for the market to recognize that value is a lost art. Google or ask AI what percentage of the stock market trading volume is based on fundamental analysis? And you get the online search equivalent of a tumbleweed floating across a desert landscape. The only article I could drum up was nearly one decade old and at that time, J.P. Morgan suspected that 10% of market volumes were related to fundamental stock picking. It goes without saying that this figure is likely even lower today. Further consider that of the active managers left in the market, many are myopically focused on SI/AI and what you are left with is just a very small group of managers seeking out value in all corners of the market.

We will spend some time in our annual letter returning to this subject. The market mechanics and human behaviors that we believe consistently reinforce a market of price discovery overvalue discovery is truly fascinating and deserves its own letter.

In a market where ***value*** isn't even on the list of considerations, we have made it our ***top*** priority. Valuing a business is a tedious and difficult task that requires a truly challenging level of focus and discipline. We do not always get it right. We routinely miss opportunities and get stung by the companies that we overestimate, but in a market with dwindling competition, finding and capitalizing value has never been easier.

Option Care Health, Inc. (OPCH). In a market that doesn't pay attention to value, a company has one of two options. The first is to be the biggest bidder of its own stock with thoughtful share repurchase programs and the second is to find a private buyer. OPCH found a buyer. The value proposition of OPCH's services is obvious. By providing ambulatory infusion services at home or at one of their independently run centers both patients and their insurance providers benefit. Patients that suffer from chronic illness or otherwise need professionally administered infusion medications benefit from not having to go to a hospital, which poses illness risk for the immunocompromised ***and*** insurance companies that cover those patients benefit as well since ambulatory services are significantly less expensive than hospital bills. The patient benefits and the insurance company benefit, OPCH services at scale are a rare efficiency in the healthcare system. In the first half of the year, when the stock declined by -40% due to an exaggerated management hiccup, you could have bought this stock for less than 10x earnings. Today, CD&R and McKesson are partnering to acquire it for more than 20x earnings, and we believe that they are getting an incredible deal on the assets.



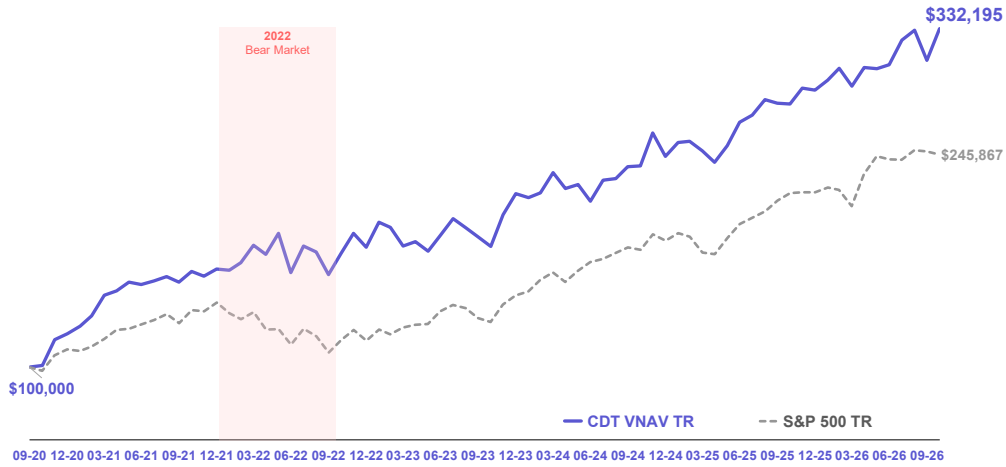
Just like Option Care Health, our portfolio is filled with examples of businesses trading out a discount relative to the value that they provide their markets and as luck would have it, lightning may have struck twice this month. Today, at the time of this writing, the Financial Times has just reported that another portfolio company, Global Payments (GPN) is also in talks with CD&R and GTCR to potentially be acquired. Details are not yet available, but the stock has moved sharply higher as a result of the news and here too we believe the acquirers are getting an extraordinary deal at any price below $150 per share.

A market that prioritizes price discovery vs. value discovery is a market that leaves us ample opportunity to continue to generate abnormal returns for our clients. October is an example of our investment strategy working on all cylinders, while September was a reminder that despite our best efforts our journey together may be subject to temporary bouts of turbulence. That said, in either blue skies or storm clouds, our commitment to our strategy will remain resolute. Success will not breed complacency, and challenges will not deter us either.

We look forward to updating you again in November.

VNAV Performance.

	October - 2026	Year-to-Date	Since Inception (Sep 2020)	Sharpe Ratio
CDT VNAV (Net of fees)	+7.01%	+14.55%	+232.19%	1.78
S&P 500 Total Return	-0.87%	+11.77%	+145.87%	



Monthly Performance

• CDT VNAV CAGR	1.6%
• S&P 500 CAGR	1.2%
• Monthly Upside Capture	130%
• Monthly Downside Capture	90%

2022 Bear Market

• CDT VNAV Total Return	+9.1%
• Low	-2.3%
• S&P 500 Total Return	-15.3%
• Low	-23.9%

Best Regards,

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