

Seabird Performance vs. the Indices (12/31/25)

<u>Year</u>	<u>Seabird Value Equity (Net)</u>	<u>S&P Value Index</u>
2016	12.3 %	7.3 %
2017	20.5	15.4
2018	-3.4	-9.0
2019	28.5	31.9
2020	4.2	1.4
2021	41.2	24.9
2022	-11.6	-5.2
2023	29.6	22.2
2024	26.5	12.3
2025	<u>-8.1</u>	<u>13.2</u>
Cumulative	235.5 %	177.3 %
Annualized	14.0 %	11.7 %

<u>Year</u>	<u>Seabird Performing Credit (Net)</u>	<u>Bloomberg Aggregate Bond</u>
2016	1.3 %	-3.0 %
2017	8.1	3.5
2018	7.2	0.0
2019	11.9	8.7
2020	8.5	7.5
2021	14.0	-1.5
2022	-7.5	-13.0
2023	14.7	5.5
2024	13.6	1.3
2025	<u>5.2</u>	<u>7.3</u>
Cumulative	107.7 %	15.3 %
Annualized	8.2 %	1.6 %

<u>Year</u>	<u>Seabird MuniPlus (Net)</u>	<u>S&P Muni Index</u>
2016	0.8 %	-3.3 %
2017	3.8	4.9
2018	12.2	1.4
2019	7.1	7.3
2020	5.8	5.0
2021	12.0	1.8
2022	-8.1	-8.0
2023	8.4	6.0
2024	8.1	1.9
2025	<u>3.7</u>	<u>4.3</u>
Cumulative	70.3 %	22.1 %
Annualized	5.9 %	2.2 %

Past performance is no guarantee of future results. Performance results reflect deduction of all advisory fees and expenses and are calculated using the Advent Axyx system.



January 20, 2026

Q4 2025 INVESTOR UPDATE

2025 was a mixed bag for Seabird investors. Our equity portfolio underperformed the indices by an unusually wide margin while our two fixed income strategies performed largely as intended.

Before we talk about our outlook and respective strategies, a quick word on benchmarks. Four times a year—when we write our quarterly letters—we give them consideration. The rest of the time we don't consider them at all. Our aim in equity management is to grow capital as fast as possible while simultaneously recognizing and avoiding excessive risk. A 14% annualized return doubles capital in roughly 5 years and, over the 30-year lifespan of a \$1 million investment portfolio, generates \$32 million of capital in excess of that generated by the 10.3% return generated by the S&P 500 over the most recent 30 calendar years. We have no reason to believe that economic metrics provide evidence of growth significantly above that witnessed over the most recent period.

To be successful in achieving a differentiated return we need to think independently, rigorously stick to a time-tested methodology, and avoid excessive risk. None of these are possible with one leg tied to an index. And we certainly don't want to tie our leg to one that may be running unusually hot.

When it comes to fixed income, benchmarks have become entirely irrelevant to investors - especially those with the need for distributions. Both relevant indices failed to produce returns that kept abreast of inflation, not to mention distributable income. This has been the chief impetus for so many "fixed income" investors to opt into alternative investments despite their opacity, illiquidity, and increased risk profile. Our *self-imposed* hurdle is straightforward: taxable yields north of 5% and tax-free yields at or above 4%.

Is there news on the radar that should be changing our outlook – either positive or negative?

Will Venezuela or Greenland affect the creditworthiness or future profitability of Bath & Body Works? Probably not, but a freer world is likely to contribute to increased economic growth.

Will AI accelerate economic growth to unseen levels? We don't think so, but businesses with sound management teams who employ AI wisely should certainly be advantaged.

Is Fed independence desirable and/or will it prevail? Maybe, but more important may be whether policy creates a level playing field rather than artificially determining winners and losers.

Eventually though, all news fades into the background and market returns begin to equate to the returns generated by the businesses themselves. While our unwavering approach to investments may seem

stodgy, and particularly so at times of great innovation, mathematics does not lend itself to either evolution or subjectivity. Instead, it takes the guesswork out of investing and ties us to a framework of demonstrated success.

Fixed Income

You should worry if your fixed income manager has too much to say. A lengthy discussion of Fed policy may be a clear indication of a lack of opportunities to invest in solid credits at attractive rates, i.e. opportunities to build an uninterrupted stream of meaningful income. On the other hand, a lengthy discussion of credits may be an indication that portfolios have drifted into an uncomfortable spot on the risk spectrum. So, you'll be happy to know that our commentary will be relatively brief.

MuniPlus drove over \$13 million worth of accrued and distributable income in 2025, or over 4.5% of average invested assets. At the same time, total capital gains – including both realized and unrealized – exceeded total portfolio expenses. Our goal has always been to drive meaningful income rather than to merely “check the Muni box” when allocating investable assets. Mission accomplished.

Can we keep on going? As we continue to grow, we'll be dependent on the supply of bonds the market will offer, but our current positioning (as of 12/31/25) will give investors some insight into the outlook for the next several years at least:

Current yield: 4.35%

Discount to Par: 4.9%

Duration: <4 years

Bloomberg AAA 10 year yield: 2.72%

Performing Credit performed similarly in terms of deliverables: distributable income rang in at about 5.8% of average portfolio value while net gains roughly estimated portfolio expenses. Somewhat muted portfolio appreciation was to be expected on the heels of a very hot 2024, especially when considering our propensity for low turnover. We try and guide ourselves by Ron Popeil's mantra of “set it and forget it”. Looking forward, our metrics remain attractive:

Current yield: 5.8%

Discount to Par: 8.4%

Duration: <4 years

US Treasury 10 year yield: 4.17%

Finally – lest you think us avoiding the topic – we'll turn our attention to QVC, the sole non-performing credit in the two fixed income strategies. We began purchasing QVC preferred in 2021 with the stock incurring a significant markdown in 2022 and another major markdown in 2025. Perhaps it was because of our initial sizing (~1% of total portfolio assets in MuniPlus but quite larger in Performing Credit) or perhaps due to the *34 points of cash dividends* paid before suspension in Q2 2025, but our experience in

QVC has had almost no noticeable effect on overall portfolio performance. Five-year net *annualized* outperformance exceeded 350 basis points (3.5%) in MuniPlus and, a remarkable *800 basis points* (yes, annual) in Performing Credit despite the higher allocation.

We'll leave you with two thoughts. First a granular look at portfolios is apt to distract from the mission at hand. Every steakhouse should be accounting for a few overcooked steaks in their business plan. It's no surprise to us that we'll overcook one or two along the way.

And on a brighter note – our now fully written down investment (>0.5% of total portfolio value) in QVC is not included in any of our *forward-looking* portfolio metrics above. At this point it's simply a bought and paid for lottery ticket. We're well positioned for the coming year and won't be embarrassed if we get a little lucky as well.

-Arch Peregoff

Value Equity

Seabird's Value Equity Portfolio declined 2.8% in the fourth quarter of 2025, bringing trailing twelve-month performance to -8.1%, compared with +13.2% for the S&P Value Index. By any reasonable standard, this result is disappointing, particularly when viewed against broad market benchmarks and many of our peers.

That said, we are far less disappointed with the execution of the companies we own. We pay attention to benchmarks, but we do not manage to them. The earnings power of our portfolio is growing at a rate broadly consistent with our long-term underwriting, even as share prices suggest otherwise. The disconnect between fundamentals and market prices widened meaningfully during the year and, in our view, has created a compelling opportunity.

Today's market is increasingly resembling a popularity contest with large swaths of capital crowding into the same "stuff," and recently what is popular is not the high quality, medium sized businesses in which we love to invest.

This shift in sentiment away from companies meeting our preferred investment profile hurt us throughout the year. Several core holdings experienced material drawdowns, driven less by deteriorating fundamentals than by this change in the market's mood. The common thread here is straightforward: attractive businesses are out of favor as capital runs to the hottest names in the market. History dictates however, this won't always be the case.

Consider **Apollo Global Management (APO)**, a significant multi-year winner for us. Sentiment around private markets has shifted abruptly—from a perceived "golden age" to broad skepticism. Yet the fundamentals tell a very different story. In the most recent quarter, capital inflows and strong investment performance drove earnings power to new highs, and the company has outlined a plan to more than

double profits over the next five years. We would pose a simple question: does this sound like a business becoming more, or less, valuable? We clearly fall on the side of the former.

A similar dynamic has played out across our enterprise software holdings, most notably **Salesforce (CRM)**. Over the past year, sentiment across the software industry has flipped—from disruptor to supposed AI laggard. We think it's a leap to assume that Salesforce's ~150,000 customers will abandon deeply embedded, mission-critical systems in favor of informally assembled AI-generated alternatives. AI is far more likely to strengthen Salesforce by improving productivity, deepening customer engagement, and expanding its value proposition. Over time, cash flows should compound—and the stock price is likely to follow.

Lastly, consider **WillScot (WSC)**, the largest provider of temporary office structures and storage solutions in North America. Sentiment toward cyclical stocks has shifted sharply negative as the soft non-residential construction cycle has dragged on longer than anticipated. The market has driven valuations across the industry to depressed levels, with great companies like WSC now trading at trough valuations on trough earnings—conditions that rarely persist. At current prices, we don't need to time the bottom. We're satisfied to wait while a double-digit free cash flow yield compounds with management reinvesting in the business and repurchasing shares.

Moving on to recent portfolio activity, during the quarter, we sold what was a previously successful investment in Fiserv. We felt blindsided during the quarter when missteps by the previous management team came to light. We do not have too much to add other than our view that Fiserv's franchise remains largely intact. We would not be surprised to revisit the investment as we gain confidence in the new management team and their strategy.

We'd much rather talk about new investment opportunities that we expect to be meaningful contributors to returns over the coming years.

Brown & Brown (BRO) is a leading insurance brokerage serving clients across property and casualty, benefits, and risk advisory. The company is run by its founding family, with billions of dollars invested alongside outside shareholders. We love BRO's decentralized operating model, strong producer culture, and long track record of disciplined acquisitions, an approach reminiscent of Berkshire Hathaway. We see BRO as a long-term winner as insurance needs grow more complex, particularly for middle-market clients who lack in-house risk expertise. This complexity is pushing business toward higher-touch specialty lines, a shift that should expand margins beyond current expectations. The stock recently sold off amid concerns about softer industry-wide pricing, and while we may be early, we took this opportunity to build a position in a durable, industry-leading cash-flow machine that typically emerges from soft-market pricing cycles stronger than it entered.

Core & Main (CNM) is one of only two national distributors of waterworks, fire protection, storm drainage, and related infrastructure in the United States. Like Brown & Brown, we are attracted to the company's decentralized model, entrepreneurial culture, and track record of profitably acquiring local competitors. CNM's stock appears mispriced given chronic underinvestment in municipal water infrastructure and a prolonged recession in its construction-related end markets. Tailwinds are building though, and we think more shovels will soon break ground. Rising operating costs are making system

replacement an economic necessity, and a long tail of previously obligated stimulus funds is finally being spent into an improved regulatory environment. We could also be pleasantly surprised by a rebound in construction activity, but what really excites us is the margin opportunity. If management delivers on its plan, double-digit returns are the most likely outcome. Management appears equally enthusiastic, recently increasing its buyback authorization to \$1 billion—nearly 10% of the current market capitalization.

Before closing, it's worth restating what we are trying to accomplish. Our goal is simple: to double capital every five to six years. With 14% annualized returns since inception, we have done exactly that. We buy shares in good businesses and stay disciplined around the price we pay. It's how we mitigate risk and it's how we maximize long-term upside. This approach won't always look fashionable, but over time it has proven durable.

The current market is driven almost entirely by a feverish arms race to build out the infrastructure powering data centers and AI. I'll avoid definitively proclaiming that "it's a bubble," but there are certainly signs. We'd remind our investors that the internet was the greatest technological advancement we had ever seen, yet there was carnage among many early zealots when the tech bubble burst in 2000. And while value investors like us looked out of step in 1999, they were the clear winners over the next decade. If a major shake-out from today's highs does occur, we're well prepared to go on offense with a large cash pile and a ready list of prospective investments. In the meantime, valuations across our current portfolio have become attractive again, prospective returns have increased, and our conviction remains intact. We expect the coming years to be fruitful.

-Joe Di Scala, CFA