Quarterly Commentary

Q2 – 2026

July 1, 2026

Dear Client,

Once or twice a decade, we are inclined to begin our client letter describing recent market performance with the metaphor of "climbing a wall of worry." This reflects a quarter of substantial gains that defy a backdrop of great uncertainty and visible concerns that would generally lead to share weakness. Despite oil prices declining significantly with the fragile end to military conflict in the Iran War, major instability remains on the geopolitical front, while inflation persists with the new Fed chair indicating an upward bias to interest rates. The political divide is disturbing and likely to worsen further as we approach mid-term elections this fall.

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The market advance has led to a low-quality and momentum tilt in leadership, but it is encouraging that above trend earnings growth has broadened, with 7 of 11 S&P 500 sectors reporting double-digit increases in Q1. Earnings estimates for the S&P 500 continue to rise dramatically for 2026 and 2027, and are now forecasted to increase 24% and 18%, respectively. Tech is expected to experience 44% and 27% growth in 2026 and 2027, with semiconductors leading the way at 95% and 51% over the next two years. Corporate Capex, while narrowly focused on AI, is expanding at an accelerated rate as businesses in most areas sense an urgency to keep up with unprecedented rapid changes. This is very different than the Internet Bubble era, which blew up in 2000. We began writing in the second half of 1999 about how there was no new paradigm unless the economy could expand at 8% with no inflation. That period had unsustainable valuations, and to sell books and fuel even greater speculation, theses were floated by Ivy League scholars and financial veterans that stocks should trade at 100 times earnings. Startup companies with no sales, whose names ended in .com, were often valued in-line or greater than well-established leaders in staid businesses like consumer products. Of course, a great many stocks of that period eventually imploded, or in the case of the very real but overpriced Cisco Systems, took 25 years to recapture their Internet Bubble price again.

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The economy is stronger than expected due to corporate spending and the effects of government stimulus, with Q1 GDP revised higher to 2% - about the consensus level for the remainder of this year as well as next. Core inflation has been stubbornly high, currently at 3.6%, and is expected to slow only to around 3.0% assuming there is not another geopolitical disruption. The market seems to have accepted what appears to be a watchful but inactive Fed, and is encouraged by frequent upward earnings adjustments.

Since Oak Ridge opened its doors in 1990, we have described an “Oak Ridge stock” as a company that is meeting or beating estimates that are rising, with good forward visibility and a sustainable valuation. We feel the current environment is well suited for our investment style on fundamentals, though markets have been trending a bit more speculative. Oak Ridge Large Cap Growth accounts generated very strong absolute returns in Q2 2026, but fell slightly short of the Russell 1000 Growth benchmark due primarily to stock selection in Information Technology and Communication Services. Weakness in the largest video streaming service, a smaller promising Biotech, and a rural specialty retailer (since sold) weighed on results. The largest weight loss drugmaker, with an expansive pipeline for multiple different indications, was the most positive non-Tech contributor. Industrials were also strong, driven by data center service providers, but in the end we lacked the octane to outperform.

The Russell Index rebalancing brought unprecedented material changes among the larger Growth and Value indices. Moving into Growth is a substantial weight for memory, new semiconductor positions, and a portion of Google; and exiting into Value are partial weights from Microsoft and Apple and most of Amazon. Normally we do not adjust our portfolios for index changes, but these were extreme, and we felt it was prudent to participate in leading memory names, where estimates are soaring, and reduce our position size to not be meaningfully overweight the traditional Tech companies reduced in our benchmark.

It is normal for stocks to experience increased volatility following periods of unusual strength, but we believe it is mitigated by our paring exposure to many stocks that have run and focus on relatively higher quality companies with durable growth prospects.

Thank you for your continued confidence,

David M. Klaskin,
CEO and Chief Investment Officer

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The market advance has led to a low-quality and momentum tilt in leadership, but it is encouraging that above-trend earnings growth has broadened, with 7 of 11 S&P 500 sectors reporting double-digit increases in Q1. Earnings estimates for the S&P 500 continue to rise dramatically for 2026 and 2027, and are now forecasted to increase 24% and 18%, respectively. Tech is expected to experience 44% and 27% growth in 2026 and 2027, with semiconductors leading the way at 95% and 51% over the next two years. Corporate Capex, while narrowly focused on AI, is expanding at an accelerated rate as businesses in most areas sense an urgency to keep up with unprecedented rapid changes. This is very different than the Internet Bubble era, which blew up in 2000. We began writing in the second half of 1999 about how there was no new paradigm unless the economy could expand at 8% with no inflation. That period had unsustainable valuations, and to sell books and fuel even greater speculation, theses were floated by Ivy League scholars and financial veterans that stocks should trade at 100 times earnings. Startup companies with no sales, whose names ended in .com, were often valued in-line or greater than well-established leaders in staid businesses like consumer products. Of course, a great many stocks of that period eventually imploded, or in the case of the very real but overpriced Cisco Systems, took 25 years to recapture their Internet Bubble price again.

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Since Oak Ridge opened its doors in 1990, we have described an “Oak Ridge stock” as a company that is meeting or beating estimates that are rising, with good forward visibility and a sustainable valuation. We feel the current environment is ideal for our investment style on fundamentals, though markets have been trending a bit more speculative. Oak Ridge All Cap Growth accounts generated returns in Q2 2026 fractionally above the Russell 1000 Growth benchmark advance of 17%. Information Technology and Communication Services are well represented in the portfolio and are now weighted slightly above the index, mostly in the Mega-Cap leaders. Weakness in the largest streaming provider weighed on returns, as well as weak stock selection in Small-Mid Cap Tech positions, several of which have been sold. These losses were offset by strong performance amongst our Industrials holdings, with exposure to the data center buildout. Healthcare was particularly strong, led by the leading weight loss drugmaker with an extensive pipeline for other indications, and a smaller home healthcare provider.

The Russell Index rebalancing brought unprecedented material changes among the larger Growth and Value indices. Moving into Growth is a substantial weight for memory, new semiconductor positions, and a portion of Google; exiting into Value are partial weights from Microsoft and Apple and most of Amazon. Normally, we do not adjust our portfolios for index changes, but these were extreme, and we felt it was prudent to participate in leading memory names where estimates are soaring, as well as reduce our position size to not be meaningfully overweight the traditional Tech companies reduced in our benchmark.

It is normal for stocks to experience increased volatility following periods of unusual strength. We believe our focus on relatively higher quality companies with durable growth prospects will also allow us to fare well in a correction.

Thank you for your continued confidence,

Sincerely,

Robert G. McVicker,
Executive Vice President & Lead Portfolio Manager

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The Oak Ridge Mid-Cap portfolios delivered strong results in the second quarter, rising and outperforming the Russell Midcap Growth Index. Information Technology holdings were once again the primary performance driver, delivering over 50% returns for the period. Our deliberate exposure to data center and AI-related companies paid off handsomely. Industrials also posted solid double-digit gains, led by data center infrastructure names. In addition, the Communications Services sector contributed positively, supported largely by strength in a software gaming company.

On the negative side, Energy holdings were the biggest detractor. A U.S.–Iran ceasefire framework announced in mid-June eliminated the wartime oil price premium, causing benchmark crude to fall sharply from above $100 per barrel in April to the $70–$73 range by quarter-end. This reversal weighed heavily on growth-oriented producers and explorers. Another notable detractor was our position in a bulk consumer goods and services retailer. The stock sold off after the company compressed margins through aggressive grocery price cuts and a significant capital expenditure program to expand its club footprint. We continue to believe strongly in the company's long-term growth prospects.

Overall, the quarter highlighted the benefits of our focused positioning in the AI and data center theme, while underscoring the portfolio's resilience amid sector-specific volatility.

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Thank you for your continued confidence,

Sincerely,

Brian L. King

Senior Vice President and Lead Portfolio Manager

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While everything seems to be exclusively focused on Tech, it has only represented roughly 25% of our portfolio. Healthcare continued to be accretive to our relative performance, with great strength in the bio/pharma area, where two stocks advanced over 100% for the quarter, with strong gains in a home healthcare provider and a new position in a medical products company focusing on bronchial issues. The only meaningfully weak area was Industrials, where we sold a disappointing power company. Performance in the sector also continued to be significantly impacted by a surge in a renewable energy company that remained in the benchmark until late June, and was well beyond our cap range for the entire year.

Generally, returns as strong as we have enjoyed this year suggest a higher risk portfolio. Historically, Oak Ridge has successfully navigated through down markets due to higher quality holdings, which we believe still exist as reflected by the fact that only 21% of the stocks in our portfolio (predominantly in biotech) are not profitable, versus 34% of the stocks in our benchmark. It is normal for stocks to experience increased volatility following periods of unusual strength, but we believe it is mitigated by paring our exposure to many stocks that have run and our focus on relatively higher quality companies with durable growth prospects.

Thank you for your continued confidence,

Sincerely,

David M. Klaskin,
CEO and Chief Investment Officer

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