

# Small Cap

Q3 | 2021

## THE LONDON COMPANY

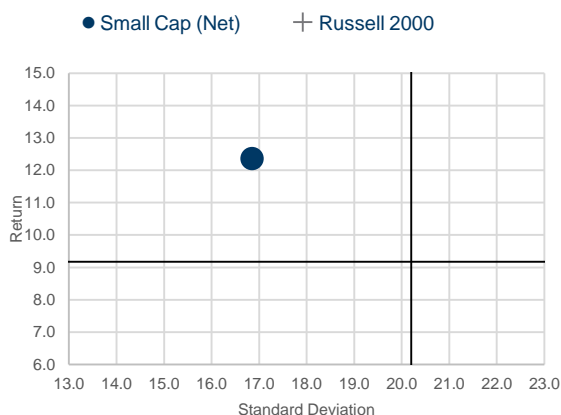
We believe markets are much less efficient at assessing risk than reward, and protecting client assets in down markets will deliver superior long-term performance.

We mitigate downside risk by reducing speculation and valuing high-return-on-capital businesses through our distinctive Balance Sheet Optimization process.

We build focused portfolios that reflect our long-term view through high active share and low turnover.

### Excess return

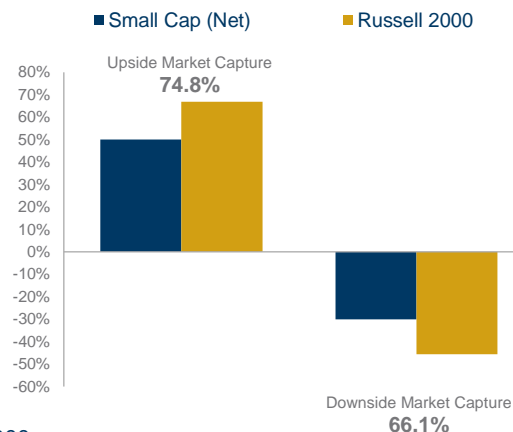
with lower volatility vs. benchmark<sup>1</sup>



<sup>1</sup> Source: eVestment, since inception September 30, 1999

### Market gains

with asset protection<sup>1</sup>



### Annualized performance summary (%)

Inception date September 30, 1999

	QTD	YTD	One Year	Three Years	Five Years	Ten Years	Inception to Date
Small Cap (Gross)	0.6	11.3	40.9	10.0	10.9	12.2	12.9
Small Cap (Net)	0.4	10.7	39.9	9.2	10.1	11.4	12.4
Russell 2000	-4.4	12.4	47.7	10.5	13.5	14.6	9.2

### Contact information

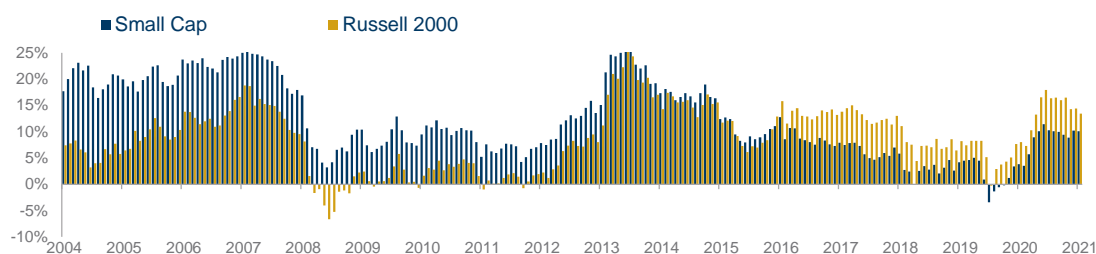
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### Lower downside capture has led to excess returns

Five-year annualized rolling returns from inception September 30, 1999 (Net)



### Portfolio characteristics

	Small Cap	R2000
Number of holdings	34	2026
Active Share	97.7	—
Weighted Avg. Mkt. Cap (\$B)	3.9	3.3
Median Mkt. Cap (\$B)	3.3	1.2
Dividend Yield (%)	1.1	1.0
Pre-tax ROC (3yr. Avg %)	12.5	5.0
Net Debt/EBITDA	1.5x	3.2x
Enterprise Value/EBITDA	14.3x	16.6x

Source: eVestment and FactSet

### Return characteristics

Since inception September 30, 1999 (Net)

	Small Cap	R2000
Down Market Capture (%)	66.1	—
Up Market Capture (%)	74.8	—
Cumulative Return* (%)	1199.4	590.0
Sharpe Ratio	0.64	0.37
Standard Deviation	16.9	20.2
Alpha	6.0	—
Beta	0.7	1.0

Source: eVestment,\* Composite Data

Performance results shown should, under no circumstances, be construed as an indication of future performance. All are encouraged to read and understand the disclosure notes found on the next page.

## Top ten holdings (%)

Holding	Symbol	Weighting
Tempur Sealy International Inc.	TPX	5.6
Landstar System, Inc.	LSTR	5.1
Moelis & Co. Class A	MC	5.0
Penske Automotive Group, Inc.	PAG	4.3
White Mountains Insurance Group Ltd.	WTM	3.9
Murphy USA	MUSA	3.8
Ingevity Corporation	NGVT	3.8
Matson, Inc.	MATX	3.7
Evoqua Water Technologies	AQUA	3.6
Masonite International Corp.	DOOR	3.5
<b>Total</b>		<b>42.3</b>

## Sector weightings (%)

Sector	SC	R2000		Difference
Communication Services	0.0	2.7	●	-2.7
Consumer Discretionary	21.5	11.6	●	9.9
Consumer Staples	3.5	3.1	●	0.4
Energy	1.1	3.9	●	-2.8
Financials	14.2	19.2	●	-4.9
Health Care	4.3	19.2	●	-14.9
Industrials	25.5	14.1	●	11.4
Information Technology	8.4	15.5	●	-7.1
Materials	9.8	4.1	●	5.6
Real Estate	7.7	4.2	●	3.5
Utilities	0.0	2.4	●	-2.4
Cash	4.0	0.0	●	4.0

Source: FactSet

## Disclosure notes

The London Company's performances are size weighted and annualized based on calculations for the period ending September 30, 2021. The characteristics discussed herein relate to a representative account, and not every client's account will have these exact characteristics. As London manages its client portfolios according to each client's specific investment needs and circumstances, London cannot affirm that the characteristics of the account shown are similar to all accounts participating in the strategy. This is due in part to the timing of trades by the Adviser, market conditions, cash availability, and the timing of client deposits and withdrawals. Therefore, prospective clients should not assume that similar performance results to those shown would have been achieved for their accounts had they been invested in the strategy during the period. None of the information contained herein should be construed as an offer to buy or sell securities, or as investment recommendations. An investment in a London Company strategy is subject to risks, including the loss of principal.

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**Composite Creation/ Inception Date:** September 30, 1999

**Composite Definition:** The Small Cap strategy invests mainly in conservative, low-beta small cap equities with a focus on above-average downside protection. Primarily we seek profitable, financially stable small cap companies that consistently generate free cash flow, high returns on unleveraged operating capital, trade at significant discounts to their intrinsic values, and are run by shareholder-oriented management. Positions are usually within the market capitalization range of the major, domestic small cap indices. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of \$100,000 in assets. The product is measured against the Russell 2000 Index and has a creation and inception date of September 30, 1999. There is no use of leverage, derivatives or short positions. All actual fee-paying discretionary portfolios are included in one or more composites that have been managed for a full calendar quarter with limited restrictions and similar objectives. Composite may include accounts under dual contract.

**Benchmark Description:** Primary: Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Secondary: Russell 2000 Value Index measures the performance of small-cap segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Benchmark returns are not covered by the report of independent verifiers.

**Performance and Fees:** Gross of fee returns are calculated gross of management and custodian fees and net of transaction costs. Net of fee returns are calculated net of actual management fees and transaction costs and gross of custodian and other fees. Returns may be net of miscellaneous fund expenses. The gross figures do not reflect the deduction of investment advisory fees. For example, an account that earned 15% per year for 10 years would have an accumulated return of 305% before fees and 270% after fees, assuming a 1% fee. Returns are calculated and stated in US dollars. Returns are calculated gross of withholding taxes on foreign dividends and interest. Dividends are reinvested. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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