

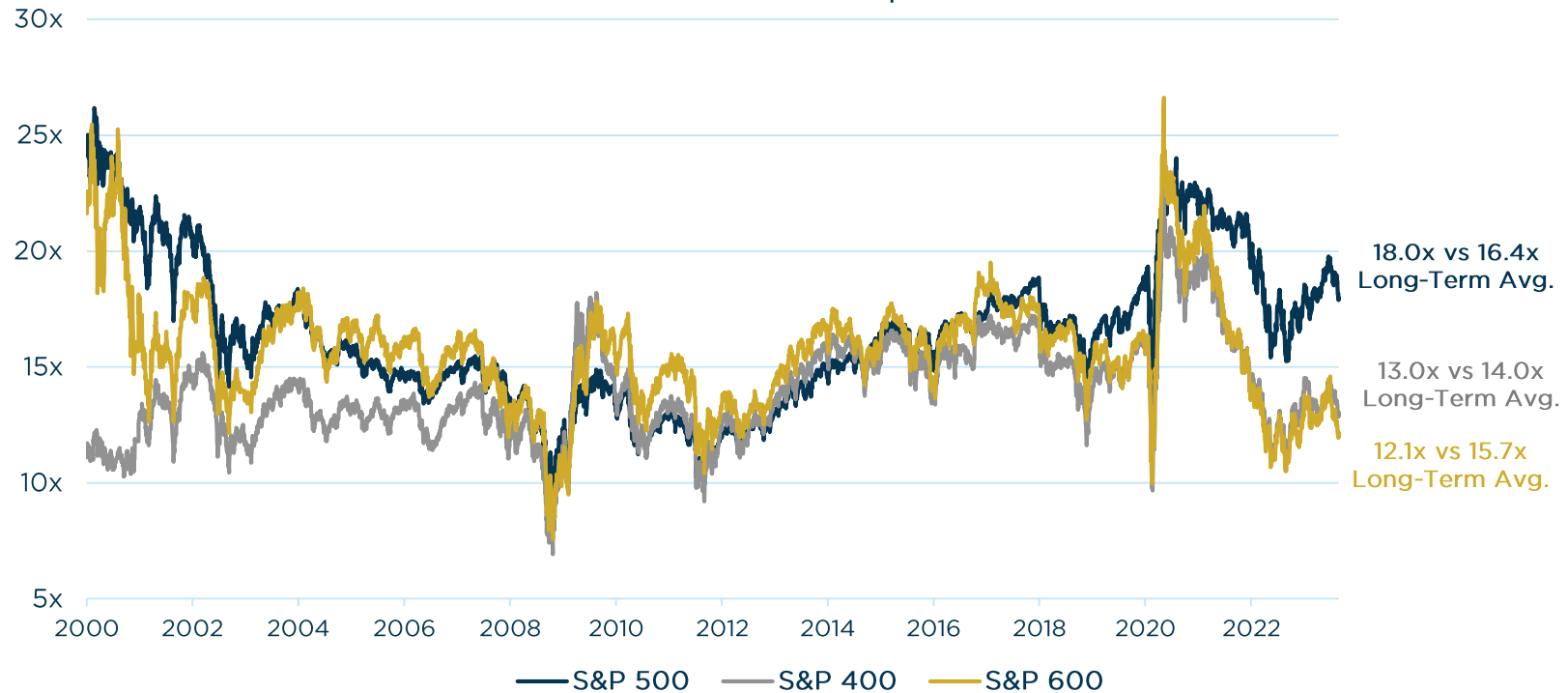
A Time for Quality in SMID Cap

As of September 30, 2023

Observations Down the Market Cap Spectrum

Valuations for Small & Mid cap stocks trade at notable relative discounts to Large Caps and their respective historical averages, presenting an attractive opportunity for long-term investors.

Forward P/E Valuation Multiples Over Time
Jan'00 - Sep'23

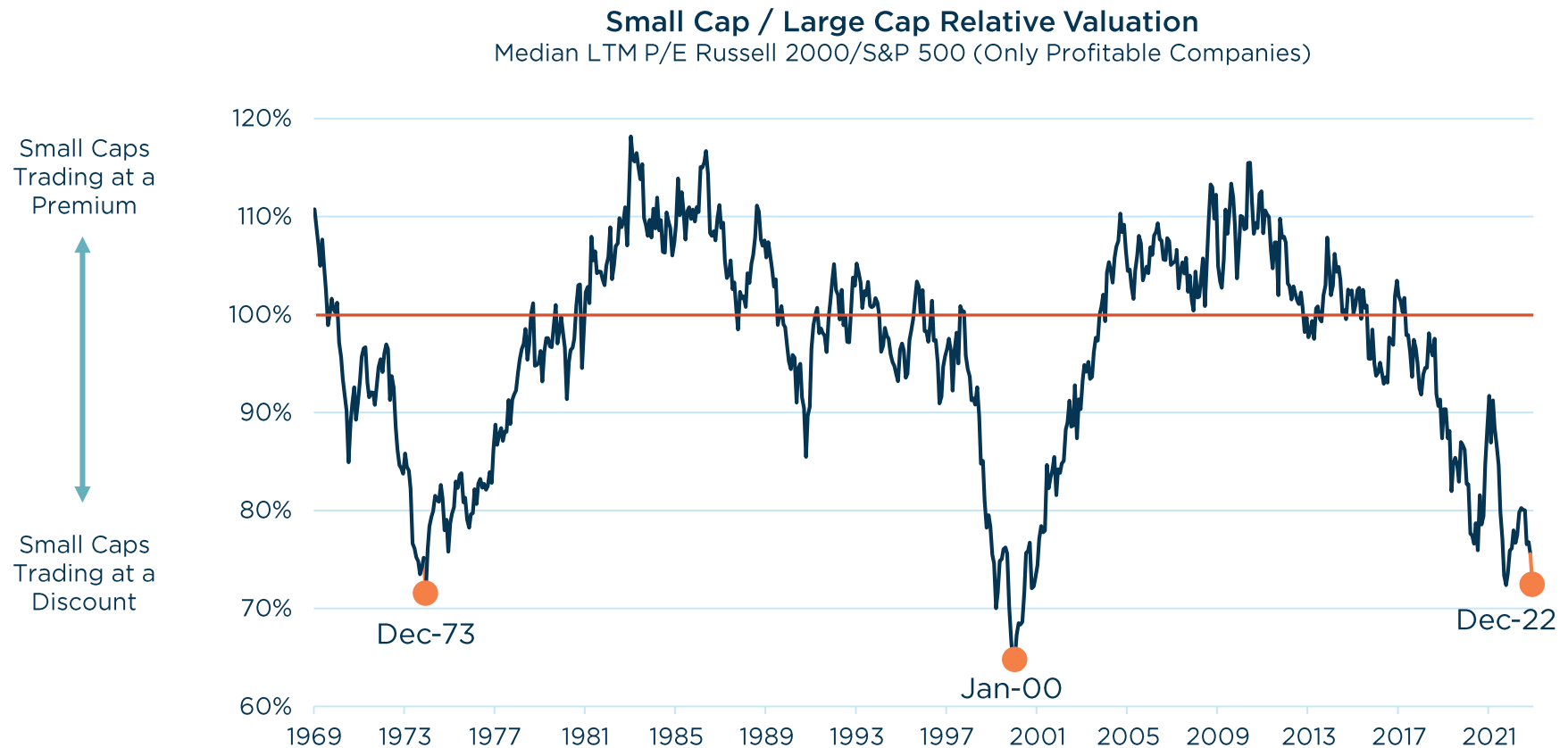


Source: FactSet as of 9/30/23

The Good News

Small Cap Valuations Appear Attractive

Looking back over the past 50+ years, valuations of Small Cap stocks relative to Large Caps are historically attractive and at levels not seen since early 2000.



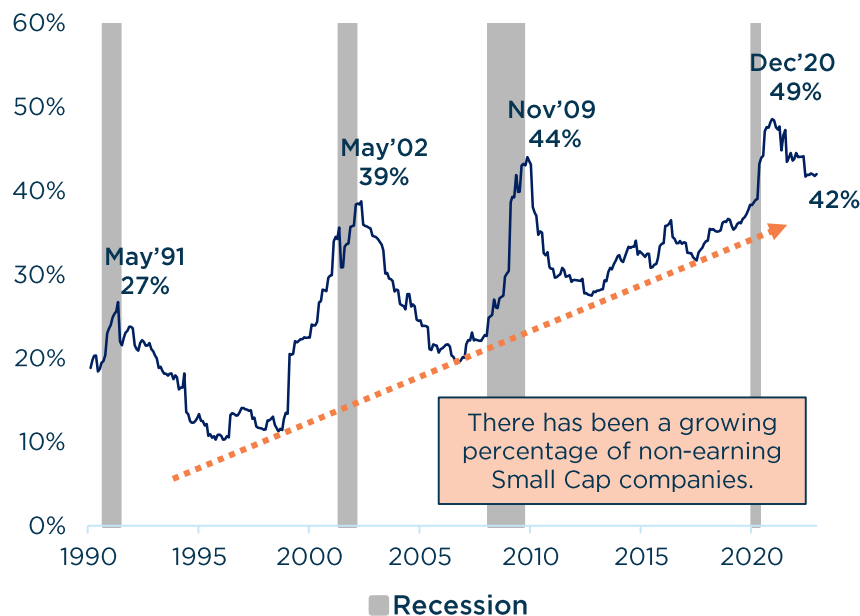
Source: Furey Research Partners as of 12/31/22

BUT...

There are significant challenges & key considerations

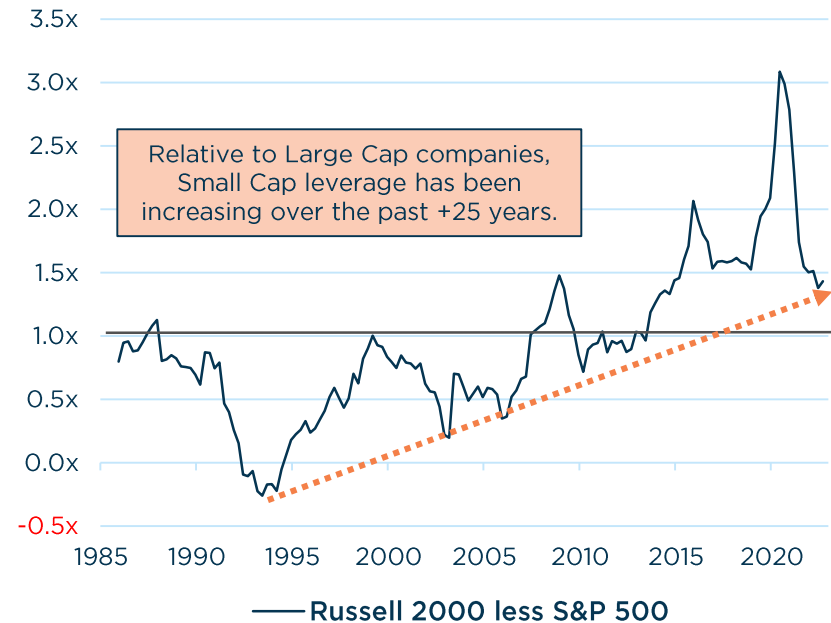
The percent of Russell 2000 companies with no earnings has risen significantly over the last decade. Additionally, quality has deteriorated, as leverage ratios have been increasing.

Percent of Russell 2000 Non-Earners
(based on companies with available data)



Source: Strategas as of 12/31/2022

Leverage Ratio Spread
Small Caps less Large (ex. Financials)

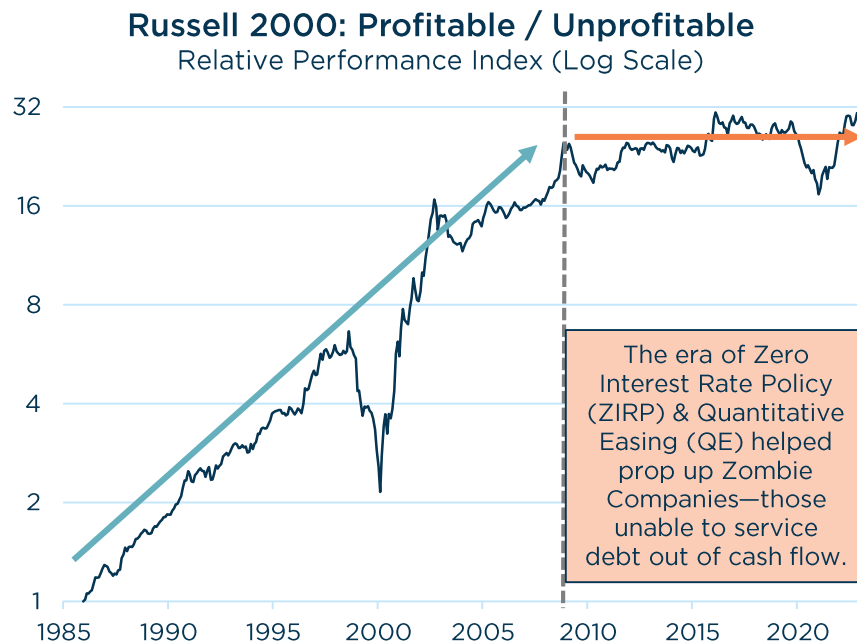


Source: Furey Research Partners as of 12/31/2022
The leverage ratio represents Net Debt/EBITDA

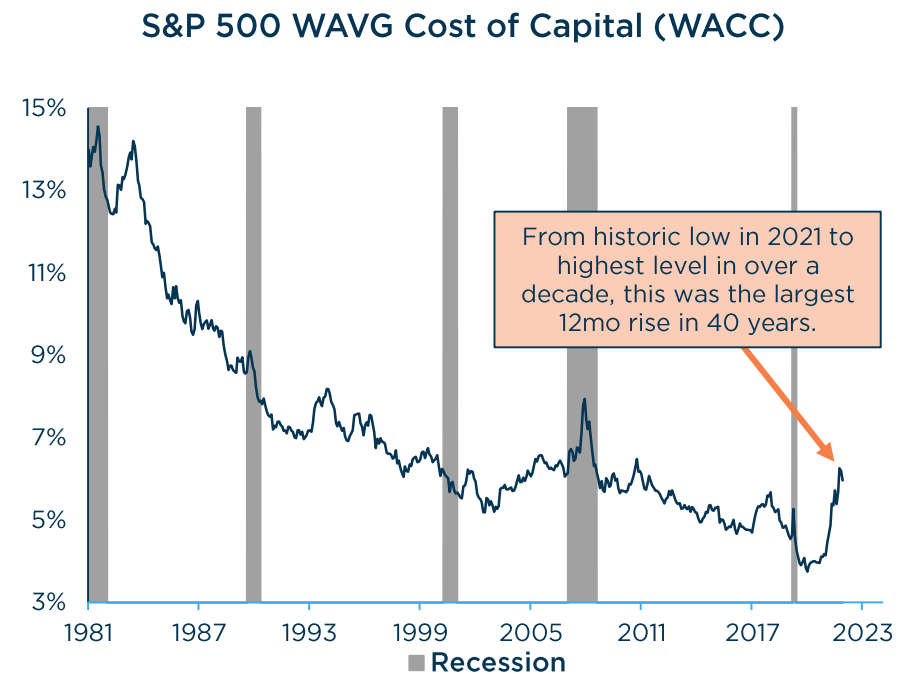
Cost of Capital in Perspective

Historical Influence & Implications Moving Forward

Over the past 10+ years, abundant access to cheap debt largely eliminated any performance differential between high and low quality Small Cap companies. That may be set to change.



Source: Furey Research Partners as of 12/31/2022



Source: Goldman Sachs as 12/31/2022

Now that the decade of abnormally suppressed interest rates is over, the cost of capital is on the rise AND nearly 50% of S&P 1500 debt matures in the next five years when refinancing will be much more expensive.

Why The London Company for SMID Cap?

- We believe the SMID portfolio is well positioned to capitalize on attractive relative valuations while avoiding the pitfalls associated with low-quality, smaller cap companies.
 - Companies with sustainably high and improving returns on capital provide downside protection and have outperformed over the long term.
 - Attributes like a strong balance sheet and the ability to self-finance operations are poised to stand out as tangible competitive advantages in a higher cost of capital environment.
 - Pricing power allows companies to pass through inflationary costs

Quality Portfolio Metrics

As of 9/30/2023

Higher Returns
on Capital

Stronger Balance
Sheets

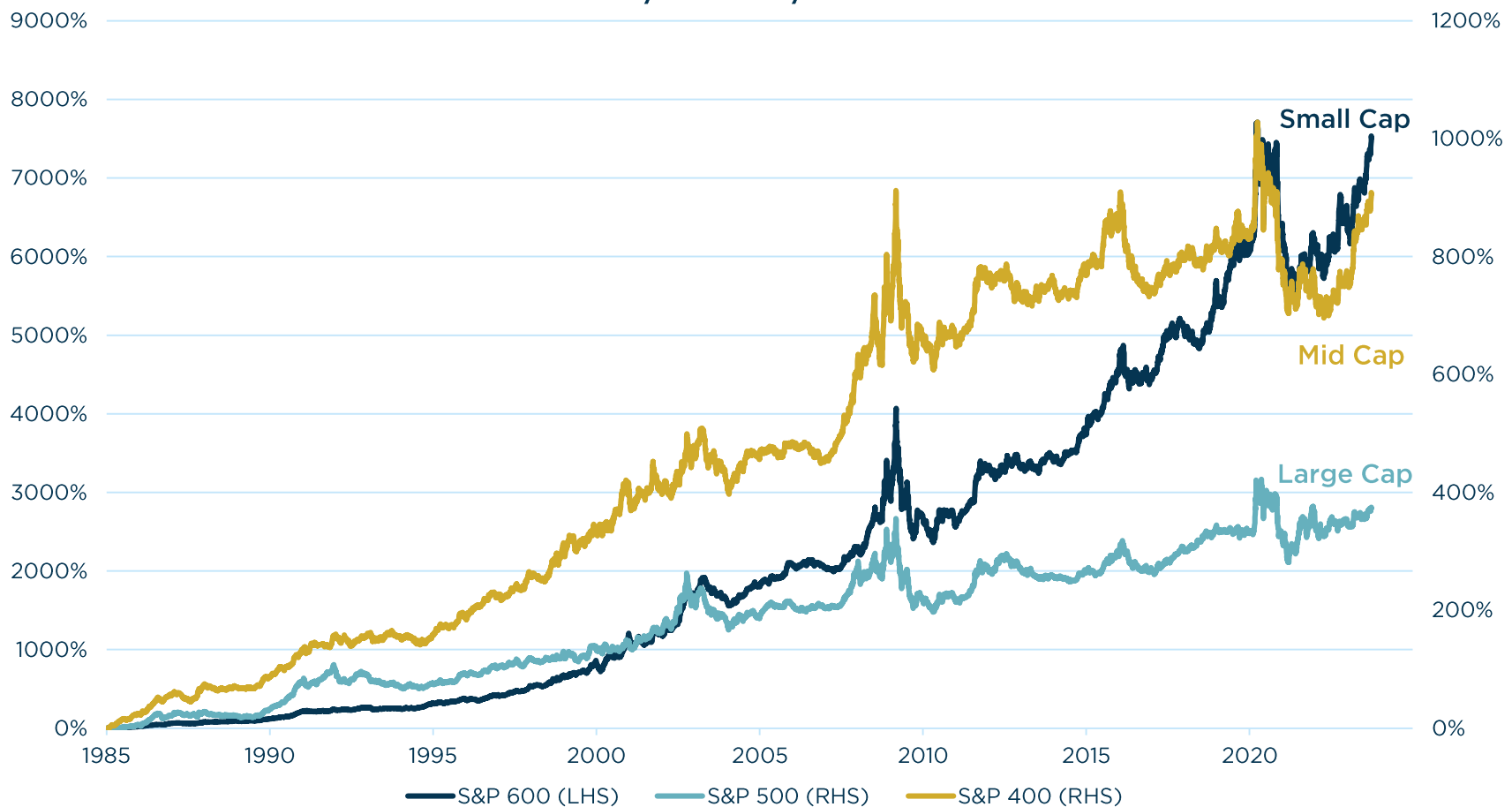
Reasonable
Valuation

	Pre-Tax Return on Invested Capital	Net Debt/EBITDA	Ent Value/EBITDA
SMID Cap	15.5%	2.7x	15.2x
Russell 2500	8.5%	3.1x	11.7x

Source: Factset

Benefits of Down Cap Quality Over Time

ROIC (High - Low) Cumulative Performance By Market Cap
1/1985 - 9/2023



Source: Piper Sandler as of 09/30/23

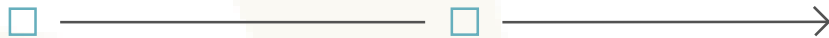
Past performance should not be taken as a guarantee of future results.

A Quality Value Approach to Small & Mid Cap Investing

1

High-Quality Companies

100% Bottom-Up Approach to Find Quality, Sustainable Businesses with durable competitive advantages, consistently high and improving returns on capital and cash flow.



2

Balance Sheet Optimization

A Novel Approach to Valuation that assesses strength and flexibility of the balance sheet to create a more concrete margin of safety.

3

Focused Portfolio Construction

Solving the Problem of Over-Diversification by targeting 25-35 high-conviction, long-term holdings resulting in high active share and low turnover.



4

Sell Discipline

Help Avoid Large Losses to Maximize Return by selling when fundamentals deteriorate and not averaging down, reinforced by a quantitative soft stop-loss.

Minimizing Risk:

- Bottom-Up Search for High Quality
- Focus on the Balance Sheet

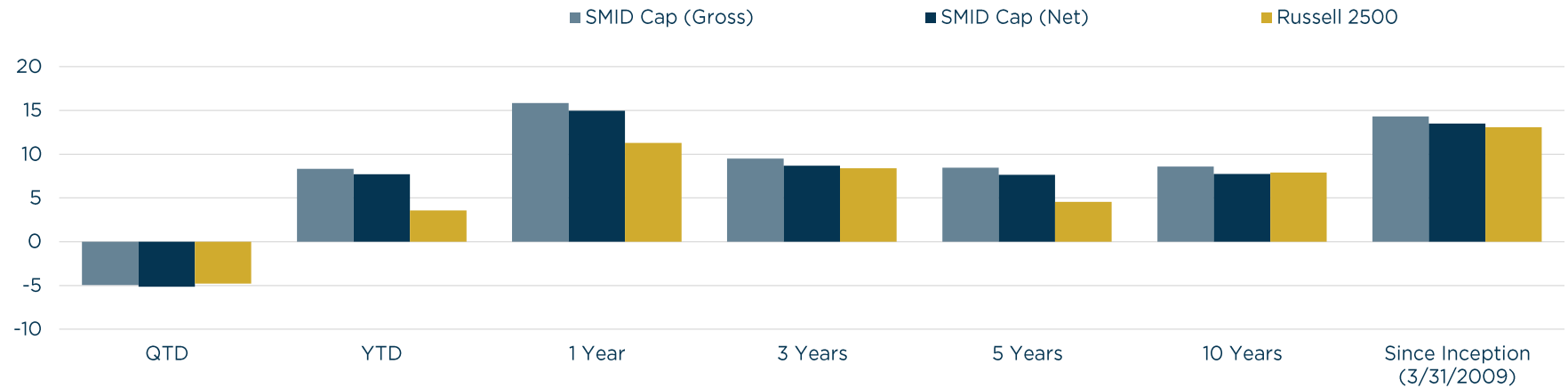
Maximizing Return:

- Avoiding Over-Diversification
- Helping Prevent Large Losses

SMID Cap Performance Review

Annualized Returns (%)

As of 9/30/2023



	QTD	YTD	1Y	3Y	5Y	10Y	ITD
SMID Cap (Gross)	-5.0%	8.3%	15.8%	9.5%	8.5%	8.6%	14.3%
SMID Cap (Net)	-5.1%	7.7%	15.0%	8.7%	7.6%	7.8%	13.5%
Russell 2500	-4.8%	3.6%	11.3%	8.4%	4.6%	7.9%	13.1%

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 last page.

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