Portfolio Commentary

Market Update

Global markets performance was again bifurcated during the quarter, reversing 4Q trends, with developed international markets posting strong gains while U.S. markets were negative. The MSCI All Country World Index declined 1.3% during 1Q. International Markets, as measured by the MSCI EAFE Index, bounced back from an 8.1% decline in 4Q to post a 6.9% return in 1Q, benefiting from local price appreciation and U.S. Dollar weakness. U.S. markets trailed global markets with a 4.3% decline in 1Q, as measured by the S&P 500.

While economic indicators were mixed across Europe and Asia, stock market returns, measured in local currency and U.S. Dollar terms, were sharply positive. MSCI Europe jumped 10.5% led higher by Germany. Likewise, China was strong with a 15.0% gain. Japan was the weakest international market only posting a slight gain in U.S. Dollar terms, but a negative return in local currency terms.

From a sector perspective, Energy, Financials, Utilities and Communication Services led the MSCI EAFE higher during the quarter, demonstrating a risk-on, lower-quality rally. These sectors benefited from a weaker U.S. Dollar and low direct exposure to potential global trade disruptions. Turning to market factors, the Value, Yield, Size and Momentum factors were positive contributors during 1Q. Volatility factors faced headwinds, while Growth and Quality factors had mixed results.

Key Performance Takeaways

The London Company International Equity portfolio returned 7.7% gross (7.5% net) during the quarter vs a return of 6.9% for the MSCI EAFE index. Positive stock selection more than offset sector exposure drag.

Our International Equity portfolio posted strong absolute results and outperformed the MSCI EAFE Index. Coming off a weak fourth quarter, international equities were a beneficiary of the correction in U.S. markets, a weaker U.S. Dollar and a rotation that produced a strong wave that lifted all boats. The sharp index gains were powered by lower quality business with international banks leading the way, now trading near decade high valuations, which created a significant headwind for our portfolio. We were encouraged to see our strategy overcome these obstacles and exceed our 85-90% upside capture expectations in a robust return environment.

Top 3 Contributors to Relative Performance

BAE Systems PLC (BA/ LN) – The UK defense contractor, was the largest contributor during 1Q, with shares returning approximately 40%. Fundamentals continue to remain strong with double-digit full year 2024 revenues and operating profit growth; further, 2025 guidance called for another robust year of profit growth. In addition to the fundamental strength, European defense spending optimism helped overall sentiment for European defense shares during the quarter. We remain confident that BA/ LN is well positioned going forward with the shares still at a reasonable valuation and conservative positioned balance sheet providing downside support while upward pressure on defense spending providing upside opportunity.

Philip Morris International Inc. (PM) – PM shares have outperformed due to strong execution and an improving outlook. The primary driver remains the success of its smoke-free products, with sustained momentum in IQOS and ZYN, supported by robust pricing in the combustibles portfolio. We believe the combination of smoke-free growth potential and a resilient combustibles business will generate significant and sustainable free cash flow in the years ahead.

Allianz SE (ALV GY) – The Germany-based global insurer delivered strong performance during 1Q. Management continues to execute well with conservative underwriting discipline and cost control. We believe shares remain attractive at a reasonable valuation with a strong capital position.

Top 3 Detractors from Relative Performance

Diageo PLC (DGE LN) – DGE LN continued to face weaker consumer demand and an uncertain recovery timeline, with macro headwinds and strategic investments impacting earnings. New import tariffs have also added to the uncertainty. However, DGE LN's strong global presence and diverse portfolio position it well in the industry. With a proven track record of successful portfolio management, brand building, and innovation, we remain confident in management's ability to deliver long-term shareholder value.

Taiwan Semiconductor Manufacturing Co., Ltd (TSM) – TSM's decline in 1Q was due to several factors, including; sector-wide fears of weakening AI growth momentum, economics of its overseas expansion plan and a potential partnership with Intel. We believe fears over AI slowing are overblown while sector fundamentals remain solid and we're confident that management can execute on its U.S. fab expansion plan profitably. The company's dominant competitive position, favorable exposure to structural growth, and current valuation offers attractive upside.

CRH PLC (CRH) – After strong performance in 2024, CRH shares declined in 1Q on negative macroeconomic sentiment, worries on residential construction and potential weakening U.S. government driven construction activity. Despite these headlines, CRH's fundamental performance has remained strong with EBITDA and operating profit growing double-digits. We remain confident in management's ability to weather weaker markets if they come and deploy capital positively for shareholders. We are constructive on the business due to its strong market positions in growth end markets, under-levered balance sheet, and shareholder friendly capital allocation.

Sector Influence

We are bottom-up stock pickers, but sector exposures influenced relative performance as follows:

- What Helped: Underweight Consumer Discretionary & Health Care (two weaker performing sectors)
- What Hurt: Underweight Financials & Energy (the two better performing sectors)

Trades During the Quarter

- **There were no trades this quarter.**

Looking Ahead

From an economic perspective, risks have increased with the recent tariff announcement in early April by the U.S. administration. We note that the scope of potential outcomes has widened while odds of a recession have increased. With the current uncertain backdrop, we would expect a period of heightened volatility as market participants grapple with the ultimate outcome and potential winners and losers in a trade war. As we stated in our last update, we don't rely on predicting or timing macroeconomic outcomes. Longer-term, we operate with the expectation of modest economic growth with our focus at the individual company level. We're hopeful this heighted level of volatility will afford great investment opportunities.

In terms of equities, international markets are still valued at a discount to the U.S., despite the 1Q market moves. This could be supportive of continued fund flows out of the U.S. into international markets. At the current valuation, the MSCI EAFE is reasonably priced at slightly over 14x P/E. With heightened risk, we believe it's especially important to focus on downside protection. The companies we own are high-quality businesses run by good management teams with conservative balance sheets at attractive valuations. The portfolio should serve our investors well through a full market cycle. We continue to expect our quality value approach will lead to strong risk-adjusted returns protecting in tough markets.

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Annualized Returns
As of 3/31/2025

	QTD	1Y	ITD
International Equity (Gross)	7.7%	11.2%	21.8%
International Equity (Net)	7.5%	10.4%	20.9%
MSCI EAFE	6.9%	4.9%	14.5%

Inception date: 9/30/2023. Performance is preliminary. Subject to change. Past performance should not be taken as a guarantee of future results. Net of fee returns are calculated net of a model management fee of 0.75%. Please see the disclosure notes found on the last page.

Disclosure Notes

The London Company's performances are size weighted and annualized based on calculations for the period ending March 31, 2025. 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 Advisor, 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.

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Composite Creation/Inception Date: September 30, 2023

Composite Definition: The International Equity strategy invests mainly in conservative, low-beta international equities with a focus on above-average downside protection. Primarily, we seek profitable, financially stable companies that consistently generate free cash flow, sustain 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, international indices. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of $500,000 in assets. Prior to 7/1/2024 the minimum portfolio size was $100,000. The product is measured against the MSCI EAFE Index (Net) and has a creation and inception date of September 30, 2023. 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. Investing in global/international markets involves risks not associated with U.S. markets, including economic, political, and currency fluctuation risks. The TLC International Equity product may contain companies domiciled in the U.S., but have a business mix that is predominantly international.

Benchmark Description: The MSCI EAFE Index (Net) measures performance of large and mid-cap securities across developed markets around the world, including countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada. It includes over 900 securities, and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. Benchmark returns are shown net of withholding taxes. Benchmark returns are not covered by the report of independent verifiers. Any referenced international index is presented net of foreign withholding tax, unless stated otherwise.

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 a model fee of 0.75% and transaction cost and gross of custodian and other fees. The 0.75% model London Company management fee applied is the highest tier of the current composite fee schedule. This fee is applied monthly to the gross return at 1/12th the annual rate, which is 0.0625% per month. Actual investment advisory fees incurred by clients may vary. Returns may be net of miscellaneous fund expenses. The gross figures do not reflect the deduction of investment advisory fees. Returns are calculated and stated in U.S. dollars. Composite performance is calculated net or gross of foreign withholding taxes on dividends and interest income dependent on custodian data. Dividends are reinvested. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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