Portfolio Commentary

Market Update

Global equity markets rallied and broadened in 2Q, with strong gains across developed and emerging markets. The quarter started with volatility following the April 2nd "Liberation Day" tariff announcement by the U.S. administration. Global markets sharply plunged but quickly reversed course as deadlines were pushed out to allow for negotiation avoiding the worst-case outcome. Trends established in 1Q continued, rising global equity markets and a weaker U.S. Dollar—bolstering international market returns. In developed markets, MSCI World index gained 11.5%. International markets outpaced the U.S. market with the MSCI EAFE posting an 11.8% return, enhanced by a weak U.S. Dollar that contributed 7.0% of the quarterly return. On a YTD basis, MSCI EAFE returned 19.4% far outpacing the U.S. After a tough Q1, U.S. markets returned to growth with the S&P 500 10.9% return bringing the YTD return to 6.2%.

Economic indicators across Eurozone, UK and Asia continued to show mixed signals while dealing with an uncertain trade environment. From a sector perspective, Financials and Industrials led the MSCI EAFE higher during the quarter contributing over half the gain during 2Q. When drilling down into the industry groups, Banks and Capital Goods were the biggest individual contributors to the index performance. Bank performance has been driven by lower rates, a benign credit environment and little-to-no exposure to global trade tensions. On the other side of the ledger, the worst performing sectors were Energy, Health Care, and Consumer Discretionary. Energy was the only sector in the red with lower oil prices dragging. Turning to market factors, the Volatility, Momentum, and Growth factors were positive contributors during 2Q. Value, Yield and Size factors faced headwinds, while Quality factors had mixed results.

Key Performance Takeaways

The London Company International Equity portfolio returned 10.4% (10.2% net) during the quarter vs a return of 11.8% for the MSCI EAFE index. Stock selection was a headwind to performance, partially offset by positive sector exposure.

Our International Equity portfolio posted another quarter of strong absolute returns. While we slightly trailed the MSCI EAFE index, our relative results fell right in line with our 85-90% upside capture expectations. Similar to domestic markets, Quality and Lower Volatility factors underperformed across the developed international landscape, presenting headwinds to our portfolio.

Top 3 Contributors to Relative Performance

Nintendo Co., Ltd ADR (7974 JP) – 7974 JP officially unveiled the Switch 2 in April, and the initial customer response has been strong. Early indicators such as pre-order numbers suggest demand for the console is ahead of management's base case. We're encouraged by these early results, and our 7974 JP thesis is on track.

BAE Systems PLC (BA/ LN) – BA/ LN, the leading UK defense contractor, performed strongly during 2Q. While continuing to report strong underlying financials results, widespread European and NATO government support for increased defense spending bolster investor sentiment and fundamentals. BA/ LN is positioned well to capitalize on future defense spending with the shares still at a reasonable valuation and conservative positioned balance sheet providing downside support.

Taiwan Semiconductor Manufacturing Co., Ltd Sponsored ADR (TSM) – TSM, the leading semiconductor fabrication company, shares rebounded in 2Q after a tough start to the year. Fears over a slowdown in AI and data centers were largely overblown. TSM reported strong sales and profit performance throughout 2Q, exceeding expectations and confirming attractive structural demand fundamentals. We believe TSM still offers an attractive investment opportunity given the company's dominant competitive position, favorable exposure to structural growth, and attractive valuation.

Top 3 Detractors from Relative Performance

Willis Towers Watson, PLC (WTW) – WTW, a leading insurance broker, declined modestly in a strong upmarket after gaining 25% in the prior twelve months. The main reason for the pullback was due to fears of macro-driven weakness in the company's discretionary consulting business within it's Health, Wealth & Career (HWC) segment. We believe these fears are overblown as the recurring nature of much of WTW's business positions the company to weather temporary, macro-driven challenges. The company has gained share and is on track to improve margins and free cash flow generation. Valuation is attractive and the balance sheet remains strong.

Air Products and Chemicals, Inc. (APD) – With the new CEO at the helm, management took the opportunity to air out APD's remaining dirty laundry during the most recent earnings report. New management is on a path of de-risking these projects and returning APD to a higher structural level of profitability. We were encouraged to hear that free cash flow losses are expected to end after this year and a more astute capital allocation policy is being implemented. The strength and stability of the core industrial gas business remains unchanged.

Coloplast A/S (COLOB DC) – COLOB DC, a leading medical device company, has struggled with company-specific issues and wider industry level headwinds. During 2Q, the company's CEO stepped down and was replaced on an interim basis by the Chairman who was the previous CEO. COLOB DC has the enviable position as a leader in continence, urology, ostomy, voice and respiratory care and wound care. These are critical product areas with structural demand growth and COLOB DC, for the most part, is the market leader. The company missed growth and margin targets as its Kerecis acquisition divided management attention. Under newly focused leadership, we believe COLOB DC will get back on track and at the current price represents an attractive opportunity.

Sector Influence

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

- What Helped: Underweight in both Energy and Health Care (weaker performing sectors)

- What Hurt: Underweight in both Utilities and Financials (better performing sectors)

Trades During the Quarter

- Sold: **British American Tobacco PLC (BATS LN) –** BATS LN's progress on its reduced-risk portfolio has underwhelmed and we decided to allocate the capital to opportunities where we had greater conviction.
- Sold: **AerCap Holdings (AER) -** AER reached our estimate of fair value and we decided to allocate the capital to other opportunities.
- Added: **Taiwan Semiconductor Manufacturing Co., Ltd Sponsored ADR (TSM) and ASML Holding NV (ASML NA) -** As our long-term conviction for both hasn't changed, we took advantage of the share price weakness to add to our position.
- Purchased: **Intercontinental Hotels Group (IHG LN) –** IHG LN is a leading asset-light hotel franchisor with leading brands like Holiday Inn, Crown Plaza and InterContinental. As a franchisor, IHG LN is able to grow with little incremental invested capital allowing for management to return all its FCF to shareholders while still growing profits by double-digits annually. Management has proven to be astute and shareholder friendly. The balance sheet is under-leveraged providing downside protection. Lastly, the valuation is attractive as the market has gotten more concerned about an economic downturn hurting travel. We view the business as an attractive long-term investment.

Looking Ahead

From an economic perspective, we continue to expect trade negotiations to dominate headlines as they did in the first half of the year. In addition, current trends in monetary policy to continue with Europe and UK central banks to be in an accommodative posture while Japan is more likely to normalize rates higher if inflation proves sticky. Pro-growth fiscal policies in Europe and UK should be helpful to certain industries like construction, infrastructure and defense. The current backdrop around trade is uncertain and we're prepared for volatility around upcoming trade negotiation deadlines. As we stated in our last update, we don't rely on predicting or timing these macroeconomic outcomes. Longer-term, we operate with the expectation of modest economic growth with our focus at the individual company level.

In terms of equities, international markets have been boosted by the weak U.S. Dollar during the first half of the year and it's difficult to predict future currency movements. We note that international markets are still valued at a discount to the U.S., despite the YTD market moves. We believe this will continue to be supportive of fund flows into international markets. With heightened risk, we believe it's especially important to focus on quality factors and downside protection. Our portfolio is comprised of high-quality businesses run by good management teams with conservative balance sheets at attractive valuations that can survive and thrive through different market environments.

Annualized Returns
As of 6/30/2025

	QTD	YTD	1Y	ITD
International Equity (Gross)	10.4%	18.9%	23.0%	25.4%
International Equity (Net)	10.2%	18.5%	22.1%	24.4%
MSCI EAFE	11.8%	19.5%	17.7%	19.7%

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 June 30, 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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