

Portfolio Commentary

Market Update

After the significant downturn in the first quarter, U.S. equities experienced a double-digit increase in 2Q. The broader market, as measured by the Russell 3000 Index, increased 11.0%. Volatility surged in early April following new U.S. tariff announcements aimed at reshaping global trade. A double-digit, risk-on rally ensued following a temporary pause in tariff escalations, widespread optimism around enterprise AI, and a healthy earnings outlook. Additionally, improving sentiment, a healthy labor market, and expectations of future Federal Reserve rate cuts further supported the upward momentum, even amidst geopolitical tensions and mixed economic signals. Growth styles led Value, and Large Caps outperformed Small Caps. Turning to market factors, Growth and Volatility posted the strongest returns, and most Momentum factors outperformed. Value and Yield factors had a negative impact, while Quality factors were mixed.

Key Performance Takeaways

The London Company Large Cap portfolio declined 0.2% during the second quarter (-0.4% net) vs. a 3.8% increase in the Russell 1000 Value Index. Sector allocation was a tailwind to performance, offset by stock selection.

The Large Cap portfolio trailed the Russell 1000 Value index in 2Q and came up short of our 85-90% upside capture expectations. Our exposure to Lower Volatility and Quality factors flipped from a tailwind in 1Q to a headwind in 2Q, as high beta equities rallied sharply following tariff de-escalation. Our sector exposure was additive to performance, but unfortunately it was more than offset by weakness in several Financial & Technology related holdings. Historically, a reliance on high Quality factors has proven to be a strategy that can lose battles along the way but tends to win the war over time. Fortunes can change quickly with a high conviction portfolio, and we remain confident in the operating metrics of portfolio companies.

Top 3 Contributors to Relative Performance

Alphabet Inc. (GOOG) – GOOG was a top performer this quarter due to continued strength in the ad business, Cloud growth, and margin enhancements. Investors became more comfortable with its positioning in AI search and monetization opportunity, plus enhancements to its Cloud business. GOOG has a solid balance sheet, significant market share, and generates strong returns on invested capital.

NewMarket Corporation (NEU) – NEU has been a top performer this year driven by strong AMPAC revenue growth from improved volume and product mix, despite weaker Petroleum Additives performance. Its localized production and sales model provides insulation from tariff impacts. Management continues to focus on paying down debt and returning cash to shareholders through its dividend and buyback.

TE Connectivity Ltd. (TEL) – TEL was a top performer after reporting better than expected led by stronger margins and cash flow despite a mixed demand environment. Results were driven by AI momentum in the Industrial segment and a stabilizing Transportation segment. Its diversified portfolio, high-value products, and market leadership, combined with disciplined capital allocation through dividends and buybacks, position it for sustained growth and margin expansion.

Top 3 Detractors from Relative Performance

Fiserv, Inc. (FI) – FI underperformed this year due to concerns about slowdowns in the Clover platform and cautious consumer spending. The news about the CEO's departure also created uncertainty. Despite Clover's weaker volume growth, FI's strong revenue from international expansion, new products, and its resilient Financial Solutions segment continues to remain healthy. We are attracted to FI's durable business model as it maintains a leadership position across its core segments and provides mission-critical services to its customers.

Apple Inc. (AAPL) – AAPL was left behind its Mag 7 brethren during the quarter, as investors debate the company's apparent missteps in deploying AI solutions across its extensive user base. Its unmatched global user base plus ecosystem, top-tier talent, cash-rich balance sheet, and robust capital return program reinforce our confidence in AAPL's ability to innovate and sustain its competitive moat.

Progressive Corporation (PGR) – PGR was a bottom performer this quarter due to investor concerns over decelerating policy and premium growth, despite strong margins and robust policy expansion driven by its leadership in personal auto insurance. We remain attracted to its best-in-class operations, conservative underwriting, and shareholder-friendly capital allocation philosophy.

Sector Influence

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

- What Helped: Underweight in both Health Care and Energy (weaker performing sectors)
- What Hurt: Underweight position in Industrials and Consumer Staples (better performing sectors)

Trades During the Quarter

- There were no trades during the quarter.

Looking Ahead

There is elevated uncertainty as we start the second half of 2025 with a high likelihood of greater tariffs being announced in the weeks ahead. Consumer confidence has declined recently due to the risks of additional tariffs, but the broader economic data still supports growth in the near term, although growth is decelerating. While we are not predicting a recession, the odds of a recession have increased. In terms of monetary policy, the Fed appears to be on a steady course for two or three rate cuts later in the year. The effect of tariffs on both inflation and the broader economy could change those plans, though.

In terms of the equity market, the S&P 500 is back to the expensive, concentrated territory in which it began the year. Meanwhile, the macro risk backdrop has deteriorated since the start of 2025, including labor market softening, ongoing tariff uncertainty, debt headwinds, geopolitical tensions, and unclear inflation trends. Equity returns in the near term may be modest, with shareholder yield (dividends, share repurchases, debt reduction) comprising a significant percentage of the total return from equities. We believe our high-Quality, low-Volatility orientation positions us well for an environment of elevated policy risks and fragile global growth. We remain rooted to our long-term, fundamental investment approach, focusing on company quality, sustainable returns on capital, and resilience across economic scenarios.

Annualized Returns

As of 6/30/2025

	QTD	YTD	1Y	3Y	5Y	10Y	ITD
Large Cap (Gross)	-0.2%	2.2%	11.4%	12.8%	12.5%	9.8%	11.2%
Large Cap (Net)	-0.4%	1.8%	10.6%	12.0%	11.7%	9.0%	10.5%
Russell 1000 Value	3.8%	6.0%	13.7%	12.8%	13.9%	9.2%	9.7%

Inception date: 6/30/1994. 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.

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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: June 30, 1994

Composite Definition: The Large Cap strategy invests mainly in conservative, low-beta, large-cap equities with a focus on above-average downside protection. Primarily we seek profitable, financially stable, quality large-cap companies, which consistently generate free cash flow, high returns on unleveraged operating capital, trade at rational valuations, and are run by shareholder-oriented management. Positions are generally in the market capitalization range of the major domestic large-cap indices. Accounts included in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of \$1 million in assets. The product is measured against the Russell 1000 Index and has a creation and inception date of June 30, 1994. 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. As of July 1, 2022 The London Company redefined the composites to exclude all dual contract relationship and any potentially bundled fee scenarios. This policy is not retroactive, but will continue to apply going forward.

Benchmark Description: Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. Benchmark returns are not covered by the report of independent verifiers. The Large Cap product is typically compared to the Russell 1000 Index. Any comparison to the Russell 1000 Value is for illustrative purposes only.

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. Net of fee returns prior to January 1, 2009 are calculated net of actual London Company 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. Returns are calculated and stated in U.S. dollars. Prior to April 1, 2024 returns are calculated gross of withholding taxes on foreign dividends and interest. Starting April 1, 2024, 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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