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 Mid Cap portfolio increased 5.7% during the second quarter (5.5% net) vs. an 8.5% increase in the Russell Midcap Index. Both sector allocation and stock selection were headwinds to relative performance.

The Mid Cap portfolio produced solid absolute returns in 2Q, but relative results came up short of our 85-90% upside capture expectations. We received limited benefit from our Quality orientation, and our structural underexposure to high-momentum names was a material headwind. While the Index is broader down cap, the absence of owning the Top 10 performers in the Russell Midcap contributed to over 40% of the underperformance this quarter. Pockets of weakness across several holdings further exacerbated relative performance headwinds amidst the risk-on rally. We elected to maintain our position in a few of the weaker positions, reflecting our long-term conviction in the businesses. The recent strength of some of the riskier, more speculative Mid Cap names is not driven by fundamentals nor is it sustainable longer-term. 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

Amphenol Corporation (APH) – APH was a top name as it is a beneficiary of AI spending, driven by surging demand for its electronic connectors, interconnect systems, antennas, and sensors used in AI datacenters. As such, the stock has been very strong as of late. We remain positive on Amphenol's diversified business model, market leadership, and robust balance sheet, which positions it for sustained growth.

Dollar Tree, Inc. (DLTR) – DLTR was a top performer after it reached an agreement in March to sell its underperforming Family Dollar business, a decade-long drag on growth and margins. This divestiture has driven a stock re-rating, reflecting a higher-quality company focused on value creation at the Dollar Tree banner. The recent elimination of the de minimis exemption has yielded positive sentiment towards retailers like DLTR. We remain attracted to its pricing flexibility and margin enhancement opportunity.

NewMarket Corporation (NEU) – NEU outperformed this quarter, fueled by strong AMPAC revenue growth from better volume and product mix, despite weaker Petroleum Additives results. The planned capacity expansion for the AMPAC business signals robust demand for rocket additives in a stable, oligopolistic market. Management prioritizes debt reduction and shareholder returns through dividends and buybacks.

Top 3 Detractors from Relative Performance

Copart, Inc. (CPRT) – CPRT was a bottom performer after reporting softer earnings results with elevated expectations. CPRT has been a top holding in 5 of the last 10 years since holding it in Mid Cap. It has leading market share in all its markets and continues to expand its moat with capacity expansions. The fundamentals and trends remain strong for the business.

Entegris, Inc. (ENTG) – ENTG continues to be weak due to challenges from underutilized mainstream fabs, less visibility in older technology, and weaker capex-driven demand. ENTG's solutions for advanced technology and incremental wafer content gains continue to trend upward. ENTG is one of the most diversified players in the semi-materials industry, with its size and scale. We remain attracted to the industry's high barriers to entry, limited competitors, and high switching costs.

Churchill Downs Incorporated (CHDN) – CHDN has underperformed due to weakness in regional gaming, concern about consumer spending, and lower Derby profitability y/y. We note that the Derby was facing the 150th anniversary last year, and we continue to like CHDN, its highly cash-generative assets, track record of good capital allocation, and opportunities to reinvest in the business at attractive returns.

Sector Influence

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

- What Helped: Underweight in Energy (a weaker performing sector) and overweight in Industrials (a better performing sector)

- What Hurt: Underweight in Information Technology (a better performing sector) and overweight in Consumer Staples (a weaker performing sector)

Trades During the Quarter

- Increased: **Dollar Tree, Inc. (DLTR) –** Added to DLTR following the sale of Family Dollar. Shares of DLTR were very weak in 2023 and 2024 as the company struggled to turn around and/or find a buyer for Family Dollar. Post the Family Dollar sale, we believe DLTR margins could improve while the stock trades at only 9x EV/EBITDA. DLTR will also have a large tax loss carryforward to reduce future taxes.
- Reduced: **Armstrong World Industries, Inc. (AWI) –** Trim followed strength in the shares and our desire to manage the position size.
- Reduced**: Post Holdings, Inc. (POST) –** Trim followed strength in the shares and our desire to manage the position size.
- Exited: **Skyworks Solutions, Inc. (SWKS) –** Sold remaining position reflecting greater competition, client concentration, and recent management changes. We first purchased SWKS in late 2018. Shares of SWKS did well in the early years of our holding period, but the stock underperformed the broader market in recent years. While it is frustrating to sell on weakness, the recent loss of exclusivity on an iPhone 17 component with Apple highlights a significant risk to the firm. Apple represents over 60% of revenue to SWKS, so any change in the relationship is meaningful. This is the second loss of a component used in iPhones in recent years and is a sign of greater competition from large players like Qualcomm and Broadcom. SWKS also recently fired their CEO, which is another risk in the future. We decided to sell based on these concerns.
- Increased: **Churchill Downs Incorporated (CHDN) -** Added to the existing position reflecting confidence in the long-term growth story, recent insider purchases, and an attractive valuation (less than 12x EBITDA).

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
Mid Cap (Gross)	5.7%	1.1%	7.2%	13.1%	11.7%	10.9%	12.3%
Mid Cap (Net)	5.5%	0.7%	6.4%	12.2%	10.9%	10.1%	11.5%
Russell Midcap	8.5%	4.8%	15.2%	14.3%	13.1%	9.9%	11.4%

Inception date: 3/31/2012. 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: March 31, 2012

Composite Definition: The Mid Cap equity strategy invests mainly in conservative, low-beta, mid-cap equities with a focus on above-average downside protection. Primarily, we seek profitable, financially stable mid-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 mid-cap indices. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of $100,000 in assets. This product is measured against the Russell Midcap Index and has a creation and inception date of March 31, 2012. 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 relationships and any potentially bundled fee scenarios.

Benchmark Description: Primary: Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. Secondary: Russell Midcap Value Index measures the performance of the mid-cap segment of the U.S. equity universe. It includes those Russell Midcap 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 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. 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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