

Portfolio Commentary

Market Update

U.S. equities continued their advance in Q3, fueled by a Fed rate cut, solid corporate earnings and enthusiasm around AI. Economic data released throughout the third quarter was mixed, but the economy retained most of its momentum from the second quarter. Expectations for additional interest rate cuts by the Federal Reserve also drove more optimism in the market. Volatile, high beta stocks extended their sharp rebound off April 8th lows, notching the strongest high beta rally since the bounce off the Global Financial Crisis trough in 2009. For the quarter, the broader market, as measured by the Russell 3000 Index, increased 8.2%, and the S&P 500 and small-cap Russell 2000 both hit all-time record highs. Stylistically, Growth outperformed Value, and Small Cap stocks led Large Caps. Turning to market factors, Volatility and Yield factors posted the strongest returns. Value and Growth factors were mixed. Quality factors, which our portfolios tilt towards, were mostly headwinds.

Key Performance Takeaways

The London Company Large Cap portfolio increased 6.3% gross (6.2% net) during the quarter vs. a 5.3% increase in the Russell 1000 Value. Outperformance was attributable to positive stock selection, partially offset by sector exposure headwinds.

The Large Cap portfolio outperformed the benchmark & exceeded our 85-90% upside capture expectations. Despite our Quality & lower Volatility factor exposure being out of favor, the portfolio exceeded expectations due to strong stock selection, including exposure to Magnificent 7 companies. We remain confident in our holdings: durable advantages, strong balance sheets, and steady free cash flow underpin long-term value.

Top 3 Contributors to Relative Performance

Alphabet Inc. (GOOG) – GOOG was a top performer following strong core business results and the accelerated adoption of its AI offerings. Favorable news on outstanding legal cases also helped. Management is effectively executing cost-saving initiatives while diversifying revenue through Cloud and subscriptions. We remain attracted to its massive ecosystem scale, sound capital allocation, and clean balance sheet.

Apple Inc. (AAPL) – AAPL remains a consistently strong performer, providing stability within the technology sector even amidst the elevated volatility of other large-cap growth stocks. Its earnings report beat expectations, driven by ongoing growth in the high-margin Services business and strong iPhone sales. Further, excitement over pre-orders and early sales of the iPhone 17 line helped drive performance. We continue to own Apple for its strong user ecosystem and incredible cash flow production that it allocates in a positive manner.

TE Connectivity Ltd. (TEL) – TEL was a top performer as it is benefiting from AI spending plus delivering stronger margins despite a mixed demand environment in other end markets. 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 quarter due to slower growth and margin pressure in its Merchant business, leading to reduced guidance. Organic growth was weighed down by delayed product launches and cautious consumer spending. 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 its durable business model as it maintains a leadership position across its core segments and provides mission-critical services to its customers.

Progressive Corporation (PGR) – PGR was a bottom performer this quarter due to investor concerns over decelerating policy and premium growth, despite strong margins and strong retention 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.

Old Dominion Freight Line, Inc. (ODFL) – Trucking stocks in general, and ODFL specifically, have had challenging performance during the quarter due to the lingering softness in the industrial economy. ODFL continues to report declining volume trends as the "boom and bust" nature of post-COVID normalization is playing out. We believe that the industry is bumping along the bottom, and that even the slightest strengthening in trends will result in outperformance for the group and for ODFL. We like ODFL's strong position in the industry, the superior returns that its business model generates, and management's adeptness at capital allocation.

Sector Influence

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

- What Helped: Overweight Materials (a better performing sector) & underweight Real Estate (a weaker performing sector)
- What Hurt: Underweight Utilities & Health Care (two better performing sectors)

Trades During the Quarter

- Exited: **Bruker Corporation (BRKR)** – We elected to sell our position in BRKR after shares significantly underperformed the broader market since our purchase in 2024. Headwinds from weak pharma spending, possible cuts to NIH and academic funding, and tariff concerns may continue. The stock hit our soft stop loss, and with no insider purchases or accelerated buybacks from the company, we elected to exit the position and fund a higher-conviction idea.
- Initiated: **Equitable Holdings, Inc. (EQH)** – EQH a leading U.S. financial services company helping clients achieve retirement and wealth goals through three core businesses: Equitable (retirement and protection strategies), AllianceBernstein (global asset management), and Equitable Advisors (financial and wealth planning). Together, these franchises manage over \$1 trillion in client assets. EQH operates with an asset-light model that generates strong free cash flow, which it uses to repurchase shares and grow dividends. Over the past five years, the share count has declined about 8% annually, while the dividend has compounded at a 7% growth rate, currently yielding 2.1%. A recent reinsurance transaction with Venerable released nearly \$2 billion of excess capital to the holding company, reducing risk while validating reserves. As EQH continues shifting toward higher-quality, fee-based retirement and asset management businesses, we believe the market will reward it with a higher valuation multiple, reflecting its stronger growth profile, enhanced capital return, and lower risk structure.

Looking Ahead

Despite the twists and turns of uncertainty, the U.S. economy has displayed impressive resilience this year. Housing, the impact of recent tariffs, and the labor market continue to be areas of concern. That said, the past six months were filled with powerful catalysts—including tax reform, Fed easing, lower long-term rates, tariff clarity, and record capital spending—which gave new life to risk-taking and economic optimism. Still, sticky inflationary pressures combined with a weakening labor market have complicated the Fed’s dual mandate.

Turning to equities, the markets remain concentrated and expensive, potentially limiting room for multiple expansion and raising the prospect of muted returns with higher volatility. Expectations are being partly driven by productivity gains, broadening of earnings growth, and less restricted monetary policy. Yet, the momentum and sustainability of AI and the capex behind it have been questioned more frequently. High beta rallies, like the past 6 months, are rare, short-lived and historically mean-reverting. In the aftermath of recessions or policy shifts, markets often reward speed and speculation over stability. Quality factors usually lag in these circumstances, then regain leadership when fundamentals reassert themselves. With valuations stretched & speculation abundant, we believe focusing on resilient, attractively valued businesses remains the best path to compounding wealth across full cycles. Our Quality-at-a-Reasonable-Price discipline is designed to protect capital during frothy periods and deliver steadier results when the cycle turns.

Annualized Returns

As of 9/30/2025

	QTD	YTD	1Y	3Y	5Y	10Y	ITD
Large Cap (Gross)	6.3%	8.7%	9.5%	16.8%	11.6%	11.4%	11.4%
Large Cap (Net)	6.2%	8.1%	8.7%	16.0%	10.7%	10.6%	10.6%
Russell 1000 Value	5.3%	11.7%	9.4%	17.0%	13.9%	10.7%	9.8%

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. The Large Cap product is typically compared to the Russell 1000 Index. Any comparison to the Russell 1000 Value is for illustrative purposes only.

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Disclosure Notes

The London Company's performances are size weighted and annualized based on calculations for the period ending September 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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