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 Mid Cap portfolio increased 1.5% gross (1.3% net) during the quarter vs. a 5.3% increase in the Russell Midcap Index. Both stock selection & sector exposure were headwinds to relative performance.

The Mid Cap portfolio trailed the benchmark and came up short of our 85-90% upside capture expectations. There have been pockets of idiosyncratic weakness across the Mid Cap portfolio, but ultimately our high Quality, low Volatility positioning has been out of favor since April 8th. Quality factors, a tailwind during the drawdown earlier in the year, turned into a headwind as Volatility surged. The high beta rally has been driven by low quality, negative earning companies which have rallied on hopes of further Fed rate cuts. The recent weakness by Quality factors is consistent with historical patterns. In the aftermath of recessions or policy shifts, markets often reward speed and speculation over stability. 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

Somnigroup International (SGI) – SGI was a top performer as it continues to gain incremental share in the bedding market, despite the weakness in the endmarket. The integration of Mattress Firm is progressing ahead of schedule, causing an improvement in the outlook. We believe the business combination has the potential to unlock meaningful value. Our investment thesis is supported by robust free cash flow generation, strong brand equity, and solid management execution.

Armstrong World Industries, Inc. (AWI) – AWI shares outperformed in the quarter due to beating expectations, driven by favorable positioning in key verticals and strong operating leverage. We continue to like AWI for its consistent execution, strong financials, leading market share and persistent moats through its exclusivity agreements and warranties.

NewMarket Corporation (NEU) – NEU was a strong performer in the quarter, mainly due to three factors. First, low oil prices cut input costs faster than revenue, driving improved profitability. Second, a timely defense acquisition allowed NEU to ramp up production amid global conflicts. Finally, the market is positively viewing the company's use of cash flow to repay debt.

Top 3 Detractors from Relative Performance

Fidelity National Information Services, Inc. (FIS) – FIS have underperformed mainly due to inconsistent execution and a weaker outlook that requires an acceleration later this year. While there is execution risk, the company’s strong market position and recurring revenue base continue to deliver. Management will need to execute to regain credibility with investors. We are attracted to FIS’s durable business model as it maintains a leadership position across its core segments and provides mission critical services to its customers.

Allison Transmission Holdings, Inc. (ALSN) – ALSN dipped in early July but has since traded roughly flat. Some trade policy uncertainty has impacted the NA on-highway end-market demand, which has concerned investors. Our conviction on the stock is based on its wide competitive moat and strong management team; we continue to believe that the company has a number of growth opportunities that haven’t been fully realized yet, especially in defense.

AptarGroup, Inc. (ATR) – ATR was a bottom performer after extending the recovery in the Consumer Healthcare business and facing harder comps in certain high growth products. All parts of the business showed growth (Pharma, Beauty, and Closures) and margins in the Pharma business are expected to increase this year. We remain attracted to the high switching costs of the Pharma products and long-term contracts.

Sector Influence

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

- What Helped: Overweight Industrials (a better performing sector) & underweight Real Estate (a weaker performing sector)

- What Hurt: Overweight Consumer Staples (the weakest performing sector) & underweight Communication Services (a better performing sector)

Trades During the Quarter

- Initiated: **Avantor, Inc. (AVTR) –** AVTR is a leading provider of mission-critical products and services primarily to the life sciences and biopharma industries. AVTR offers an extensive catalog for research and laboratories, ranging from general laboratory supplies to specialized consumables used in bioprocess manufacturing. AVTR operates as an asset-efficient distribution platform, supported by a high level of recurring revenue (85%). Its products are often specified directly into customer processes, resulting in high switching costs and stable demand. AVTR's scale, broad product portfolio, and integration into customer workflows with on-site support help reinforce its market position. Over the long term, we believe AVTR is well positioned to benefit from structural trends such as the increasing adoption of biologics, the growth of personalized medicine, and rising global investment in biopharma R&D. While near-term end market weakness has weighed on valuation, we believe this does not fully reflect the company's resilient business model, competitive advantages, and long-term earnings potential. A recent large insider purchase from a board member gives us greater confidence in our timing, and we remain optimistic about the outlook.
- Reduced: **Amphenol Corporation (APH) –** We reduced the position in APH on strength. The stock has done very well over the years and had a great run so far in 2025. We maintain strong conviction in the company, but wanted to reduce the size in the portfolio as the market cap now exceeds $150B.

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
Mid Cap (Gross)	1.5%	2.6%	0.8%	15.3%	10.3%	12.1%	12.2%
Mid Cap (Net)	1.3%	2.0%	0.1%	14.5%	9.5%	11.2%	11.4%
Russell Midcap	5.3%	10.4%	11.1%	17.7%	12.7%	11.4%	11.6%

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 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.

Definition of Firm: The London Company of Virginia is a registered investment advisor. Registration does not imply a certain level of skill or training. More information about the advisor, including full descriptions of its investment strategies, fees and objectives, can be found in the firm's Form ADV Part 2, which is available upon request by calling 804.775.0317 or visiting www.TLCadvisory.com. The London Company claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Please visit www.TLCadvisory.com or contact us at 804.775.0317 to request a complete list and description of The London Company's composites and/or a GIPS® Report that adheres to the (GIPS®) standards.

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.

Past performance should not be taken as a guarantee of future results. The report is for informational purposes only. Data, while obtained from sources we believe to be reliable, cannot be guaranteed and all statistics are subject to change. The statements contained herein are solely based upon the opinions of The London Company and the data available at the time of publication of this report, and there is no assurance that any predicted results will actually occur. Information was obtained from third-party sources, which we believe to be reliable but are not guaranteed as to their accuracy or completeness. This report contains no recommendations to buy or sell any specific securities and should not be considered investment advice of any kind. An investment in a London Company strategy is subject to risks, including the loss of principal. Referenced strategies may not be suitable for all investors. The appropriateness of a particular strategy will depend on individual circumstances and objectives. In making an investment decision, individuals should utilize other information sources and the advice of their investment advisor.

The London Company of Virginia, LLC

1800 Bayberry Court, Suite 301
Richmond, VA 23226

Tel: 804.775.0317
info@TLCadvisory.com

www.TLCadvisory.com