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 Small Cap portfolio increased 1.9% gross (1.6% net) during the quarter vs. a 12.4% increase in the Russell 2000 Index. Stock selection was a headwind to relative performance, partially offset by sector exposure.

The Small 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 Small 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

Armstrong World Industries, Inc. (AWI) – AWI shares outperformed in the quarter due to beating expectations, driven by better than expected volumes, 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.

Ingevity Corporation (NGVT) – NGVT outperformed its benchmark after showing a significant margin recovery in recent earnings, exceeding low expectations. It cleared major headwinds in its Performance Chemicals segment, fueling y/y gains. The strategic portfolio shifts are driving meaningful profit recovery for the next few years. While much of the business is experiencing a cyclical downturn, the overall mix of revenue is improving, as Performance Materials makes up a larger portion of the pie.

Graham Holdings Co. (GHC) – GHC outperformed the benchmark on strong 2Q results, led by solid growth in Kaplan Education and the continued expansion of its Healthcare segment. The stock likely benefited from the perceived easing of broadcast TV M&A regulation, which could enable future station monetization or local consolidation. We remain positive on the GHC family's fiduciary leadership, strong balance sheet, and track record of returning capital to shareholders.

Top 3 Detractors from Relative Performance

Interparfums, Inc. (IPAR) – IPAR was a bottom holding as retailers are managing inventory more cautiously and the overall fragrance market has softened. IPAR brands continue to be resilient with solid growth and incremental share gains. We remain confident in its ability to outgrow its end market through rising adoption and strong execution in innovation plus brand partnerships.

Haemonetics Corporation (HAE) – HAE was a bottom performer after reporting a mixed quarter, with the price reaction seemingly extrapolating forward near-term headwinds. Its vascular closure business is facing some elevated competitive pressures due to legacy vendors reacting more aggressively to the perceived threat from its business. However, we believe the company's portfolio of clinically differentiated, high-margin products will win market share and drive robust earnings growth over time. The thesis relies on minimal improvement in the core segments to drive strong investor returns.

White Mountains Insurance Group Ltd (WTM) – WTM was a bottom name due to industry headwinds and investment volatility in its portfolio. Concerns about residuals from early catastrophe hits have also pressured the stock. We remain confident in the company's ability to deliver outsized growth in book value per share over time through prudent capital allocation.

Sector Influence

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

- What Helped: Overweight Materials & Industrials (two better performing sectors)
- What Hurt: Overweight Consumer Staples & Real Estate (two weaker performing sectors)

Trades During the Quarter

- There were no trades during the quarter.

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
Small Cap (Gross)	1.9%	-2.6%	-0.2%	13.6%	13.1%	8.8%	12.0%
Small Cap (Net)	1.6%	-3.3%	-1.2%	12.5%	12.0%	7.7%	11.2%
Russell 2000	12.4%	10.4%	10.8%	15.2%	11.6%	9.8%	8.4%

Inception date: 9/30/1999. 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 1.00%. 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.

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Composite Creation/Inception Date: September 30, 1999

Composite Definition: The Small Cap strategy invests mainly in conservative, low-beta, small-cap equities with a focus on above-average downside protection. Primarily we seek profitable, financially stable small-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 small-cap indices. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of $100,000 in assets. The product is measured against the Russell 2000 Index and has a creation and inception date of September 30, 1999. 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: Primary: Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Secondary: Russell 2000 Value Index measures the performance of the small-cap segment of the U.S. equity universe. It includes those Russell 2000 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 1.00% and transaction cost and gross of custodian and other fees. The 1.00% 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 0.0833% per month. 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. 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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