

# Portfolio Commentary

## Market Update

U.S. equities finished higher for a third consecutive quarter in Q4, with the Russell 3000 Index rising 2.4% and the S&P 500 posting similar gains. The quarter was supported by strong earnings growth, 50 basis points of additional Fed rate cuts, and an extension of the US-China trade truce. However, headwinds emerged from AI investment scrutiny, labor market softening with unemployment reaching a four-year high of 4.6%, and a prolonged government shutdown. The quarter reflected investors navigating between optimism around earnings strength and concerns about AI returns and macroeconomic softening.

Equity market performance was again characterized by uneven leadership beneath strong headline returns. Performance among the Magnificent 7 companies displayed growing divergence, while the high beta rally that began in April showed signs of exhaustion beginning in November. Stylistically, Value outperformed Growth across the market cap spectrum, but performance between Large and Small Cap equities was more balanced. Sector leadership was mixed. Health Care and Communication Services were the most positive, while the other Defensive sectors (Real Estate, Utilities & Consumer Staples) were negative for the quarter. Looking at market factors, Value factors were the primary driver of returns, led by stocks trading at lower prices relative to sales and book value, while cash-flow-based measures were more muted. Quality factors, which our portfolios tilt toward, were headwinds. Momentum and Volatility factors provided support; meanwhile, Growth & Yield factors were mixed.

## Key Performance Takeaways

The London Company Large Cap portfolio returned 0.4% (0.2% net) during the quarter vs. a 3.8% increase in the Russell 1000 Value Index. Stock selection was a headwind to relative performance, partially offset by positive sector exposure.

The Large Cap portfolio trailed the Value benchmark in Q4 and came up short of our 85-90% upside capture expectations. Value factors led Quality in Q4. Moreover, across the Value factor categories, cheaper stocks, based on valuation multiples, outperformed those with stronger cash flows—which our portfolios tilt toward. Our lack of direct bank exposure proved to be a headwind for Q4 and 2025 overall. Banks nearly doubled the index's overall return for both Q4 and 2025 as the Fed lowered short term interest rates and the yield curve steepened. Beyond factor headwinds, pockets of idiosyncratic weakness further weighed on relative results.

Our portfolios remain positioned to participate in market upside while providing the diversification and quality characteristics we believe are essential as we navigate an evolving market landscape in 2026.

Past performance should not be taken as a guarantee of future results.

## Top 3 Contributors to Relative Performance

**Alphabet Inc. (GOOG)** – GOOG was a top performer this quarter following strong core business execution and accelerating adoption of its AI offerings. Growth was broad-based across Search, YouTube, and Cloud, with AI enhancing search utility and monetization while Cloud margins reached new highs. Management continues to balance disciplined cost controls with increased AI investment, reinforcing confidence in long-term returns. We remain attracted to its massive ecosystem scale, sound capital allocation, and clean balance sheet.

**FedEx Corporation (FDX)** – FDX was a top performer after reporting better results led by improved revenue quality, disciplined pricing, and continued cost savings. Despite the freight recession, domestic ground volume has been fairly resilient recently, and margins expanded in the core Express business due to the structural cost reductions. We remain attracted to the strong cash generation, balanced capital allocation, and a solid balance sheet.

**Chubb Limited (CB)** – CB was a strong performer in 4Q25, reaching an all-time high following exceptional earnings that featured record core operating income, industry-leading combined ratios, and robust investment income growth. The company's diversified portfolio, disciplined underwriting, and aggressive capital returns reinforced confidence in its ability to generate attractive returns, even as the P&C industry transitions to a more competitive and volatile environment.

## Top 3 Detractors from Relative Performance

**Fiserv, Inc. (FI)** – FI weakness came after ongoing concerns about a slowdown in its small business POS platform on top of weak 3Q results. The company took a steep guidance cut and announced management and Board changes. The large stock reaction reflects a loss of credibility, increased doubts around the long-term growth outlook, and the realization that a turnaround will require meaningful investment over the medium-term. Given the extent of the reset and diminished confidence in the thesis, we sold our position.

**NewMarket Corporation (NEU)** – NEU was a weaker performer as a softer global environment pressured Petroleum Additives volumes and margins and the Specialty Materials business had lumpy demand, which weighed on results. Lower oil prices reduced operating leverage and drove an unusual restructuring charge as industry capacity increased. Despite near-term pressure, we continue to view NEU as a strong business with disciplined capital allocation, balance sheet flexibility, and strong cash flow generation.

**BlackRock, Inc. (BLK)** – BLK was a bottom performer during the quarter as investor sentiment was pressured by concerns around private market liquidity, return durability, and higher expenses tied to recent acquisitions. Despite this, fundamentals remain solid, with record AUM, healthy flows, and organic base fee growth well above long-term targets, driven by active ETFs, digital assets, and alternatives. We continue to view BLK as a long-term share gainer, and we appreciate the strong balance sheet and steady capital return.

## Sector Influence

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

- **What Helped:** Overweight Information Technology (a better performing sector) & underweight Real Estate (a weaker performing sector)
- **What Hurt:** Underweight Health Care (a better performing sector) & overweight Financials (a weaker performing sector)

## Trades During the Quarter

- **Exited: Fiserv, Inc. (FI)** – We elected to sell our remaining position in FI after it hit our soft stop loss. The doubts over the new long-term algorithm and the durability of its core business are now in question. Prior management’s reliance on low-quality, short-term growth led us to lose confidence in the business. While there is still value in the core business, it is now a turnaround story that will require heavy investment to reset the strategy and restore genuine earnings growth.
- **Increased: Norfolk Southern Corporation (NSC)** – Added to our NSC position after the shares pulled back despite the pending UNP deal. It is currently trading at a discount to the value of the UNP deal and the rail industry is out of favor. While most recent earnings were softer than expected, NSC has shown signs of improving its execution and volumes should return incrementally. Lastly, the chairman stepped up and purchased shares in the open market, which we view as a sign of conviction in the business.
- **Increased: Chubb Limited (CB)** – Added to our CB position after the most recent quarterly report. Results continue to be better than expected and management increased its return on equity target. Loss trends in the industry have stabilized and premiums written should accelerate. Management also accelerated the buyback program and signaled that the stock is trading under its intrinsic value. We remain confident in the attractive nature CB business.
- **Reduced: Alphabet Inc. (GOOG)** – We trimmed the large position in GOOG based on strength and to comply with our stated 10% position limits.
- **Increased: Republic Services, Inc. (RSG)** – Addition reflects attractive opportunity to increase our exposure in a defensive and resilient business model. The waste

management industry has lagged the broader market this year due to cyclical volume weakness in construction, demolition, and the industrial sector. Despite these short-term headwinds, RSG continues to exhibit operational strength through pricing power and cost controls, which have led to stronger margins. We remain attracted to the high-quality, essential business with strong and stable cash flow generation. Recently, insiders have bought shares in the open market, which we view as an additional data point to the attractive valuation.

## Looking Ahead

As we move into 2026, the economic and policy backdrop remains characterized by a mix of support and uncertainty. On the positive side, corporate earnings trends have remained better than expected, consumer activity has shown resilience, and ongoing Fed rate cuts combined with fiscal stimulus measures may continue to support growth. At the same time, late-cycle dynamics are becoming more evident. Labor market softening, affordability pressures, and persistent housing weakness underscore the uneven nature of growth. Trade and tariff policy remain fluid, and elevated complacency leaves markets vulnerable to adverse surprises. Against this backdrop, economic and inflation data may remain volatile, increasing the likelihood of episodic market dislocations. Despite resilient earnings trends and elevated hyperscaler capital spending, we believe caution is prudent given these crosscurrents.

From an equity market perspective, strong headline returns have masked growing dispersion beneath the surface. Leadership has remained narrow and valuation risk increasingly concentrated, raising the possibility that company-specific risks could take on broader significance. Periodic risk-on rallies, particularly among high-beta and lower-quality segments, have contributed meaningfully to recent performance, but history suggests such episodes are rarely durable. We believe the environment is becoming more conducive to broader leadership and a return to fundamentals, where earnings growth, dividends, and balance-sheet strength matter more than valuation multiple expansion. As volatility rises, downside protection is likely to be driven by companies with high and stable returns on invested capital, conservative leverage, and reasonable valuations. Our portfolios remain anchored in these attributes, which we believe offer a more resilient path through shifting market regimes and help clients participate in long-term wealth creation while managing downside risk.

## Annualized Returns

As of 12/31/2025

	QTD	1Y	3Y	5Y	10Y	ITD
<b>Large Cap (Gross)</b>	0.4%	9.1%	13.2%	9.6%	10.8%	11.3%
<b>Large Cap (Net)</b>	0.2%	8.3%	12.3%	8.8%	10.0%	10.5%
<b>Russell 1000 Value</b>	3.8%	15.9%	13.9%	11.3%	10.5%	9.9%

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 an annual 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.

## Disclosure Notes

The London Company's performances are size weighted and annualized based on calculations for the period ending December 31, 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 an annual 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. Some of the accounts in this composite pay a bundled fee, which includes custodian, consultant and management fees. Because of this fee arrangement, composite actual net of fee returns prior to January 1, 2009, could have an undervalued net performance. 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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