

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 Small-Mid Cap portfolio returned 2.2% (2.0% net) during the quarter vs. a 2.2% increase in the Russell 2500 Index. Portfolio finished in line with the benchmark, performance was driven by positive stock selection, partially offset by sector exposure.

The SMID portfolio finished 2025 on a high note, exceeding our 85-90% upside capture expectations in Q4. The high beta rally that drove much of the index's 2025 gains showed signs of exhaustion in Q4. After a challenging year, the SMID portfolio improved its relative performance in the final months with strong stock selection, as low quality & high volatility stocks lost traction.

Patience, discipline, and independent thinking are often tested in the short run, but they are essential over full market cycles.

Top 3 Contributors to Relative Performance

AerCap Holdings (AER) – AER shares performed well this quarter, supported by solid earnings from recovering end markets and the use of insurance proceeds from Russia-Ukraine aircraft losses to fund share buybacks. With leverage at a record low, the company has significant flexibility for capital deployment, reinforcing our confidence in its attractive long-term position within the commercial aviation value chain.

White Mountains Insurance Group (WTM) – WTM was a top performer after announcing the sale of a controlling stake in its retail brokerage platform, Bamboo, generating a roughly 4x return in just two years. The transaction, alongside a concurrent share buyback, drove a meaningful increase in book value per share and reinforced confidence in management's disciplined capital allocation and ability to compound shareholder capital.

Waters Corporation (WAT) – WAT was a top performer this quarter after delivering broad-based organic growth and improving demand across instruments, consumables, and services. The integration plan for BD Biosciences was well-received. WAT is seeing strategic progress toward more recurring, software-like revenue. WAT is well positioned for the longer term by recurring revenue, pricing power, and expanding end-market applications.

Top 3 Detractors from Relative Performance

Zebra Technologies Corporation (ZBRA) – ZBRA was a bottom performer this quarter as U.S. trade policy uncertainty and weak European industrial demand weighed on sentiment despite solid quarterly results. Tariff exposure is now limited following reduced reliance on China sourcing, but the near-term outlook remains clouded by macro conditions. We continue to see meaningful upside given ZBRA's high incremental margins and competitive positioning, which should drive a sharp rebound as industrial demand normalizes.

NewMarket Corporation (NEU) – NEU was a weaker performer as a softer global environment (mostly China's slowdown) pressured Petroleum Additives volumes and margins. The Specialty Materials business had lumpy demand, which weighed on results. Lower oil prices reduced operating leverage. 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.

Lamb Weston Holdings, Inc. (LW) – LW was a weaker name after reporting ongoing pricing pressure and industry headwinds, including softer QSR traffic. Management has executed on controllable operational issues but lingering issues have made a recovery more challenging. While these seem to be short-term headwinds, the long-term industry drivers remain attractive. We remain attracted to LW's flexible balance sheet, leading market share, and capital allocation strategy.

Sector Influence

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

- What Helped: Underweight Real Estate & Utilities (weaker performing sectors)
- What Hurt: Overweight Consumer Staples (a weaker performing sector) & underweight Health Care (the best performing sector)

Trades During the Quarter

- There were no trades this quarter.

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
SMID Cap (Gross)	2.2%	-3.8%	8.8%	6.1%	9.8%	13.5%
SMID Cap (Net)	2.0%	-4.8%	7.8%	5.0%	8.8%	12.3%
Russell 2500	2.2%	11.9%	13.8%	7.3%	10.4%	13.6%

Inception date: 3/31/2009. 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 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 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: March 31, 2009

Composite Definition: The Small-Mid Cap strategy is an extension of our Small Cap strategy with weighted market capitalization higher than our Small Cap portfolio, and is within the market capitalization ranges of the major domestic small to mid-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 2500 Index and has a creation and inception date of March 31, 2009. 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 dual contract relationships and any potentially bundled fee scenarios. This policy is not retroactive, but will continue to apply going forward.

Benchmark Description: Primary: Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. Russell 2500 is a subset of the Russell 3000 Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. Secondary: Russell 2500 Value Index measures the performance of the small to mid-cap segment of the U.S. equity universe. It includes those Russell 2500 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 an annual 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. 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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