

Portfolio Commentary

Market Update

U.S. equities were mostly lower in the first quarter of 2026. The Russell 3000 declined 4%, and the S&P 500 posted its first quarterly decline in a year. The year began on a constructive note as declining yields, improving leading indicators, and rising mortgage applications supported a broadening rally. However, sentiment reversed sharply in March following the Iran conflict escalation. The near-blockage of the Strait of Hormuz sent crude oil surging over 75%, reigniting inflation fears and shifting the Fed narrative from rate cuts to potential hikes.

Equity market leadership changed sharply as the quarter progressed. Early cyclical broadening gave way to a narrow, commodity-driven market that benefited energy, agriculture, and hard-asset industries. Large-cap Growth was the only style box to post double-digit losses, hampered by Big Tech weakness and AI displacement concerns in software. Conversely, Small Caps proved resilient; the Russell 2000 finished higher while the Equal-Weight S&P 500 remained flat. Sector dispersion was extreme in the S&P 500, with Energy surging over 35% while Technology fell over 9%. From a factor perspective, Value, Momentum, and Yield drove returns. Quality was mixed, while Growth and Volatility factors detracted.

Key Performance Takeaways

The London Company Mid Cap portfolio declined 5.0% (-5.2% net) during the quarter vs. a 1.3% increase in the Russell Midcap Index. Both stock selection and sector exposure were headwinds to relative performance.

The Mid Cap portfolio trailed its benchmark in Q1 and came up short of our 85-90% upside capture expectations. Early signs of broadening gave way to a narrower, macro-driven market where our structural underweight to Energy and commodity-linked industries was a significant detractor—similar to early 2022 when Russia invaded Ukraine. Lower-quality, more speculative areas also proved surprisingly defensive. While frustrating, we've navigated analogous periods before. These rotations have historically been short-lived and we don't believe recent price action reflects a fundamental change in the long-term case for our holdings. Should geopolitical and supply-shock volatility persist, we expect investors to refocus on quality. The durable competitive advantages and financial flexibility of our businesses position the Mid Cap portfolio well across a range of environments.

Top 3 Contributors to Relative Performance

Entegris, Inc. (ENTG) – ENTG was a top contributor, benefiting from improving fab utilization and accelerating AI-driven semiconductor demand. It continues to gain share as advanced node transitions increase materials intensity per wafer. Looking ahead, fundamentals are improving with higher

wafer starts, near-full utilization, and multiple growth drivers across advanced logic and memory. With its investment cycle largely complete and free cash flow expected to improve, we remain attracted to its strong competitive positioning and high barriers to entry.

Keysight Technologies Inc (KEYS) – KEYS has been a strong performer this year as depressed end-markets have rebounded and the wireline test business is booming due to AI-driven investment in datacenter infrastructure. Fiscal Q1 results were very strong, and momentum appears to be carrying forward in the short-term. Longer term, we view KEYS as the dominant player in electronic test and measurement and a structural winner in the perpetual march of more and faster connectivity. The company's moats built on scale, R&D, and relationships are likely widening over time.

Allison Transmission Holdings, Inc. (ALSN) – ALSN outperformed on better-than-feared results and solid 2026 guidance. The stock also benefited as investors rotated out of AI-vulnerable software into industrial businesses insulated from disruption. We view ALSN as a top-tier industrial. The Dana off-highway acquisition closed at a cyclical low, is immediately accretive, and should drive meaningful margin expansion as synergies materialize.

Top 3 Detractors from Relative Performance

Churchill Downs Incorporated (CHDN) – CHDN fell as regional gaming revenue softened and legislation concerns about i-gaming continued. We believe these concerns are overdone and note that CHDN has responded rationally, buying back shares on weakness. CHDN has strong tailwinds ahead of the upcoming Derby, and the company has the optionality to create value through the potential sale of its regional casino portfolio.

Somnigroup International Inc (SGI) – SGI shares pulled back to start the year, pressured by weaker consumer sentiment and housing activity, which are key drivers of demand. However, the company continues to gain market share and is making impressive progress on the Mattress Firm integration. SGI is well positioned to benefit when demand recovers, and we see meaningful value creation potential from the recent combination. Our thesis is further supported by strong free cash flow, brand strength, and disciplined execution.

Avantor, Inc. (AVTR) – AVTR's 2026 guidance disappointed as the new CEO framed the year as a rebuilding phase requiring operational investments. While end markets show early improvement, the turnaround remains operationally complex. We're confident in the new management team and believe the challenges are fixable. The underlying assets are high quality with sticky, mission-critical revenues and much of the near term issues appear to be priced in at this valuation. We remain attracted to the durable secular demand and execution strategy taking shape.

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 Communication Services (a weaker performing sector)
- What Hurt: Underweight Energy (the best performing sector) & underweight Utilities (a better performing sector)

Trades During the Quarter

- Initiated: **Domino's Pizza, Inc. (DPZ)** – DPZ is a global leader in quick-service pizza with over 21,000 locations worldwide, virtually all of which are franchised. Pizza remains one of the most fragmented restaurant categories, and DPZ holds a commanding market share position with significant room to grow both domestically and internationally. DPZ has built a durable competitive advantage through its vertically integrated supply chain, technology-driven ordering platform, and extensive franchise network – creating an efficient operating system that is difficult for competitors to replicate. This capital-light model supports strong profit margins, returns on invested capital well above industry averages, and highly predictable cash flow generation. Franchise partners benefit from attractive economics, fueling continued store expansion. DPZ returns substantial cash to shareholders through buybacks and dividends while maintaining a disciplined balance sheet. With a resilient demand profile, a powerful brand, and a long runway for global growth, DPZ fits nicely within our Quality-at-a-Reasonable-Price framework.
- Reduced: **Otis Worldwide Corporation (OTIS)** – We trimmed OTIS to help fund a new position while maintaining our long-term view on the business. While OTIS benefits from a durable service moat and a recurring revenue base, its China exposure and a weaker new equipment outlook limit near-term catalysts.
- Exited: **Amphenol Corporation (APH)** – Following several years of continued strength in the stock performance, APH's market cap moved beyond the mid-cap range, and we exited our position.

- Exited: **Brown-Forman Corporation Class B (BF.B)** – We exited BF.B as it had become a small position and we lacked conviction to add to it. Slowing spirits demand, elevated inventories, and margin pressures suggest a challenging near-term outlook, prompting us to redeploy capital into higher-conviction opportunities.

Looking Ahead

The situation in Iran and the broader macro backdrop remain very fluid. The coming months should provide greater clarity on whether recent events prove more inflationary, more demand-destructive, or some combination of both. Despite the many risks to the near-term outlook, we believe there are reasons for optimism as well. Economic data is generally positive with solid corporate earnings, rising GDP, as well as low unemployment. While we do not attempt to forecast the path of geopolitics or the broader economy, we recognize that macro-driven disruptions can overwhelm fundamentals in the short run. Even so, history suggests that supply shocks and geopolitical events, while meaningful in the near term, rarely redefine the long-term earnings power of advantaged businesses.

From an equity market perspective, breadth and leadership may remain uneven as markets digest shifting macro narratives. We continue to view the recent setback as a pause in a multi-year broadening cycle rather than a lasting reversal. Prior broadening episodes have often been choppy, but also durable, unfolding over years rather than quarters. In that environment, we believe portfolios emphasizing high-quality businesses with durable competitive advantages, strong returns on capital, pricing power, flexible balance sheets, and reasonable valuations are well positioned. In a market where breadth and leadership can shift quickly, we believe those characteristics position our portfolios to participate when fundamentals reassert themselves while helping to manage downside if volatility persists.

Annualized Returns

As of 3/31/2026

	QTD	1Y	3Y	5Y	10Y	ITD
Mid Cap (Gross)	-5.0%	5.0%	9.9%	5.7%	11.2%	11.6%
Mid Cap (Net)	-5.2%	4.2%	9.1%	4.9%	10.4%	10.8%
Russell Midcap	1.3%	16.0%	13.3%	7.3%	10.9%	11.3%

Disclosure Notes

The London Company's performances are size weighted and annualized based on calculations for the period ending March 31, 2026. 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, 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 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. 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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