Portfolio Commentary

Full Year Market Update

Global equity markets posted strong gains in 2025. In developed markets, the MSCI World index returned 21.1%. International and Emerging markets bested the U.S. markets by a wide margin. The MSCI EAFE and MSCI EM posted impressive 31.2% and 33.6% returns, respectively; meanwhile, the S&P 500 returned 17.9%. Importantly, the weak U.S. Dollar added a little over 10% points to the MSCI EAFE's return. Economic indicators across the Eurozone, UK and Asia were mixed but provided a stabilizing picture, as the initial shock and uncertainty from U.S. administration trade policies faded throughout the year. The EU kept policy rates unchanged, but the UK eased rates on cooling inflation. In Asia, Japan reported a better economic picture, with GDP growth and stable unemployment. The policy rate was tightened by 25 bps to 0.75%, as the Bank of Japan continues to normalize rates. China was a mixed bag with GDP ticking up and unemployment stable while industrial production slipped. Despite differing policy rate moves, we observed yield curve steepening across most developed markets.

In equity markets, Europe led Asian markets in 2025. MSCI Japan returned 24.6% and MSCI China increased 31.2%; meanwhile, MSCI Europe reported a strong 35.4% return. Stylistically, Value led Growth. All sectors delivered positive returns in 2025, led by Financials and Utilities. Within Financials, it was Banks again that led the charge, with a +70% gain for the year. Turning to market factors, the Value, Yield, Momentum and Volatility factors were positive contributors in 2025. Growth was mixed, while Quality factors faced sharp headwinds.

Key Performance Takeaways

The International Equity portfolio returned 17.6% gross (16.7% net) year-to-date vs a return of 31.2% for the MSCI EAFE index. Sector exposure & stock selection were headwinds to relative performance.

The International Equity portfolio trailed its benchmark and came up short of our 85-90% upside participation expectations in 2025. A strong rally in high-beta, deep value stocks drove gains in international markets, which our Quality-focused, Lower-Volatility portfolio did not fully capture. The Bank industry, for example, was the biggest contributor to the MSCI EAFE index performance, with a +70% return in 2025. This was a significant opportunity cost for our quality-oriented portfolio during the year.

While we fell short of our upside capture objective, our strategy delivered compelling absolute performance in 2025, and has maintained solid upside capture since inception. Our discipline is designed to protect capital during frothy periods and deliver steadier results when the cycle turns.

Top 3 Contributors to Relative Performance

BAE Systems PLC (BA/ LN) – BA/ LN, the leading UK defense contractor, was a top contributor in 2025, delivering strong operational execution alongside a clear improvement in long-term visibility. Markets responded positively to solid financial results and accelerating European and NATO defense spending commitments, which reinforced expectations for sustained multi-year growth across the sector. We remain attracted to this high-quality defense franchise with strong competitive positioning and durable end-market tailwinds.

Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR (TSM) – TSM, the leading semiconductor fabrication company, performed strongly in 2025. Earnings consistently expectations, validating our thesis around robust semiconductor demand, particularly tied to AI and advanced computing. The market rewarded improving visibility into utilization rates and pricing power, reflecting confidence in TSM's ability to capture outsized value from structural growth trends.

Safran SA (SAF FP) – SAF FP was a strong contributor driven by robust commercial aerospace aftermarket growth, positive defense sentiment, and disciplined execution. The market reacted favorably to sustained demand for narrow-body aircraft engines, where SAF FP's joint venture with GE commands roughly 75% market share and remains the primary value driver. SAF FP's competitive advantages, long-term structural growth tied to global air travel, and strong cash generation fit well within our quality framework.

Top 3 Detractors from Relative Performance

Compass Group PLC (CPG LN) – CPG LN shares were weighed down by a valuation de-rating as organic growth momentum slowed from post-pandemic highs. As the leading contract catering company, CPG LN enjoys steady, defensible growth and continued to have a successful year outperforming peers. Despite the short-term weakness, CPG LN continues to execute well, take market share, and benefit from accelerating outsourcing trends across corporate and institutional clients.

London Stock Exchange Group PLC (LSEG LN) – LSEG LN underperformed as slower growth in recurring revenues, a disappointing update from a peer, and broader AI-related concerns weighed on market sentiment. The market reaction reflected short-term uncertainty rather than a deterioration in LSEG LN's strategic position. Fundamentally, LSEG LN remains a leading provider of mission-critical data, analytics, and exchange services in a structurally growing market, supported by high switching costs and strong customer relationships.

Air Products and Chemicals, Inc. (APD) – APD's new CEO used 2025 as a reset year, addressing the prior team's missteps and value destructive capital allocation. These actions temporarily weighed on volumes and profits, but the business is now on a de-risked path towards higher structural profitability. The core industrial gas business continues to offer meaningful downside protection in a sluggish environment.

Sector Influence

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

- What Helped: Underweight Health Care & Consumer Discretionary (two weaker performing sectors)
- What Hurt: Underweight Financials & Utilities (the two best performing sectors)

Portfolio Characteristics & Positioning

We believe the International Equity portfolio is positioned for long-term durability and possesses the fundamental ingredients that stand the test of time: wide moats, sustainable high return on capital, strong free cash flow generation, low leverage ratios and shareholder focused management teams. The portfolio trades at a premium to the MSCI EAFE index, but we believe this is justified as companies in the index have lower returns on capital and higher leverage. In an elevated cost of capital environment, we believe companies with strong balance sheets and the ability to self-fund their operations could have a structural advantage going forward.

Portfolio Characteristics	International Equity	MSCI EAFE
Pre-tax ROC (3 Yr. Avg.%)	22.5	10.6
Net Debt/EBITDA	1.1x	2.3x
Enterprise Value/EBITDA	16.2x	11.4x

Source: Bloomberg.

Looking Ahead

As we move into 2026, the economic and policy backdrop remains characterized by a mix of support and uncertainty. From an economic perspective, we expect modest economic growth across the developed international markets with balanced risks from sticky inflation, unemployment and trade flare-ups. In terms of policy rates, we continue to expect an accommodative posture from Europe and UK central banks while Japan looks to continue normalizing rates into 2026 – similar trend from 2025. We expect continued focus on domestic policies around defense spending and infrastructure, which should be supportive to domestic growth.

In terms of equities, we maintain a favorable view of the international landscape. In 2025, international markets delivered stellar returns, supported by earnings growth, multiple expansion and U.S. Dollar weakness. Even after such a strong year, international markets are still valued at a sizeable discount to the U.S. We believe this will continue to be supportive of fund flows into international markets providing a positive outlook into 2026. Beneath the surface, returns for the year in the MSCI EAFE were driven by the low-quality businesses; meanwhile, Quality factors were significantly out of favor. We don’t believe this trend can last forever. We’re well positioned for such a reversal, with a portfolio of attractively valued quality businesses that can outperform the market cycle while providing solid downside protection.

Annualized Returns

As of 12/31/2025

	QTD	1Y	ITD
International Equity (Gross)	-0.4%	17.6%	18.6%
International Equity (Net)	-0.6%	16.7%	17.7%
MSCI EAFE	4.9%	31.2%	19.9%

Inception date: 9/30/2023. 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.

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: September 30, 2023

Composite Definition: The International Equity strategy invests mainly in conservative, low-beta international equities with a focus on above-average downside protection. Primarily, we seek profitable, financially stable companies that consistently generate free cash flow, sustain 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, international indices. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of $100,000 in assets. The composite is measured against the MSCI EAFE Index (Net). 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. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy. Investing in global/international markets involves risks not associated with U.S. markets, including economic, political, and currency fluctuation risks. The TLC International product may contain companies domiciled in the U.S. but have a business mix that is predominantly international.

Benchmark Description: The MSCI EAFE Index (Net) measures performance of large and mid-cap securities across developed markets around the world, including countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada. It includes over 900 securities, and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. Benchmark returns are shown net of withholding taxes. Benchmark returns are not covered by the report of independent verifiers. Any referenced international index is presented net of foreign withholding tax, unless stated otherwise.

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. Composite 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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