

# Portfolio Commentary

## Market Update

Global equity markets opened 2026 on a volatile note, as geopolitical shocks and shifting rate expectations reversed last year's momentum. The MSCI ACWI declined 3.2% for the quarter, reflecting a broad pullback in risk appetite. In the U.S., the S&P 500 fell 4.3%, weighed down by a sharp March correction. International Developed and Emerging Markets entered the period with stronger momentum through February, enabling relative outperformance for the full quarter despite a more severe March selloff. The MSCI EAFE finished down just 1.2%, even as the U.S. Dollar's flight-to-safety rally turned currency movements from a 2025 tailwind into a headwind. Emerging Markets proved most resilient, finishing nearly flat at -0.2%, supported by commodity-exporting regions.

Macro conditions were increasingly shaped by the Middle East energy shock. The EU held rates steady, the Bank of England paused its easing cycle, and the Bank of Japan halted hikes while reaffirming its normalization path. Yield curves steepened broadly as inflation expectations rose. China remained mixed with stabilizing unemployment offset by weak industrial production and an unresolved property sector.

Within the MSCI EAFE, sector performance was sharply bifurcated. Energy surged +40.1% on rising crude prices, while Utilities and Materials also benefited from commodity tailwinds. Consumer Discretionary fell 14.6% on inflationary pressure, and Financials declined 3.5% amid stability concerns. On the factor side, Value, Yield, and Size were positive contributors; Volatility was a headwind; and Growth, Quality, and Momentum produced mixed results.

## Key Performance Takeaways

The International Equity portfolio declined 6.5% gross (-6.7% net) during 1Q vs a 1.2% decline for the MSCI EAFE Index. Both sector exposure & stock selection were headwinds to relative performance.

The International Equity portfolio trailed its benchmark, and came up short of our 75-80% downside capture expectations. While our portfolio outperformed during the March selloff, it wasn't enough to offset the underperformance for the quarter. The index performance continues to be driven by lower quality factors, as noted above, which continues to be a trend and a difficult environment for our quality-oriented portfolio. While we fell short of our downside capture expectations during the quarter, we have strong conviction it will exhibit strong downside protection over the long term.

## Top 3 Contributors to Relative Performance

**BAE Systems PLC (BA/ LN)** – BA/ LN shares returned 26% during 1Q'26 after a 17% pullback in the 4Q'25. While underlying performance remains robust, market sentiment shifts from quarter-to-quarter with developments around Ukraine-Russia and now the Middle East. In the short term, we continue to expect volatility around these developments but over the longer term, we believe defense spending growth is well supported across NATO member countries over the coming decade with BA/ LN well positioned to benefit.

**Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR (TSM)** – TSM continued to benefit from attractive demand fundamentals in 1Q and raised its revenue outlook after consistently exceeding sales expectations in prior quarters. TSM's dominant competitive position and favorable exposure to structural growth remain attractive.

**Air Products and Chemicals, Inc. (APD)** – APD stock benefited from rising helium prices tied to the Iran conflict. Helium represents a low-teens percentage of APD's earnings and has weighed on results in recent years due to a weak pricing environment. The current pricing tailwind should provide some near-term relief. Our long-term thesis continues to track against improved execution under new management.

## Top 3 Detractors from Relative Performance

**SAP SE (SAP GY)** – Shares declined about 30% in the quarter making it the largest detractor in the portfolio in the quarter. SAP GY is a leading ERP company that has been executing well on an on-premise to cloud transition. Market fears around AI disruption overshadowed the company's reported topline growth and margin expansion. While we acknowledge that AI is a threat and uncertainty is high, SAP GY is in an enviable position as an entrenched, system-of-record that handles critical tasks in large, complex organizations. We believe this helps to protect on the downside. On the upside, SAP GY is developing agentic AI solutions to automate tasks to support increased pricing and customer wallet-share. At the current price, the market is pricing in a lot of the downside risk but not giving any credit for the upside potential.

**ICON, PLC (ICLR)** – ICLR declined sharply in 1Q on the announcement of a delay to fourth quarter reporting due to an internal investigation into prior year revenue recognition. While disappointing, we were able to gain confidence that the issue is limited in scope and does not reflect weakening demand or a deteriorating competitive position.

**Universal Music Group NV (UMG NA)** – UMG NA declined 24% in 1Q on concerns over AI-driven disruption, a potential insider owner sale, elevated investments. Further, the decision to forego an anticipated U.S. listing weakened sentiment. The business remains well-positioned to benefit from increasing monetization of its best-in-class music rights catalog. Valuation underpins attractive upside and ample downside protection.

## Sector Influence

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

- What Helped: Underweight Financials (a weaker performing sector) & overweight Materials (a better performing sector)
- What Hurt: Underweight Energy & Utilities (the two best performing sectors)

## Trades During the Quarter

- Reduced: **BAE Systems PLC (BA/ LN)** – After a period strong performance we trimmed the position in favor of better risk/reward opportunities.
- Reduced: **ASML Holding NV (ASML NA)** – After a period strong performance we trimmed the position in favor of better risk/reward opportunities.
- Increased: **Universal Music Group NV (UMG NA)** – We view the company's shares as attractive valued providing solid risk/reward.
- Increased: **ICON, PLC (ICLR)** – We view the company's shares as attractive valued providing solid risk/reward.
- Increased: **Magnum Ice Cream Co. (MICC LN)** – We view the company's shares as attractive valued providing solid risk/reward.

## Looking Ahead

We expect geopolitical developments in the Middle East to dominate headlines and sustain elevated market volatility. As the broader market grapples with the cascading implications of surging oil prices, sticky inflation, and uncertain central bank policies, our strategy remains unchanged. We continue to look past short-term noise, focusing on long-term fundamentals and assuming modest economic growth as we select companies from the bottom up.

Within equities, international markets demonstrated relative resilience in the first quarter, and we continue to find attractive opportunities abroad trading at reasonable valuations and significant discounts to the U.S. While our portfolio's recent performance lagged the MSCI EAFE, this divergence was largely driven by a market environment that rewarded lower-quality companies through speculative multiple expansion. We do not view this low-quality leadership as sustainable. While timing the exact reversal of this trend is impossible, our portfolio is well-positioned for the eventual return to fundamentals. We remain confident that our discipline of owning high-quality, durable businesses can deliver strong downside protection and robust risk-adjusted returns over a full market cycle.

## Annualized Returns

As of 3/31/2026

	QTD	1Y	ITD
International Equity (Gross)	-6.5%	2.1%	13.5%
International Equity (Net)	-6.7%	1.3%	12.7%
MSCI EAFE	-1.2%	21.3%	17.2%

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 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:** 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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