

Portfolio Commentary

Market Update

U.S. equities staged a reversal in Q2, with the Russell 3000 Index gaining 15.4% and the S&P 500 posting its strongest quarter since 2020. The rally was fueled by AI infrastructure spending and an earnings season that beat expectations, overcoming early-quarter anxiety over the Middle East conflict. Momentum built in late June after the U.S.-Iran peace deal eased oil prices and gave rates room to retreat. Headwinds included a hawkish shift in Fed expectations toward a hike, and a reversal in Energy after a solid start to the year. The quarter reflected optimism around AI and earnings colliding with an uncertain rate outlook.

Equity leadership shifted beneath the headline rally. Technology, the weakest sector to start the year, surged to lead the market as the only sector to outperform the S&P 500, driven by a historic rebound in semiconductors. Energy was the worst performer as oil prices retreated, while defensive sectors, including Utilities and Consumer Staples, also declined. Small caps outpaced large caps despite AI-driven leadership at the top. Momentum and Volatility factors led, Value and Growth were mixed, and Quality and Yield, areas our portfolios tilt toward, were headwinds.

Key Performance Takeaways

The London Company Income Equity portfolio returned 12.3% (12.1% net) during the quarter vs. a 13.9% increase in the Russell 1000 Value Index. Stock selection was a headwind to relative performance, partially offset by positive sector exposure.

The Income Equity portfolio trailed the Russell 1000 Value index in Q2 but finished in line with our 85–90% upside capture expectations. Market gains were concentrated in cyclical, AI-oriented memory names as Quality & Yield factors were left behind. The Technology sector delivered its highest ever quarterly excess return over the Value index, and the opportunity cost from underexposure to a handful of semiconductor companies accounted for more than 100% of our relative headwind. Notably, our own technology holdings still rose roughly 25%, well ahead of the broad market. We saw encouraging green shoots in June as markets broadened.

Our focus on high-quality, financially disciplined businesses continues to provide the diversification and downside resilience that we believe are essential in an unsettled market.

Top 3 Contributors to Relative Performance

Corning Inc (GLW) – GLW outperformed as improving demand across optical communications and AI infrastructure supported stronger earnings and margin expectations. The company continues to benefit from growing fiber deployments and increasing optical content within data centers. We remain confident GLW’s technology leadership,

pricing power, and diversified end markets position the company for durable long-term growth.

Texas Instruments Incorporated (TXN) – TXN outperformed as improving industrial demand and accelerating AI infrastructure investment drove stronger results. With its multiyear investment cycle largely complete, declining capital spending and improving capacity utilization are expected to drive a meaningful free cash flow inflection. We remain attracted to TXN’s manufacturing advantage, growing market share, and disciplined capital allocation.

Cisco Systems, Inc. (CSCO) – CSCO advanced as AI infrastructure demand accelerated and the campus networking refresh cycle gained momentum. Strong AI infrastructure orders and improving enterprise demand supported a positive shift in investor sentiment. We believe CSCO’s large installed base and growing AI networking opportunity position the company for continued earnings growth.

Top 3 Detractors from Relative Performance

Northrop Grumman (NOC) – NOC underperformed as investors focused on higher capital spending, despite another solid quarter and reaffirmed guidance. Management continues to invest in production capacity to support growing demand across key defense programs, underpinned by a record backlog and improving order activity. We remain confident in NOC’s strong competitive position and long-term growth opportunities as global defense spending increases.

Nintendo Co., Ltd. ADR (NTDOY) – NTDOY was pressured by rising memory chip costs and concerns that higher Switch 2 pricing could weigh on consumer demand. We believe those concerns are overdone, as long-term value creation will be driven primarily by software sales, digital monetization, and the broader NTDOY ecosystem rather than hardware alone. NTDOY’s cash balance, equal to roughly 27% of its market value, provides meaningful downside protection.

Chevron Corporation (CVX) – CVX declined as oil prices retreated following a strong first quarter. While commodity prices remain outside management’s control, we continue to appreciate CVX’s disciplined capital allocation, operational efficiency, and commitment to shareholder returns.

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 Energy (a weaker performing sector)
- What Hurt: Overweight Utilities & Consumer Discretionary (two weaker performing sectors)

Trades During the Quarter

- Initiated: **Republic Services, Inc. (RSG)** – RSG is the second-largest U.S. waste services provider, with roughly 90% non-discretionary revenues and ownership of approximately one-third of all domestic hazardous landfills — assets that are functionally irreplaceable. The business benefits from CPI-linked contracts, fuel surcharges, and predictable capital cycles that together create durable pricing power and margin stability across economic conditions. 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. Recent position additions by Cascade Investments, RSG's largest shareholder with a stake above 35%, support our view that current valuations offer an attractive entry point.
- Reduced: **Corning Inc. (GLW)** – We trimmed GLW on recent strength to manage position size and reduce concentration in AI data center infrastructure. Our conviction in the underlying thesis remains intact, and the trim reflects portfolio discipline rather than any change in fundamental view.
- Reduced: **TE Connectivity Ltd. (TEL)** – We reduced our position in TEL to manage concentrated exposure to the AI and data center infrastructure buildout at the portfolio level. Demand in connectors and a potential automotive recovery remain compelling catalysts, and we continue to hold the name with full conviction in the thesis.

- Reduced: **Texas Instruments Incorporated (TXN)** – We trimmed TXN on recent strength to right-size the position and manage semiconductor concentration within the portfolio. AI-driven demand for analog power and processing chips has supported the business, and we remain constructive on TXN's ability to navigate the broader cycle from here.

Looking Ahead

Our outlook remains broadly constructive, supported by a healthy earnings backdrop, resilient economic data, and the prospect of meaningful long-term productivity gains from artificial intelligence. That said, headwinds facing today's market leadership are accumulating in ways we believe matter. The AI capex boom is real but increasingly fragile, as free cash flow at several hyperscalers has turned negative even as their share prices continue to compound. Geopolitical and tariff conditions remain fluid, and further Fed rate cuts may prove difficult against stubbornly sticky inflation, low unemployment, and resilient economic activity. Layered on top of historic index concentration and valuations requiring near-flawless execution, the cumulative case for discipline is hard to ignore.

From an equity market perspective, broadening at the large-cap index level has masked a narrower reality beneath the surface, with leadership rotating between concentrated energy and AI-related technology bets accompanied by significant speculation. Complicating this picture, June's Russell reconstitution meaningfully reshuffled index composition across styles and down the cap spectrum, with semiconductor exposure in growth benchmarks rising from roughly twice that of value benchmarks to more than ten times over. With trillions benchmarked to these indices, investors who believe they hold a diversified mix of strategies may find their actual exposures have shifted considerably. History suggests periods of high-beta, lower-quality outperformance are prone to mean reversion, a dynamic that has often served as a tailwind to our approach. With valuations and earnings expectations elevated and dividend yields near multi-decade lows, we believe it is prudent to expect more modest equity returns ahead. Against this backdrop, our approach, anchored in quality, high active share, and sources of downside protection, can serve as important ballast and a valuable diversifier for portfolios going forward.

Annualized Returns

As of 6/30/2026

	QTD	YTD	1Y	3Y	5Y	10Y	ITD
Income Equity (Gross)	12.3%	17.2%	22.4%	15.4%	9.4%	11.3%	9.8%
Income Equity (Net)	12.1%	16.7%	21.5%	14.6%	8.6%	10.5%	8.9%
Russell 1000 Value	13.9%	16.3%	27.1%	17.8%	11.2%	11.5%	8.1%

Inception date: 12/31/1999. Performance is preliminary. Subject to change. Performance results shown should, under no circumstances, be construed as an indication of future performance. 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 June 30, 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: December 31, 1999

Composite Definition: The Income Equity strategy invests mainly in common equities with a focus on higher overall dividend yield orientation, which may be supplemented with primarily investment grade, preferred equities. This strategy has a more conservative orientation, with a focus on capital preservation, income and growth, in order to provide greater yield and downside protection relative to our Large and Mid Cap strategies. Our Income Equity strategy is designed to generate above-average, absolute returns over full market cycles. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with no minimum dollar amount of assets. The product is measured against the Russell 1000 Value Index and has a creation and inception date of December 31, 1999. 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. This policy is not retroactive, but will continue to apply going forward.

Benchmark Description: The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected 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. 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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