

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 Large Cap portfolio returned 10.9% (10.7% 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 sector allocation.

The Large Cap portfolio produced strong absolute returns in Q2 but fell short of our 85-90% upside capture expectations relative to the Russell 1000 Value index. Within the value universe, gains were concentrated in cyclical, AI-oriented memory names, and an improving global growth backdrop fueled a higher-beta rally that left Quality characteristics behind. The quarter was difficult in relative terms precisely because leadership sat outside our quality threshold. 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

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.

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.

Alphabet Inc. (GOOG) – GOOG rallied following strong Cloud and Search results that demonstrated attractive returns on its AI investments. AI is driving faster cloud growth, expanding margins, and increasing Search engagement and monetization, easing concerns that generative AI would disrupt the business. We continue to believe GOOG's scale, engineering leadership, and growing AI ecosystem position the company to compound earnings over the long term.

Top 3 Detractors from Relative Performance

Republic Services, Inc. (RSG) – RSG declined despite another solid quarter as softer Environmental Solutions results and continued weakness in construction-related volumes weighed on investor sentiment. Core fundamentals remain strong, with pricing continuing to outpace inflation, early signs of volume stabilization, and structural margin expansion supported by productivity initiatives. We remain confident in RSG's disciplined capital allocation, favorable landfill dynamics, and long runway for earnings growth.

Martin Marietta Materials, Inc. (MLM) – MLM declined as pricing was temporarily impacted by acquisition mix and softer residential and light non-residential construction activity. Underlying demand remains healthy, supported by infrastructure spending, data center development, and a robust acquisition pipeline. We continue to believe MLM's disciplined capital allocation, leading aggregates franchise, and favorable long-term industry fundamentals position the company to compound earnings over time.

TE Connectivity Ltd. (TEL) – TEL underperformed as investors remained cautious on the pace of the automotive recovery and the timing of AI-related revenue growth. Despite these concerns, the company delivered strong organic growth, record orders, and expanding margins, led by its Industrial business. We remain confident that TEL's market-leading connectivity portfolio, growing AI infrastructure exposure, and disciplined capital allocation position the company for long-term earnings growth.

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 Materials & Communication Services (two weaker performing sectors)

Trades During the Quarter

- Reduced: **Alphabet Inc. (GOOG)** - We trimmed our largest position on strength and to comply with our stated 10% position limits.
- Increased: **Republic Services, Inc. (RSG)** - Addition reflects an attractive opportunity to increase our exposure in a defensive company with a resilient business model. RSG's defensiveness comes from the local nature of waste services, CPI-linked contracts that benefit from inflation, fuel surcharges that pass through cost increases, and predictable capital cycles. 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, which have led to stronger margins. We remain attracted to the high-quality, essential business with strong and stable cash flow generation. Recently, insiders have bought shares in the open market, which we view as an additional data point to the attractive valuation.

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
Large Cap (Gross)	10.9%	13.8%	21.5%	14.2%	9.4%	12.0%	11.6%
Large Cap (Net)	10.7%	13.4%	20.6%	13.3%	8.6%	11.1%	10.8%
Russell 1000 Value	13.9%	16.3%	27.1%	17.8%	11.2%	11.5%	10.3%

Inception date: 6/30/1994. 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. The Large Cap product is typically compared to the Russell 1000 Index. Any comparison to the Russell 1000 Value is for illustrative purposes only.

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: June 30, 1994

Composite Definition: The Large Cap strategy invests mainly in conservative, low-beta, large-cap equities with a focus on above-average downside protection. Primarily we seek profitable, financially stable, quality large-cap companies, which consistently generate free cash flow, high returns on unleveraged operating capital, trade at rational valuations, and are run by shareholder-oriented management. Positions are generally in the market capitalization range of the major domestic large-cap indices. Accounts included in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of \$1 million in assets. The product is measured against the Russell 1000 Index and has a creation and inception date of June 30, 1994. 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 relationship and any potentially bundled fee scenarios. This policy is not retroactive, but will continue to apply going forward.

Benchmark Description: Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. Benchmark returns are not covered by the report of independent verifiers. The Large Cap product is typically compared to the Russell 1000 Index. Any comparison to the Russell 1000 Value is for illustrative purposes only.

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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