

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 Mid Cap portfolio returned 9.7% (9.5% net) during the quarter vs. a 13.8% increase in the Russell Midcap Index. Stock selection was a headwind to relative performance, partially offset by sector allocation.

The Mid Cap portfolio produced strong absolute returns in Q2 but fell short of our 85–90% upside capture expectations relative to the Russell Midcap. The market was led by momentum and high-beta factors — in fact, the top beta quintile returned over 44% and drove nearly two-thirds of the index's gain. Quality was among the weakest factors and our underweight to Information Technology adding to the headwind. Down the cap spectrum, only 25% of profitable Russell 2500 companies outperformed the index in Q2, underscoring how this rally rewarded momentum over fundamentals. Historically, rallies this narrow are hard to sustain.

Encouragingly, relative performance improved sharply in June as participation began to widen, and we remain confident our diversified exposure to durable, high-quality businesses positions the portfolio to compound attractively over full cycles.

Top 3 Contributors to Relative Performance

Entegris, Inc. (ENTG) – ENTG was a top contributor, benefiting from improving semiconductor demand,

accelerating AI investment, and rising fab utilization. Beyond the industry recovery, management outlined a clear path to structurally higher earnings through manufacturing optimization, improved working capital, and rebuilding the operating model over time. We remain attracted to ENTG's strong competitive position, high barriers to entry, and long runway for free cash flow expansion.

Bruker Corporation (BRKR) – BRKR outperformed following solid quarterly results and continued margin execution despite maintaining a conservative outlook. The company continues to benefit from strong product innovation, disciplined capital allocation, and a diversified portfolio of leading analytical instruments. We remain confident in BRKR's long-term growth opportunities.

Keysight Technologies Inc. (KEYS) – KEYS advanced after reporting strong quarterly results and better-than-expected guidance, driven by robust demand for AI-related data center testing. We continue to view KEYS as the industry leader in electronic test and measurement, with durable competitive advantages supported by its scale, technology, and customer relationships.

Top 3 Detractors from Relative Performance

Domino's Pizza, Inc. (DPZ) – DPZ declined as domestic and international same-store sales fell short of expectations amid a challenging consumer backdrop. While near-term industry sentiment remains weak, we continue to believe DPZ's asset-light business model, global scale, and consistent market share gains support attractive long-term earnings growth.

Allison Transmission Holdings, Inc. (ALSN) – ALSN declined despite solid quarterly execution, as unchanged guidance and macro uncertainty across several end markets weighed on investor sentiment. It delivered better-than-expected margins in its core transmission business through strong pricing and cost discipline, while integration of the Dana Off-Highway acquisition remains on track. We continue to believe ALSN is well positioned to benefit from recovering end markets, acquisition synergies, and its disciplined approach to capital allocation.

Armstrong World Industries, Inc. (AWI) – AWI declined as softer commercial construction activity weighed on near-term results. Despite these headwinds, backlog growth, innovation, and margin expansion initiatives remain intact. We continue to believe AWI's leading market position supports attractive long-term earnings growth.

Sector Influence

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

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

Trades During the Quarter

- Reduced: **Keysight Technologies (KEYS)** – Trimmed on strength to manage position size and fund additional opportunities. Our favorable view of KEYS's leadership in electronic testing & measurement is unchanged.
- Reduced: **Entegris (ENTG)** – Trimmed on strength to manage position size and fund additional opportunities. Our long-term constructive view on its positioning within semiconductor materials remains intact.
- Exited: **Lamb Weston (LW)** - Sold LW due to its small position size and weaker demand trends across the restaurant and foodservice channel.
- Exited: **Otis (OTIS)** – Sold OTIS due to its small position size and to fund higher conviction opportunities.
- Initiated: **AppFolio (APPF)** – APPF is a leading provider of cloud-based software solutions for the residential property management industry. APPF serves more than 22,000 customers managing roughly 9.5 million units through an integrated platform that combines accounting, leasing, payments, maintenance, and communications tools. APPF primarily serves small-to-midsize property managers within a highly fragmented market, and it has penetrated less than 15% of its estimated addressable market. Despite functioning as a mission-critical operating system for its customers, APPF's software solutions represent a fraction of the gross rent revenue—creating a meaningful opportunity for continued value-chain monetization over time. High switching costs, deep workflow integration, and an expanding product suite support durable competitive advantages, while the financial profile is attractive: gross margins above 60%, free cash flow margins in the mid-20% range, and returns on invested capital above 20%. We believe the market underappreciates both the durability of APPF's competitive position and the magnitude of its long-term earnings power.

- Increased: **Cooper Companies (COO)** – Addition reflects continued confidence in COO's leading position in contact lenses and improving demand trends across premium product categories. Ongoing operational improvements, a strategic review process, and an attractive valuation relative to long-term growth and free cash flow provide additional upside from here.
- Increased: **Somnigroup International (SGI)** – Addition reflects our view the current valuation underappreciates SGI's share gains, synergy execution, & vertical integration progress during a period of well-below-trend replacement-cycle demand. As industry demand normalizes, we see a compelling path to improved earnings power.
- Increased: **NewMarket (NEU)** – Addition reflects confidence in NEU's resilient business model, disciplined operating culture, and strong free cash flow generation, which continues to support buybacks and dividends. While petroleum additives demand remains soft near-term, we see additional long-term upside from NEU's recent aerospace and defense acquisitions.

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. 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
Mid Cap (Gross)	9.7%	4.1%	9.0%	9.7%	7.0%	11.8%	12.1%
Mid Cap (Net)	9.5%	3.8%	8.2%	8.9%	6.2%	11.0%	11.3%
Russell Midcap	13.8%	15.3%	21.6%	16.5%	8.5%	12.0%	12.1%

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: 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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