

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 Small-Mid Cap portfolio returned 12.1% (11.8% net) during the quarter vs. a 20.3% increase in the Russell 2500 Index. Stock selection was a headwind to performance, partially offset by sector allocation.

The SMID portfolio produced strong absolute returns in Q2 but fell short of our 85–90% upside capture expectations relative to the Russell 2500. Strength was concentrated in high-beta and high-volatility names — the top beta quintile returned nearly 66% and drove more than half the index's gain — while Quality was among the weakest factors, making our sizable underweight to that cohort a significant headwind. Only the Technology sector outperformed the index in Q2, and just 25% of profitable Russell 2500 companies beat the benchmark—a reminder that this rally rewarded momentum over fundamentals. Relative performance improved sharply in June as participation began to widen, and we remain confident that our focus on 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.

Credit Acceptance Corporation (CACC) – CACC outperformed following signs of improving credit performance, while lower fuel prices eased concerns surrounding subprime borrowers. Credit trends continue to improve, and the company remains disciplined in repurchasing shares. We believe the investment thesis remains on track as fundamentals continue to strengthen.

Qualys, Inc. (QLYS) – QLYS was a top contributor as investor sentiment improved across the cybersecurity sector. While concerns around AI disruption weighed on the group earlier this year, AI is increasingly viewed as strengthening demand for cybersecurity solutions. We continue to view QLYS as a high-quality business with a durable competitive position, supported by its expanding platform and strong product strategy.

Top 3 Detractors from Relative Performance

White Mountains Insurance Group Ltd (WTM) – WTM lagged during an otherwise uneventful quarter following strong prior-period performance driven by the Bamboo transaction. The shares also benefited less from the broader market rebound after proving relatively defensive earlier in the year. We remain confident in management's disciplined capital allocation and ability to compound book value per share over the long term.

Marzetti, Co. (MZTI) – MZTI declined as weaker-than-expected retail volumes weighed on results. We believe these pressures are temporary, as the company's core brands continue to gain market share and upcoming product launches should support improving volumes. We remain confident that margin expansion will continue through productivity initiatives, while the Bachan's acquisition and portfolio optimization further strengthen the company's long-term earnings growth.

Churchill Downs Incorporated (CHDN) – CHDN declined despite solid operating results as Derby Week growth fell slightly short of elevated investor expectations. The business continues to execute well, supported by strong Historical Racing Machine growth, improving leverage, and healthy cash flow generation. We believe the recent weakness is disconnected from the underlying fundamentals and remain confident in the company's ability to compound earnings through disciplined capital allocation, pricing power, and continued investment in its differentiated gaming and racing assets.

Sector Influence

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

- What Helped: Underweight Energy & Utilities (weaker performing sectors)
- What Hurt: Overweight Consumer Staples & Consumer Discretionary (weaker performing sectors)

Trades During the Quarter

- There were no trades this quarter.

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
SMID Cap (Gross)	12.1%	8.3%	11.9%	7.0%	5.3%	9.5%	13.6%
SMID Cap (Net)	11.8%	7.8%	10.8%	5.9%	4.3%	8.4%	12.4%
Russell 2500	20.3%	22.7%	36.7%	18.4%	8.3%	12.3%	14.5%

Inception date: 3/31/2009. 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 1.00%. 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: March 31, 2009

Composite Definition: The Small-Mid Cap strategy is an extension of our Small Cap strategy with weighted market capitalization higher than our Small Cap portfolio, and is within the market capitalization ranges of the major domestic small to mid-cap indices. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of \$100,000 in assets. The product is measured against the Russell 2500 Index and has a creation and inception date of March 31, 2009. 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 dual contract relationships and any potentially bundled fee scenarios. This policy is not retroactive, but will continue to apply going forward.

Benchmark Description: Primary: Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. Russell 2500 is a subset of the Russell 3000 Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. Secondary: Russell 2500 Value Index measures the performance of the small to mid-cap segment of the U.S equity universe. It includes those Russell 2500 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 1.00% and transaction cost and gross of custodian and other fees. The 1.00% 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 0.0833% 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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