

Portfolio Commentary

Market Update

U.S. equities were mixed in the third quarter, with modest index gains but weak participation beneath the surface. The Russell 3000 returned 1.4%, but the average S&P 500 stock declined and Small Caps fell sharply. Strong earnings and improving PMIs supported Large Caps, while the breakdown of U.S.-Iran peace efforts sent oil sharply higher and reignited inflation concerns. The Fed raised rates 25 basis points in September, its first hike since 2023. Treasury yields rose across the curve, with the 10-year at its highest level since 2002. Higher oil and rates compressed valuations and weighed on consumer confidence.

Equity leadership shifted sharply during the quarter. The high-beta and the momentum rally that peaked in late June reversed, and Large Caps were the only size segment to post gains as the Russell 2000 fell 7.2%. Breadth was weak, with the Equal-Weight S&P 500 trailing its cap-weighted counterpart by more than four percentage points. Energy led all sectors as oil surged, and Technology advanced as a software rebound offset weakness in semiconductors. Utilities and Industrials lagged. From a factor perspective, Value, Quality, Size and Yield were all positive. Momentum and Volatility were negative, while Growth factors were mixed.

Key Performance Takeaways

The London Company Income Equity portfolio declined 3.4% (-3.6% net) during the quarter vs. a 1.8% increase in the Russell 1000 Index. Both stock selection and sector exposure were headwinds to relative performance.

The Income Equity portfolio declined in Q3 while the Russell 1000 advanced, falling short of our 85-90% upside capture expectations. The broadening that lifted relative results in the first half of the year faded as Q3 progressed. September proved most difficult as leadership re-narrowed around mega-cap technology and higher-yielding stocks lagged amid the spike in interest rates. A few AI-infrastructure related holdings sold off alongside the broader group despite what we view as intact fundamentals; meanwhile, our energy position was a bright spot. As earnings expectations for the market's leaders climb ever higher, we believe our emphasis on quality, a premium dividend yield, and downside resilience offers clients a differentiated source of ballast.

Top 3 Contributors to Relative Performance

Chevron Corporation (CVX) – CVX was a top contributor as oil prices rebounded on the unresolved conflict in the Middle East and quarterly results beat expectations on stronger downstream profits. While commodity prices are elevated and outside management's control, we continue to appreciate CVX's disciplined capital allocation, improved prospects for long-term production growth, operational efficiency, and commitment to shareholder returns.

Nintendo Co., Ltd. ADR (NTDOY) – NTDOY outperformed as quarterly results came in well ahead of expectations, with demand holding up better than feared despite higher console prices and memory costs. Software sales, which matter most for profitability, were particularly strong. We continue to believe long-term value will be driven by software, digital monetization, and its intellectual property ecosystem, while its large cash balance provides downside protection.

BlackRock, Inc. (BLK) – BLK was a top contributor after reporting record revenue and earnings, supported by strong inflows into its ETFs and growth in its technology services business. We remain confident BLK's diversified platform, strong organic asset growth, and expanding margins position the company for durable long-term earnings growth.

Top 3 Detractors from Relative Performance

Corning Inc. (GLW) – GLW detracted as shares pulled back after a strong run despite another solid quarter. Investors were looking for a larger outlook increase, while Optical Communications continued to accelerate on AI and data center demand and the company added new supply agreements. We remain confident in GLW's technology leadership, pricing power, and ability to benefit from higher-growth connectivity demand.

Cummins Inc. (CMI) – CMI declined after earnings came in slightly below elevated expectations despite record revenue and a higher full-year outlook. Tariffs, freight, and new product investment weighed on margins. We remain confident in its data center power leadership, record backlog, and disciplined capital allocation.

Dominion Energy Inc. (D) – D declined as higher interest rates compressed valuations across the sector and regulatory noise surrounding the pending NextEra merger added pressure. The thesis remains intact, supported by offshore wind completion, regulated rate base growth, and strong Virginia data center demand. We remain confident in D's attractive dividend and steady earnings growth.

Sector Influence

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

- What Helped: Underweight Consumer Discretionary & Real Estate (two weaker performing sectors)
- What Hurt: Overweight Industrials (a weaker performing sector) & underweight Information Technology (a better performing sector)

Trades During the Quarter

- Initiated: **Alphabet Inc. 6.25% Series A Conv PFD (GOOGM) & Alphabet Inc. 6.25% Series B Conv PFD (GOOGN)** – Alphabet, Google’s parent company, is a company we know well and have owned in our Large Cap portfolio for many years. Its core businesses across Search, Cloud, and YouTube continue to deliver strong results, and AI-embedded monetization is increasingly real. The company is positioned across every layer of the AI stack – from custom silicon chips and in-house research labs, to Google Cloud’s infrastructure, to the world’s largest distribution channels in Search and Android. We have confidence in its competitive moat, strong operating margins, and high returns on invested capital. Rather than buying common stock, which pays a negligible dividend, we initiated positions in the company’s convertible preferred shares (GOOGM/GOOGN), issued as part of the company’s AI infrastructure capital raise. The mandatory convertible preferreds provide an opportunity to gain exposure to the company while generating an attractive yield of approximately 6.25%, with the securities guaranteed to convert into common stock in approximately three years.
- Reduced: **Cisco Systems, Inc. (CSCO)** – Trimmed following recent strength and to manage position sizing. CSCO continues to benefit from improving enterprise networking demand, AI infrastructure investment, and expanding software and security offerings. We still maintain conviction in the long-term investment thesis.
- Exited: **Crown Castle, Inc. (CCI)** – Sold to reallocate capital to higher-conviction ideas. The core tower business continued to generate sustainable, recurring revenue from long-term carrier leases, but near-term earnings growth

was muted by slower carrier capex spending. The DISH-related noise and increased potential competition from newer technology also lowered our confidence in the outlook. Given it was a smaller position and we did not have conviction to add to the name, we elected to exit.

Looking Ahead

The economic backdrop remains supportive in many respects. Growth is solid, manufacturing and services activity are improving, and corporate earnings continue to exceed elevated expectations. At the same time, the headwinds have grown more pronounced. The Fed has begun tightening, energy prices and Treasury yields are elevated, and higher borrowing and living costs are weighing on consumers, particularly at the lower end of the income spectrum. The AI investment cycle remains a powerful engine of growth. Yet, its scale invites comparisons to past infrastructure booms, where investors who were right about the buildout still endured significant drawdowns along the way. Early signs of stress have also emerged in the lowest tiers of credit. While we do not attempt to predict the path of rates or the economy, we believe these crosscurrents argue for discipline.

From an equity market perspective, headline index strength continues to mask a narrower reality. A concentrated group of AI-linked companies has driven a disproportionate share of returns, while many stocks have moved independently of, or opposite to, the index. Passive flows have reinforced that concentration, and benchmarks once considered defensive now carry more technology exposure and higher beta than their labels suggest. Quality has historically lagged when rates rise, but if higher rates begin to pressure corporate balance sheets, the attributes we emphasize should matter more: strong returns on capital, conservative leverage, durable dividends, and reasonable valuations. We view these attributes as important ballast and a complement to more concentrated growth exposures. We remain confident that our portfolios are well positioned to participate as fundamentals reassert themselves while helping to manage downside risk.

Annualized Returns

As of 9/30/2026

	QTD	YTD	1Y	3Y	5Y	10Y	ITD
Income Equity (Gross)	-3.4%	13.2%	11.6%	16.3%	9.1%	10.9%	9.5%
Income Equity (Net)	-3.6%	12.6%	10.7%	15.4%	8.3%	10.1%	8.7%
Russell 1000	1.8%	12.3%	15.0%	22.5%	13.0%	15.0%	8.4%

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. The Income Equity product is typically compared to the Russell 1000 Value Index. Any comparison to the Russell 1000, S&P 500 or their corresponding ETFs, is for illustrative purposes only.

Disclosure Notes

The London Company's performances are size weighted and annualized based on calculations for the period ending September 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. The Income Equity product is typically compared to the Russell 1000 Value Index. Any comparison to the Russell 1000, S&P 500 or their corresponding ETFs, 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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