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 Large Cap portfolio declined 3.2% (-3.4% net) during the quarter vs. a 1.8% increase in the Russell 1000 Index. Both stock selection & sector exposure were headwinds to relative performance.

The Large Cap portfolio declined modestly 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. A handful of mega-cap technology stocks and energy carried the index while the average stock fell. Our underweight to the largest technology names was the primary detractor, and several of our first-half leaders gave back gains. As earnings expectations for the market's tech leaders climb ever higher, we believe our emphasis on quality and downside resilience offers clients a differentiated source of ballast.

Top 3 Contributors to Relative Performance

NewMarket Corporation (NEU) – NEU outperformed on solid results, led by strong growth in Specialty Materials serving aerospace and defense. Petroleum additives also improved, while the company reduced debt and repurchased shares. We remain attracted to NEU's expanding defense capacity, long record of capital returns, and strong cash generation.

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.

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

Entegris, Inc. (ENTG) – ENTG declined as semiconductor stocks pulled back after a very large run, despite a strong quarter with accelerating customer spending. We remain attracted to ENTG's competitive position, high barriers to entry, and rising free cash flow as its investment cycle winds down.

Old Dominion Freight Line, Inc. (ODFL) – ODFL declined alongside other trucking stocks even as results improved on firmer pricing and better sequential volumes. Volumes remain soft, but management sees room to grow without adding capacity. We remain confident in ODFL's network capacity, operating leverage, and cost structure, which should drive strong earnings growth as freight recovers.

Martin Marietta Materials, Inc. (MLM) – MLM declined as investors weighed the Lhoist acquisition, higher leverage, and uncertainty around the next phase of federal infrastructure funding. Underlying demand remains healthy, pricing opportunities are improving, and the company raised its revenue outlook. We continue to like its leading aggregates franchise, strong pricing power, and long runway for 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: Underweight Information Technology (a better performing sector) & overweight Industrials (a weaker performing sector)

Trades During the Quarter

- Increased: **NewMarket Corporation (NEU) –** Addition reflects our confidence that AMPAC's added capacity will generate strong incremental operating returns, which paired with management's long record of capital returns, should reward shareholders.

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
Large Cap (Gross)	-3.2%	10.1%	10.5%	14.4%	9.0%	11.5%	11.3%
Large Cap (Net)	-3.4%	9.5%	9.7%	13.5%	8.2%	10.7%	10.6%
Russell 1000	1.8%	12.3%	15.0%	22.5%	13.0%	15.0%	11.3%

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.

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: 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.

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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