

Portfolio Commentary

Market Update

U.S. equities were mostly lower in the first quarter of 2026. The Russell 3000 declined 4%, and the S&P 500 posted its first quarterly decline in a year. The year began on a constructive note as declining yields, improving leading indicators, and rising mortgage applications supported a broadening rally. However, sentiment reversed sharply in March following the Iran conflict escalation. The near-blockage of the Strait of Hormuz sent crude oil surging over 75%, reigniting inflation fears and shifting the Fed narrative from rate cuts to potential hikes.

Equity market leadership changed sharply as the quarter progressed. Early cyclical broadening gave way to a narrow, commodity-driven market that benefited energy, agriculture, and hard-asset industries. Large-cap Growth was the only style box to post double-digit losses, hampered by Big Tech weakness and AI displacement concerns in software. Conversely, Small Caps proved resilient; the Russell 2000 finished higher while the Equal-Weight S&P 500 remained flat. Sector dispersion was extreme in the S&P 500, with Energy surging over 35% while Technology fell over 9%. From a factor perspective, Value, Momentum, and Yield drove returns. Quality was mixed, while Growth and Volatility factors detracted.

Key Performance Takeaways

The London Company Large Cap portfolio returned 2.6% (2.4% net) during the quarter vs. a 4.2% decrease in the Russell 1000 Index. Both stock selection & sector exposure were tailwinds to relative performance.

The Large Cap portfolio produced positive absolute returns in a down quarter for the Russell 1000, exceeding our 75-80% downside capture expectations. Our portfolio thrived as the market broadened away from the Magnificent 7 and Large Cap Growth. Even with pockets of opportunity cost, as deep value and commodity-linked industries moved sharply higher, the strategy's combination of quality, high active share, and downside resilience proved to be well suited to an unsettled market. We were encouraged to see the portfolio play strong defense amidst the volatility with compelling participation as the market broadened.

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.

FedEx Corporation (FDX) – FDX was a top contributor following better-than-expected results, driven by disciplined pricing, improved revenue quality, and continued cost reductions. Margins expanded in the Express segment, while domestic volumes remained relatively resilient despite ongoing freight weakness. The company continues to generate strong cash flow and maintain a solid balance sheet, and we remain constructive given improving industry fundamentals supported by capacity rationalization.

Air Products and Chemicals, Inc. (APD) – APD benefited from industrial gas demand improving and rising helium prices tied to the Iran conflict. Helium represents a low-teens percentage of earnings and has weighed on results in recent years due to a weak pricing environment. The current pricing tailwind should provide some near-term relief. Our long-term thesis continues to track against improved execution under new management.

Top 3 Detractors from Relative Performance

Visa Inc. (V) – V underperformed on weaker consumer confidence, lower spending expectations, and additional pressure that AI could pressure moats in payment businesses. We expect resilience across economic cycles and view the stock as attractively valued relative to both the market and fundamentals.

Alphabet Inc. (GOOG) – GOOG was a bottom contributor despite solid operating results, as strong growth in Search and Cloud was offset by investor concerns around elevated capex and evolving AI monetization. Sentiment was further weighed down by uncertainty around AI-driven search disruption and moderating advertising spend. While the stock faced pressure, the company's dominant search franchise, growing cloud infrastructure business, and leadership position in AI development provide multiple growth drivers. We view the current valuation as attractive relative to the company's market position, cash generation, and innovation capabilities.

Equitable Holdings, Inc. (EQH) – EQH was a bottom contributor during the period, primarily reflecting pressure on asset-based revenues amid market volatility and lower fee-related income. EQH triggered our soft stop-loss review, and with no insider buying to reinforce conviction, we sold the position.

Sector Influence

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

- What Helped: Overweight Materials (a better performing sector) & underweight Information Technology (a weaker performing sector)
- What Hurt: Overweight Financials (a weaker performing sector) & underweight Energy (the best performing sector)

Trades During the Quarter

- Initiated & Increased: **Dominion Energy Inc (D)** - D operates as a predominantly regulated utility, with more than 90% of its earnings generated from regulated electric and gas utilities in Virginia, North Carolina, and South Carolina, providing predictable cash flows and low revenue cyclicality. Since 2022, the company has sold non-core assets, reduced debt, and brought in a partner on its offshore wind project, strengthening the balance sheet and improving financial stability. Over the long term, D should benefit from growing power demand as data centers and AI usage expand in Virginia. Its exclusive service areas and regulated business model provide steady income. We remain attracted to its stable earnings, improving financial flexibility, attractive long-term growth drivers, and dividend. We have owned D in other portfolios for many years. Later in the quarter, we added to our position.
- Reduced: **Starbucks Corporation (SBUX)** - Trimmed on recent strength. We maintain strong conviction and continue to view SBUX as an attractive long-term investment.
- Reduced: **Charles Schwab Corporation (SCHW)** - Trimmed on recent strength. We maintain strong conviction and continue to view SCHW as an attractive long-term investment.
- Exited: **Equitable Holdings, Inc. (EQH)** - We elected to sell our EQH position after it triggered our soft stop-loss review and there were no signs of insider buying to reinforce conviction. While EQH continues to generate strong cash flow and return capital in a disciplined manner, the underlying core business has remained inconsistent. Earnings quality is uneven, flows are mixed, and ongoing pressure in the individual life and retirement segments raises concern. Although valuation appears attractive, our confidence in the ability to deliver consistent results and

successfully execute a turnaround was lowered.

- Increased: **Martin Marietta Materials, Inc. (MLM)** - Addition reflects our positive view of the aggregates industry (oligopoly with pricing power), strong return on capital, and double-digit operating margins. MLM's underappreciated network optimization initiative has delivered tangible cost-saving results. The aggregate end-market backdrop remains constructive as infrastructure spending continues to benefit from the Infrastructure Investment and Jobs Act (IIJA) funding. There remains ~50% of funds still to be deployed and state DOT budgets aligned in MLM markets are growing at high-single-digit rates.

Looking Ahead

The situation in Iran and the broader macro backdrop remain very fluid. The coming months should provide greater clarity on whether recent events prove more inflationary, more demand-destructive, or some combination of both. Despite the many risks to the near-term outlook, we believe there are reasons for optimism as well. Economic data is generally positive with solid corporate earnings, rising GDP, as well as low unemployment. While we do not attempt to forecast the path of geopolitics or the broader economy, we recognize that macro-driven disruptions can overwhelm fundamentals in the short run. Even so, history suggests that supply shocks and geopolitical events, while meaningful in the near term, rarely redefine the long-term earnings power of advantaged businesses.

From an equity market perspective, breadth and leadership may remain uneven as markets digest shifting macro narratives. We continue to view the recent setback as a pause in a multi-year broadening cycle rather than a lasting reversal. Prior broadening episodes have often been choppy, but also durable, unfolding over years rather than quarters. In that environment, we believe portfolios emphasizing high-quality businesses with durable competitive advantages, strong returns on capital, pricing power, flexible balance sheets, and reasonable valuations are well positioned. In a market where breadth and leadership can shift quickly, we believe those characteristics position our portfolios to participate when fundamentals reassert themselves while helping to manage downside if volatility persists.

Annualized Returns

As of 3/31/2026

	QTD	1Y	3Y	5Y	10Y	ITD
Large Cap (Gross)	2.6%	9.2%	13.1%	8.2%	11.0%	11.3%
Large Cap (Net)	2.4%	8.4%	12.3%	7.4%	10.2%	10.5%
Russell 1000	-4.2%	17.7%	18.1%	11.3%	14.0%	10.9%

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 March 31, 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 net 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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