

Portfolio Commentary

Market Update

U.S. equities finished higher for a third consecutive quarter in Q4, with the Russell 3000 Index rising 2.4% and the S&P 500 posting similar gains. The quarter was supported by strong earnings growth, 50 basis points of additional Fed rate cuts, and an extension of the US-China trade truce. However, headwinds emerged from AI investment scrutiny, labor market softening with unemployment reaching a four-year high of 4.6%, and a prolonged government shutdown. The quarter reflected investors navigating between optimism around earnings strength and concerns about AI returns and macroeconomic softening.

Equity market performance was again characterized by uneven leadership beneath strong headline returns. Performance among the Magnificent 7 companies displayed growing divergence, while the high beta rally that began in April showed signs of exhaustion beginning in November. Stylistically, Value outperformed Growth across the market cap spectrum, but performance between Large and Small Cap equities was more balanced. Sector leadership was mixed. Health Care and Communication Services were the most positive, while the other Defensive sectors (Real Estate, Utilities & Consumer Staples) were negative for the quarter. Looking at market factors, Value factors were the primary driver of returns, led by stocks trading at lower prices relative to sales and book value, while cash-flow-based measures were more muted. Quality factors, which our portfolios tilt toward, were headwinds. Momentum and Volatility factors provided support; meanwhile, Growth & Yield factors were mixed.

Key Performance Takeaways

The London Company Mid Cap portfolio returned 3.2% (3.0% net) during the quarter vs. a 0.2% increase in the Russell Midcap Index. Both stock selection and sector exposure were tailwinds to relative performance.

The Mid Cap portfolio finished 2025 on a high note, outperforming the benchmark and exceeding our 85-90% upside capture expectations in Q4. The high beta rally that drove much of the index's 2025 gains showed signs of exhaustion in Q4. After a challenging year, Mid Cap portfolio improved its relative performance with strong stock selection, as low quality & high volatility stocks lost traction.

Patience, discipline, and independent thinking are often tested in the short run, but they are essential over full market cycles.

Top 3 Contributors to Relative Performance

Dollar Tree, Inc. (DLTR) - DLTR was a top performer after completing the divestiture of the Family Dollar business, removing a long-standing drag on growth, margins, and returns. The stock's re-rating appropriately reflects higher

quality fundamentals and a cleaner story for stand-alone DLTR. We see significant optionality for value creation as the company executes its multi-price strategy and launches a long-awaited store renovation program with attractive expected returns.

AerCap Holdings (AER) - AER shares performed well all year after reporting solid quarterly results. We believe the company is sitting in the enviable position of owning the largest portfolio of aircraft in a seller's market. The insurance recoveries during the year were a nice windfall, which was used to repurchase shares. The company should be able to continue growing book value per share via large purchase leasebacks or M&A, given its historically low leverage.

Churchill Downs Inc. (CHDN) - After underperforming earlier in the year, CHDN outperformed on strong results led by growth from its HRM facilities and increasing optimism regarding 2026. We continue to like CHDN for its highly cash-generative assets, track record of good capital allocation, and opportunities to reinvest in the business at attractive returns. Additionally, we note that CHDN leaned into share repurchases in response to stock price weakness this year, supporting our view on capital allocation.

Top 3 Detractors from Relative Performance

Pool Corporation (POOL) - POOL traded lower after a largely uneventful earnings update with staple guidance, but investors are cautious around discretionary home improvement spending, which weighed on shares. With new pool construction stabilizing, building materials returning to growth, and pricing remaining a tailwind, we believe the business is operating near trough margins and is well positioned to benefit as end-market conditions normalize.

NewMarket Corporation (NEU) - NEU was a weaker performer as a softer global environment (mostly China's slowdown) pressured Petroleum Additives volumes and margins. The Specialty Materials business had lumpy demand, which weighed on results. Lower oil prices reduced operating leverage. Despite near-term pressure, we continue to view NEU as a strong business with disciplined capital allocation, balance sheet flexibility, and strong cash flow generation.

Lamb Weston Holdings, Inc. (LW) - LW was a weaker name after reporting ongoing pricing pressure and industry headwinds, including softer QSR traffic. Management has executed on controllable operational issues but lingering issues have made a recovery more challenging. While these seem to be short-term headwinds, the long-term industry drivers remain attractive. We remain attracted to LW's flexible balance sheet, leading market share, and capital allocation strategy.

Sector Influence

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

- **What Helped:** Underweight Utilities (a weaker performing sector) & overweight Materials (a better performing sector)
- **What Hurt:** Underweight Information Technology (a better performing sector) & overweight Consumer Staples (a weaker performing sector)

Trades During the Quarter

- **Initiated: Cooper Companies (COO)** – COO is a global medical device company operating two divisions: CooperVision (contact lenses, >65% of revenue) and CooperSurgical (women’s healthcare products). CooperVision is a high-quality business with strong market share in an oligopolistic industry where four players control 95% of the market. The company benefits from a diverse product portfolio, high customer switching costs, and leading positions in faster-growing specialty lenses. Its private label business and deep customer relationships have driven above-market growth. Despite these strengths, margins trail peers due to a multi-year investment cycle and industry headwinds. However, significant margin expansion potential exists as capital spending moderates and capacity utilization improves. Recent share price weakness reflects cyclical pressures and execution missteps rather than fundamental deterioration. Activist involvement creates a catalyst for operational improvements and potential business separation. Valuation is attractive, with recent insider buying signaling confidence.
- **Exited: Crown Castle, Inc. (CCI)** – We exited CCI to reallocate capital to higher-conviction ideas. We still own CCI in the Income Equity portfolio given the attractive underlying fundamentals of the industry and healthy dividend yield. The separation of the fiber/small-cell businesses has improved investor clarity around the core pure-play tower asset, though slower carrier CapEx spending is likely to keep near-term expectations muted.

While DISH-related issues may create some earnings noise, it does not fundamentally alter the durability of the business. We would be open to re-initiating a position should a clearer catalyst emerge.

Looking Ahead

As we move into 2026, the economic and policy backdrop remains characterized by a mix of support and uncertainty. On the positive side, corporate earnings trends have remained better than expected, consumer activity has shown resilience, and ongoing Fed rate cuts combined with fiscal stimulus measures may continue to support growth. At the same time, late-cycle dynamics are becoming more evident. Labor market softening, affordability pressures, and persistent housing weakness underscore the uneven nature of growth. Trade and tariff policy remain fluid, and elevated complacency leaves markets vulnerable to adverse surprises. Against this backdrop, economic and inflation data may remain volatile, increasing the likelihood of episodic market dislocations. Despite resilient earnings trends and elevated hyperscaler capital spending, we believe caution is prudent given these crosscurrents.

From an equity market perspective, strong headline returns have masked growing dispersion beneath the surface. Leadership has remained narrow and valuation risk increasingly concentrated, raising the possibility that company-specific risks could take on broader significance. Periodic risk-on rallies, particularly among high-beta and lower-quality segments, have contributed meaningfully to recent performance, but history suggests such episodes are rarely durable. We believe the environment is becoming more conducive to broader leadership and a return to fundamentals, where earnings growth, dividends, and balance-sheet strength matter more than valuation multiple expansion. As volatility rises, downside protection is likely to be driven by companies with high and stable returns on invested capital, conservative leverage, and reasonable valuations. Our portfolios remain anchored in these attributes, which we believe offer a more resilient path through shifting market regimes and help clients participate in long-term wealth creation while managing downside risk.

Annualized Returns

As of 12/31/2025

	QTD	1Y	3Y	5Y	10Y	ITD
Mid Cap (Gross)	3.2%	5.8%	14.2%	8.1%	12.2%	12.2%
Mid Cap (Net)	3.0%	5.1%	13.4%	7.3%	11.4%	11.4%
Russell Midcap	0.2%	10.6%	14.4%	8.7%	11.0%	11.4%

Inception date: 3/31/2012. 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 December 31, 2025. 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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