SOMERSTON ASSET MANAGEMENT

SOMERSTON TECHNOLOGY FUND

INVESTMENT LETTER No.17 AS AT 31 MARCH 2025

Portfolio Objectives: To grow capital over the medium term by investing in a concentrated portfolio of high growth companies and to outperform our reference index over the economic cycle.

Strategy: We use a fundamental bottom-up approach to identify attractive investment opportunities. We have a 5-year investment horizon. We focus our investments in 20-30 high growth companies.

Performance: The Somerston Technology Fund (US1 Class) fell by -9.9% during the month and fell by -9.5% over the last three months. Our reference index fell by -9.9% during the month and fell by -8.7% over the last three months.

Performance (%) (US1 Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	6.1	3.9	4.2	4.5	7.7	-1.5	5.8	3.2	-0.1	8.5	3.8	-0.8	**55.1**
2018	12.3	-1.4	-4.1	1.0	8.0	-0.1	0.0	8.9	-1.8	-12.3	1.3	-7.5	**1.7**
2019	12.0	2.9	5.6	6.3	-8.0	8.2	4.1	-3.8	-1.8	3.1	6.1	3.8	**43.6**
2020	6.2	-3.8	-6.6	18.2	9.6	10.0	9.1	8.5	-6.2	-0.7	9.6	5.5	**73.4**
2021	-0.2	1.6	-6.5	8.8	-3.6	11.6	1.0	5.7	-7.9	6.2	-1.5	-5.0	**8.5**
2022	-13.8	-5.5	2.2	-20.2	-6.1	-11.2	13.8	-6.9	-13.0	2.1	4.9	-10.0	**-50.8**
2023	16.7	0.3	11.9	-1.1	13.2	4.6	6.5	-3.3	-6.3	-2.0	16.1	4.8	**76.6**
2024	6.0	7.8	0.8	-5.0	6.8	8.5	-5.3	3.4	2.6	0.0	6.3	-1.8	**33.0**
2025	6.3	-5.4	-9.9										**-9.5**

Total return since 2017: 346.0%

Geographical Allocation

Region	**% Fund**
North America	87.2%
South America	7.4%
Europe	6.7%
Cash and Equivalents	-1.3%

Sector Allocation

Sector	**% Fund**
Information Technology	54.1%
Consumer Discretionary	22.1%
Communication Services	19.7%
Financials	3.0%
Health Care	2.5%
Cash and Equivalents	-1.3%

Top Ten Holdings

Name	**% Fund**
Amazon.com Inc	11.4%
Meta Platforms Inc	10.9%
Nvidia Corp	10.7%
Alphabet Inc	8.8%
MercadoLibre Inc	7.4%
Microsoft Corp	5.5%
ASML Holding NV-NY Reg Shs	3.8%
Advanced Micro Devices	3.7%
Shopify Inc	3.5%
Duolingo	3.3%
Total for Top Ten	**69.0%**

This factsheet shows the performance of Somerson's "Technology Equity Strategy" from 31 December 2014 to 30 November 2020 then the Somerston Technology Fund from its launch on 01 December 2020.

GB1 Class Performance: The Somerston Technology Fund (GB1 Class) fell by -9.7% during the month and fell by -9.0% over the last three months.

Performance (%) (GB1 Class)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	6.1	3.9	4.2	4.5	7.7	-1.5	5.8	3.2	-0.1	8.5	3.8	-0.8	**55.1**
2018	12.3	-1.4	-4.1	1.0	8.0	-0.1	0.0	8.9	-1.8	-12.3	1.3	-7.5	**1.7**
2019	12.0	2.9	5.6	6.3	-8.0	8.2	4.1	-3.8	-1.8	3.1	6.1	3.8	**43.6**
2020	6.2	-3.8	-6.6	18.2	9.6	10.0	9.1	8.5	-6.2	-0.7	9.6	5.5	**73.4**
2021	-0.2	1.6	-6.5	8.8	-3.6	11.6	1.0	5.7	-7.9	6.2	-1.5	-5.0	**8.5**
2022	-13.8	-5.5	2.2	-20.2	-6.1	-11.2	13.8	-6.9	-13.0	2.1	4.9	-10.0	**-50.8**
2023	16.7	0.4	11.4	-1.2	13.3	4.4	6.3	-3.4	-6.5	-2.0	15.8	4.8	**74.2**
2024	6.0	7.8	0.8	-5.1	6.7	8.5	-5.2	3.3	2.5	0.0	6.4	-1.9	**32.6**
2025	6.4	-5.3	-9.7										**-9.0**

Total return since 2017: 340.7%

* The GB1 class launched in February 2023, performance prior to this date is from the US1 class

Commentary

The Technology Fund US1 Class fell by -9.9% in the first quarter.

Top performers for the year were **Mercadolibre** (+14.7%), **Adyen** (+10.0%), and **Zscaler** (+10.2%). Top detractors were **Nvidia** (-19.3%), **Alphabet** (-18.2%) and **Amazon** (-13.3%)

Commentary

The first quarter of 2025 has proven to be a challenging period for technology equities, with the Somerston Technology Fund recording a decline of -9.9%. There is a broad divergence within the technology sector. While the long-term growth drivers of artificial intelligence (AI), cloud computing, and digital transformation remain intact, the past three months has highlighted a growing divide between companies delivering tangible results and those facing near-term headwinds, heightened expectations that are unrealistic, or cyclical pressures.

Valuations within the technology sector remain a focal point. The price-to-earnings (P/E) ratio for the broader technology universe has retreated from its late-2024 peak but remains elevated relative to its 20-year average. Improving return on equity (ROE) across the sector continues to justify higher multiples for some, particularly those with clear paths to monetising AI investments, yet the market is growing more discerning. Companies grappling with capacity constraints, cyclical downturns, or execution risks have faced sharper corrections. As we observed in our Q4 2024 letter, “Valuations are not categorised as attractive, but equally, they don’t pose the same risk we saw in 1999.” This quarter’s performance reinforces that perspective, with the market drawing a clear line between winners that are improving their returns on equity and laggards that are finding it difficult to maintain elevated levels of fundamental performance. Top performers such as MercadoLibre, Adyen, and Zscaler have bucked an otherwise weak environment for technology stocks. Below, we unpack the drivers behind these outcomes and outline our portfolio activity for the quarter.

Portfolio Leaders

Mercadolibre, often referred to as the Amazon of Latin America, delivered a standout performance (+14.7%) this quarter contributing +0.7% to the fund's performance, buoyed by robust growth in its e-commerce and fintech ecosystems. The company's Q4 2024 results, released in February, showcased a 24% year-over-year increase in gross merchandise volume (GMV), reflecting strong consumer demand across Latin America. Its logistics investments have enhanced delivery speeds, driving merchant adoption and customer retention. Unlike many peers, Mercadolibre has avoided the valuation compression seen in other growth stocks, as its regional dominance and profitability continue to justify its premium.

Adyen, rose nearly 10%, contributing +0.2% to the fund as its payment processing platform gained traction among global merchants. The company's ability to handle high transaction volumes with minimal friction has positioned it as a beneficiary of the ongoing shift to digital payments. Adyen's performance aligns with the resilience of software and services companies that deliver scalable, high-margin solutions—a trend we expect to persist as businesses prioritise efficiency.

Security company **Zscaler's** strong showing this quarter (+10.2%) reflects the success of its "Zero Trust Everywhere" campaign and contributed +0.2% to the portfolio. The company reported a significant jump in billings in its latest earnings and a 40% growth in its Data Protection segment, driven by demand for securing large language model (LLM) data feeds. With 57% of sales from new customers and several seven-figure deals, Zscaler's pivot from legacy firewalls to zero-trust security has resonated with enterprises, supporting its outperformance despite a broader cybersecurity pullback.

Portfolio Laggards

Nvidia, saw a sharp decline this quarter (-19.3%), detracting -2.1% from the portfolio, despite a solid Q4 earnings report in February. Revenue beat expectations, with its new chip launches (Blackwell) demand described as "amazing" and enterprise growth doubling year-over-year. However, gross margin pressures from the costly Blackwell rollout and lingering concerns over export controls to China weighed on sentiment. The market's reaction—down 8.5% post-earnings—suggests a reassessment of Nvidia's valuation, which had run ahead of fundamentals. While we remain confident in Nvidia's long-term AI leadership, this quarter's correction reflects a broader semiconductor rotation.

Alphabet's decline (-18.2%) was driven by a combination of capacity constraints in Google Cloud and regulatory headwinds. Alphabets performance cost the portfolio -1.7%. Q4 2024 earnings noted a 30% growth in Cloud revenue but highlighted supply limitations, a theme echoed by peers like Amazon and Microsoft. Additionally, news flow on 21 March 2025 detailed China's revived antitrust probe into Android, adding uncertainty. Despite strong AI innovation (e.g., Circle to Search) and the $32 billion Wiz acquisition to bolster its security offerings, the stock's decline reflects investors high expectations, AI disruption risk and regulatory headwinds.

Amazon's performance (-13.3%, detracting -1.4%) was hampered by a softer-than-expected retail segment compounded by supply constraints at AWS. While advertising and AWS growth beat estimates, management cited delays in third-party chip releases and power limitations as headwinds. The retail business faced additional pressure from tariff uncertainty under the new U.S. administration. Despite these challenges, we increased our position this quarter, viewing the correction as an opportunity to build exposure to a core holding with strong long-term prospects.

Activity

In Q1, we closed our positions in Apple and Adobe. Apple's iPhone weakness in China and lacklustre AI progress prompted our exit, while Adobe's muted AI execution failed to justify its valuation. We reduced our stakes in Meta and CrowdStrike, locking in gains after strong runs, and redeployed capital into Amazon, AMD, Snowflake, and Five9. Amazon's long-term cloud potential remains compelling despite near-term softness. AMD's focus on inference and chiplet innovation offers an attractive entry point post its 50% decline from 2024 highs. Snowflake's AI-driven data platform continues to gain traction, and Five9's cloud contact centre solutions align with the shift to agentic AI.

Comments

The technology sector stands at a crossroads. While valuations are not as overstretched as in 1999, the market is increasingly selective. AI remains the dominant theme, with inference emerging as a key battleground. Companies like AMD, with its decade-long chiplet expertise, are well-placed to challenge incumbents, while software firms integrating AI agents—such as Salesforce and Shopify—signal a broader disruption of traditional SaaS models.

Looking ahead, we see opportunities in software and services firms adapting to an "Agent era," as Microsoft's Satya Nadella noted in January 2025. The rotation from semiconductors to software, observed in H2 2024, may accelerate as inference and edge computing gain traction. The fund's -9.4% return is a natural ebb of the performance from the sector. The long-term prospects from the sector are as exciting, if not more exciting than they ever have been.

Somerston Investment Team

Nick.Wakefield@somerston.com

Arthur.Castle@somerston.com

Emily.Brown@somerston.com

Investor relations: **ir@somerston.com**

DISCLAIMER

Any information in this Document may not be suitable for all investors. Investors must make their own investment decisions using their own independent advisors and reviewing relevant offering material (including the Final Offering Document). Any investment decisions must be based upon an investor's specific financial situation and investment objectives and should be based solely on the information in the relevant offering material.

The Fund's manager, Somerston Asset Management Limited (the "Manager") believes the information contained in this Document to be reliable but does not warrant its accuracy or completeness. The information contained herein is preliminary in nature and is not and does not purport to be complete. Any estimates contained herein may be subject to change without notice. No guarantee or representation is made that the investment program set out in this Document, including, without limitation, any investment objectives, diversification strategies, or risk monitoring goals, will be successful, and investment results may vary substantially over time. Investment losses may occur from time to time. Nothing herein is intended to imply that the Manager's investment methodology may be considered "conservative", "safe", "risk free" or "risk averse".

No person, including (without limitation) any of the members, shareholders, directors, officers, partners, employees or advisers of the Manager or its associates, accepts any liability whatsoever (whether direct, indirect, incidental, special, consequential, punitive or otherwise) for any loss arising from any use of the information, opinions or other statements contained herein or otherwise arising in connection therewith (including in the case of negligence, but excluding any liability for fraud) and, accordingly, liability is disclaimed by all such persons to the maximum extent permitted by applicable law or regulation.

NO INVESTMENT ADVICE

The information contained herein does not constitute advice and should not be relied upon for any purpose. No approvals have been given by the Jersey Financial Services Commission in respect of the contents of this Document or the circulation of any offering document in relation thereto.

The information contained herein is not intended to influence you in making any investment decisions and should not be considered as advice or a recommendation to invest. This Document is for information only and provision of this Document does not in itself constitute any kind of service provided by the Manager. Furthermore, this Document does not purport to describe all of the risks associated with investment or the other matters described herein. Income from or the price or value of any financial instruments may rise or fall.

Somerston Asset Management Limited is regulated by the Jersey Financial Services Commission.

WARNING

Past performance is not indicative or a guarantee of future results. No assurance can be made that profits will be achieved or that substantial losses will not be incurred

Somerston Asset Management Limited is regulated by the Jersey Financial Services Commission.