SOMERSTON
ASSET MANAGEMENT

SOMERSTON MULTI ASSET FUND

INVESTMENT LETTER No.33 AS AT 30 JUNE 2025

Portfolio Objectives: To maximise risk adjusted returns through a diversified portfolio across global equities, bonds, commodities and alternative strategies.

Strategy: We adjust asset class exposure tactically and strategically to align with market cycles.

Performance: The Somerston Multi Asset Fund (US1 class) rose by +2.0% in the month and rose by +7.0% over the last three months. Our composite reference index rose by +1.0% in the month and rose by +2.2% over the last three months.

Performance (%) US Class

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017				0.9	2.7	-0.9	0.6	0.6	-0.5	0.6	-1.2	1.9	**4.5**
2018	4.8	-3.7	-1.0	-1.0	0.8	-0.2	0.9	0.3	0.0	-2.3	1.8	-0.4	**-0.2**
2019	1.1	-0.6	2.8	1.3	-1.8	5.6	0.7	0.6	-0.6	2.1	2.8	3.3	**18.5**
2020	-0.3	-5.9	-8.5	6.9	2.4	1.8	7.4	3.1	-2.2	-1.0	5.2	5.2	**13.6**
2021	-0.3	0.8	-0.1	2.3	2.5	-0.2	2.2	0.5	-5.1	5.2	-1.7	3.2	**9.3**
2022	-5.9	-1.1	2.6	-3.5	-1.4	-4.1	4.3	-3.8	-4.9	1.3	3.7	-1.5	**-14.0**
2023	2.5	-4.0	2.9	1.1	-1.3	2.0	2.5	-1.2	-2.5	-0.6	6.3	4.7	**12.6**
2024	0.0	1.2	3.2	-1.9	3.6	0.4	0.8	2.0	1.3	-3.7	0.9	-2.3	**5.4**
2025	3.7	-0.1	-1.1	2.2	2.6	2.0							**9.6**

Total return since inception 61.9%

Top Ten Equity Holdings

Name	% Fund
Meta Platforms	2.9%
Amazon	2.8%
Microsoft Corp	2.7%
Nvidia Corp	2.6%
Synopsys Inc	2.6%
ASML Holdings	2.1%
Intuit Corp	2.0%
Alphabet Inc	2.0%
IDEXX Laboratories Inc	1.8%
Visa	1.5%
Total for Top Ten	**23.0%**

Currency Allocation

USD	93.6%
JPY	4.3%
NOK	2.4%
SEK	2.2%
EUR	0.0%
GBP	-2.4%
Total	**100.0%**

Asset Allocation

	Long	Short	Net	
Core Equity	38.7%		38.7%	↓
Technology Equities	5.9%		5.9%	↑
Indian Equities	2.1%		2.1%	⇔
US Equities	1.0%		1.0%	↓
Energy Equities	0.7%		0.7%	↑
Defensive Equities	7.5%		7.5%	↓
Anti-Beta Stock	0.9%	-0.9%	0.0%	⇔
Small Cap		-5.0%	-5.0%	⇔
Equities	**56.8%**	**-5.9%**	**50.9%**	↓
Inflation Linked Bonds	18.8%		18.8%	↓
US Govt 10 yr. Bond	2.9%		2.9%	↓
Bund Future	2.4%		2.4%	⇔
Long Gilt	2.4%		2.4%	⇔
High Yield		-4.7%	-4.7%	↑
Bonds	**26.4%**	**-4.7%**	**21.7%**	↓
Silver Bullion Derivatives	3.4%		3.4%	↑
Gold Bullion Derivatives	2.1%		2.1%	↓
Gold Royalty	2.8%		2.8%	↓
Commodities	**8.3%**		**8.3%**	⇔
Volatility and CTA	14.1%		14.1%	↑
Total All Assets	**105.5%**	**-10.6%**	**94.9%**	↓

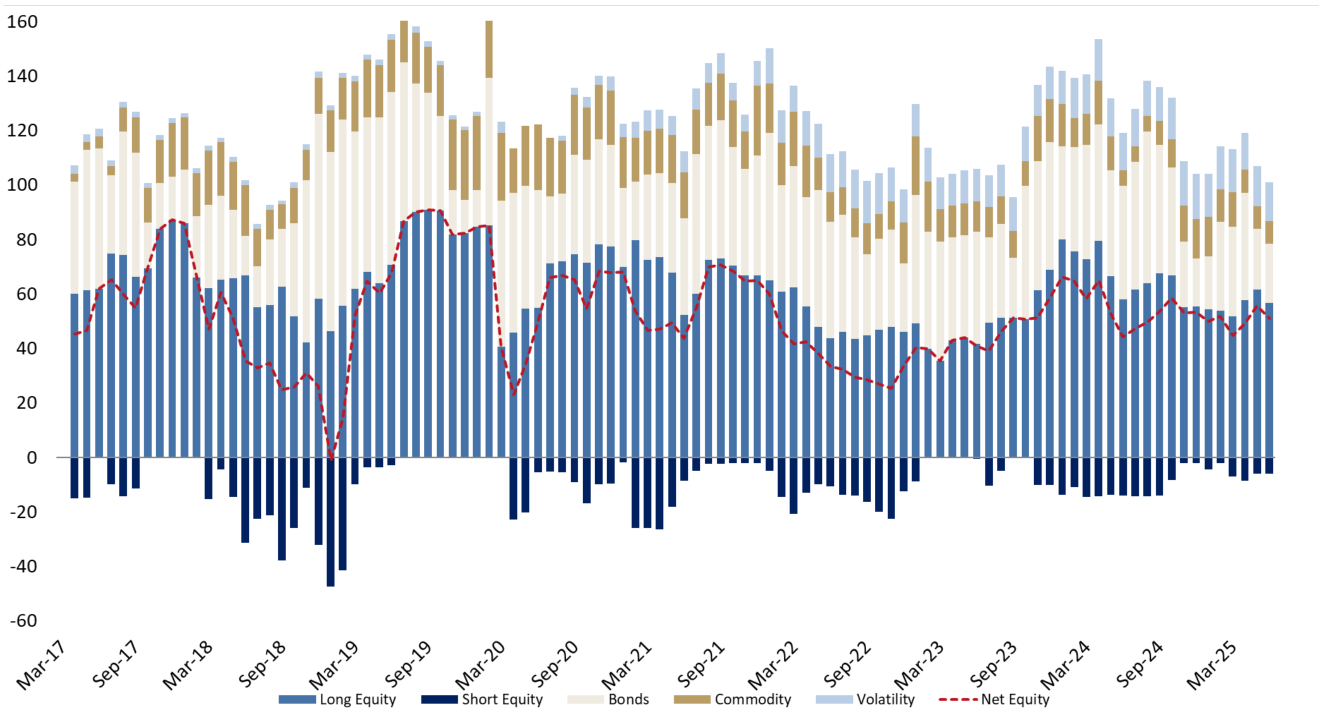
Performance shows the 0 Class until the fee structure was changed in May 2024 when the 1 class has been adopted.

GB Class Performance: The Somerston Multi Asset Fund (GB1 class) rose by +2.0% in the month and rose by +6.7% over the last three months.

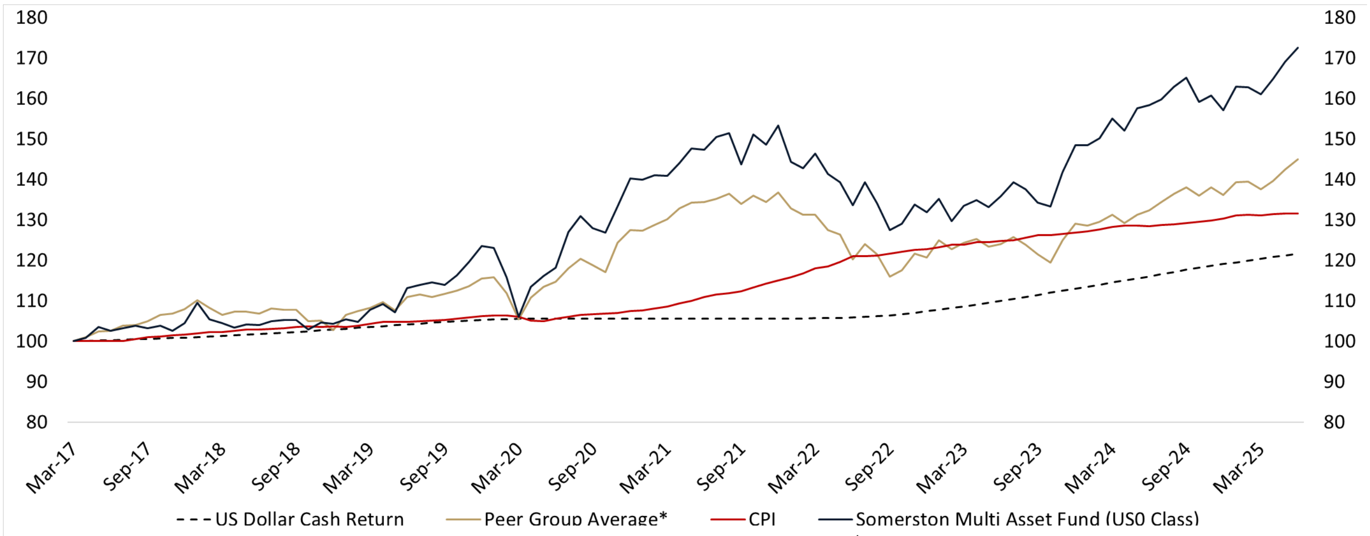
Performance (%) GB Class													
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Year**
2017				0.8	2.6	-1.0	0.5	0.5	-0.7	0.5	-1.3	1.6	**3.5**
2018	4.4	-3.8	-1.1	-1.2	0.6	-0.3	0.8	0.1	-0.1	-2.4	1.6	-0.6	**-2.2**
2019	1.0	-0.8	2.7	1.1	-2.0	5.4	0.5	0.3	-0.7	1.7	2.7	3.2	**16.1**
2020	-0.4	-6.2	-8.5	6.9	2.5	1.8	7.2	3.1	-2.3	-1.0	5.1	5.1	**12.4**
2021	-0.3	0.8	-0.2	2.3	2.4	-0.2	2.2	0.5	-5.2	5.1	-1.7	3.1	**8.8**
2022	-5.9	-1.0	2.6	-3.6	-1.5	-4.3	4.2	-4.1	-5.2	1.3	3.4	-1.6	**-15.2**
2023	2.4	-4.2	2.7	1.0	-1.4	1.9	2.4	-1.2	-2.6	-0.7	6.2	4.6	**11.2**
2024	0.0	1.2	3.2	-2.0	3.6	0.5	0.8	1.8	1.2	-3.8	0.9	-2.4	**4.8**
2025	3.8	-0.1	-1.1	2.0	2.6	2.0							**9.5**

Total return since inception 55.6%

Evolution of Asset Allocation for Somerston Multi Asset Fund



Performance since inception



* combines the top ten largest funds within our peer group with an aggregate AUM of over $100bn

Performance

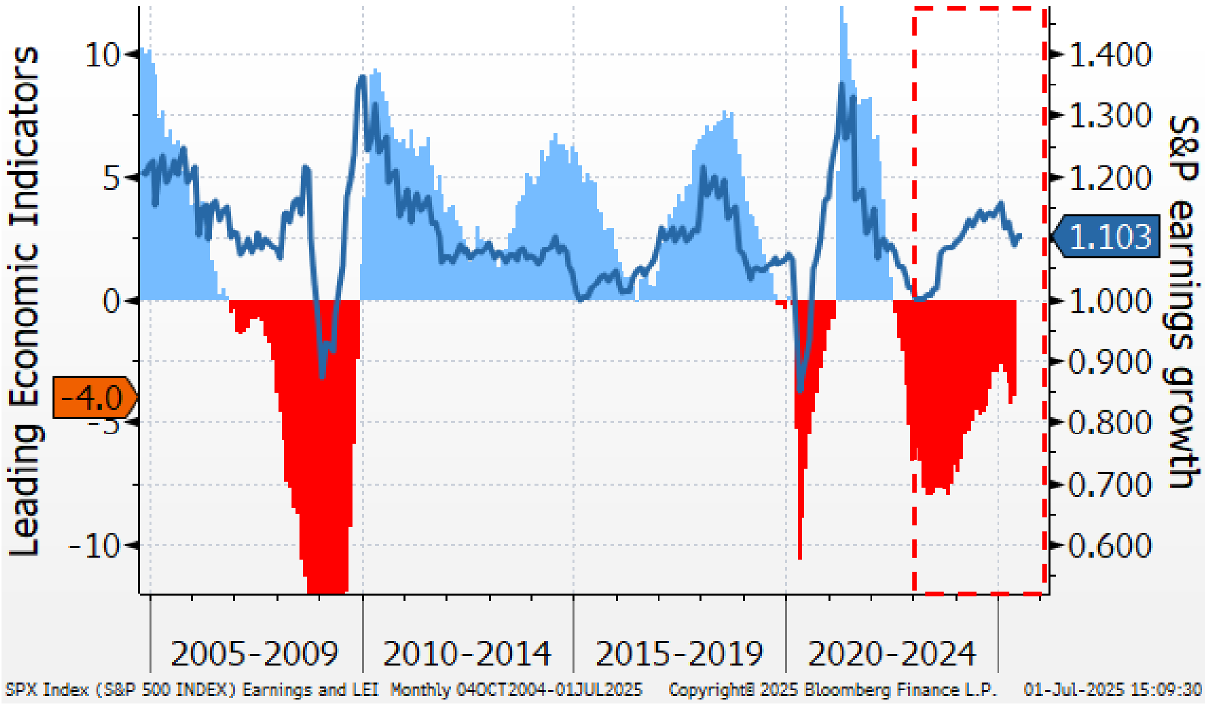
The fund delivered a return of +7.0% for the second quarter of 2025 and +9.6% year to date. Key attributors and detractors to performance relative to our reference point were as follows:

1. Underweight equity allocation -2.1%
2. Equity Selection +2.0%
3. Commodities and precious metals +1.5%
4. Long volatility -0.7%

Commentary

By most traditional measures, the US economy has still not emerged from the 2022 ‘recession’. For instance, Chart 1 shows the Conference Board’s measure of the Leading Economic Indicators (bars) which has been persistently negative since 2022, consistent with economic contraction. We compare this series against earnings growth for the S&P 500 (blue line rhs.). Unlike the Leading Economic Indicators, earnings rebounded strongly, hitting a peak of +17% growth year-over-year a few months ago. There has been a complete breakdown between the economy and S&P 500 earnings growth, and since earnings drive the stock market, the broad economy has had no bearing on the stock market since 2022.

Chart 1 – Comparing the Leading Economic Index (bars) with the S&P Earnings growth (line) -The breakdown in the relationship between the two series is highlighted within the red dashed line.

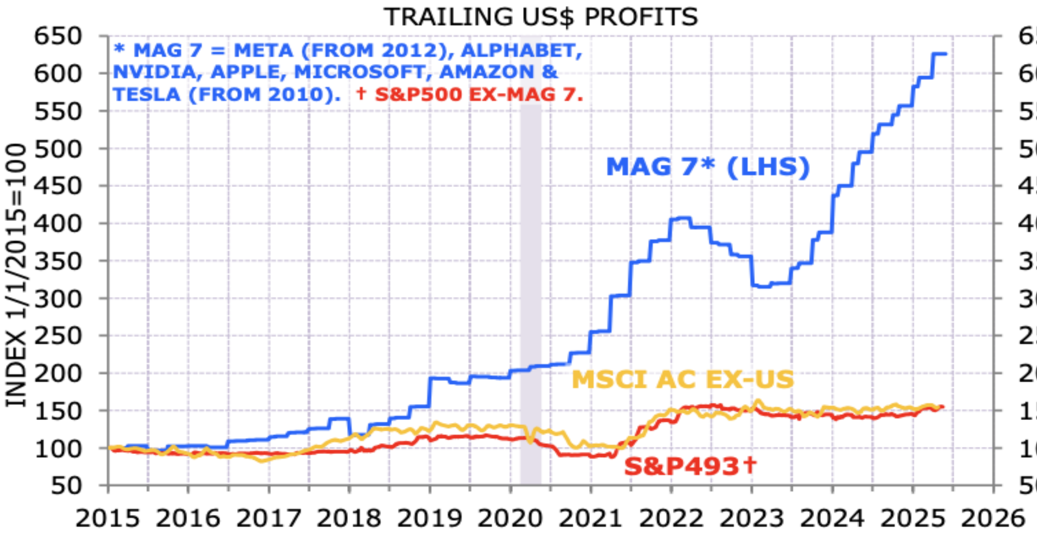


The reason for the divergence between the general economy and the stock market is amply demonstrated in the next chart which shows the Magnificent 7 ("MAG 7") profits over the last ten years compared to the 493 other companies that comprise the S&P 500. Indeed, earnings growth from the S&P 493 is remarkably like the MSCI World Index *excluding* the US. The difference between the MAG7 and the rest of the global equity market is without historical precedent.

The disparate fortunes between these MAG 7 stocks and the rest of the economy similarly extend to those who work for the MAG 7 and those that do not. The MAG7 have generated an enormous amount of personal wealth for its employees on the back of generous stock-based compensation schemes. The top 10% of U.S. earners, typically households earning around $250,000 or more annually, account for approximately 50% of all consumer spending. It is therefore not entirely surprising that along with a booming Technology sector, personal consumption has been firm.

Exhibit 6

Mag 7 drive US EPS exceptionalism



Source: Bloomberg, IBES/DataStream, MSCI, NBER; Minack Advisors

As long as the MAG7 continue to perform well (as we expect), then personal consumption is likely to remain firm, and the Large Cap Technology stocks will continue to do well. In this regard, we note the communication from these companies which echo our views:

- ✓ **Meta Platforms**, Inc. (Q1 2025 Earnings Call, April 30, 2025) Susan Li, CFO: "We anticipate our full year 2025 capital expenditures, including principal payments on finance leases, will be in the range of $64,000,000,000 to $72,000,000,000, increased from our prior outlook of $60,000,000,000 to $65,000,000,000. This updated outlook reflects additional data centre investments to support our artificial intelligence efforts as well as an increase in the expected cost of infrastructure hardware."
- ✓ **Microsoft Corporation** (Q3 2025 Earnings Call, April 30, 2025) Amy Hood, CFO: "We expect Q4 capital expenditures to increase on a sequential basis. H2 capex in total remains unchanged from our January H2 guidance. As a reminder, there can be quarterly spend variability from cloud infrastructure buildouts and the timing of delivery of finance leases. Amy Hood, CFO: "We remain committed to investing against the strong demand signals we see for our services."
- ✓ **Amazon.com**, Inc. (Q1 2025 Earnings Call, May 1, 2025) Andy Jassy, CEO: "We spent $26.3 billion in capex in Q4, and I think that is reasonably representative of what you expect an annualized capex rate in 2025. The vast majority of that capex spend is on AI for AWS."

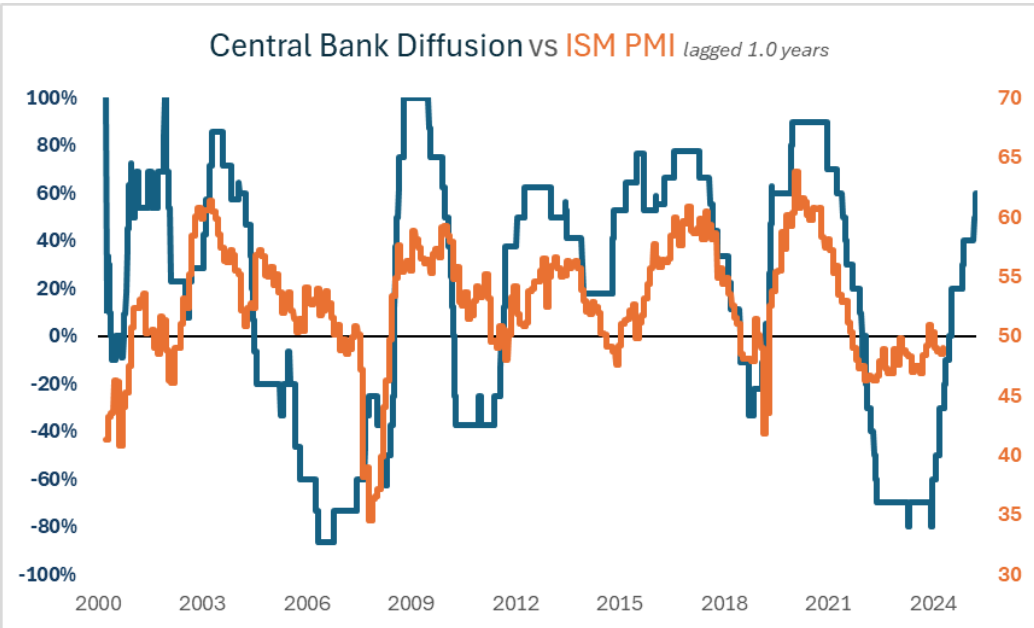
Similarly, despite the headline news surrounding Tariff disruption, the payment processors have reported equally buoyant market dynamics:

- ✓ **Visa -** Chris Suh, CFO: "In the U.S., payments volume data primarily has remained in line with what we're seeing in April, what we saw in the month of April, which means for the quarter, it's actually tracking a little bit better than previous Q, again reflecting the resilience in consumer."
- ✓ @Retail_Guru on May 29, 2025, noted: "**Visa, Mastercard** with identical takes on US consumer. Spending solid thru May despite dire sentiment & macro rhetoric. Both cite solid labor market & $V says international markets resilient too."

The critical question is not whether the technology sector will continue is stellar performance but whether the broader economy will finally emerge from its extended period of contraction.

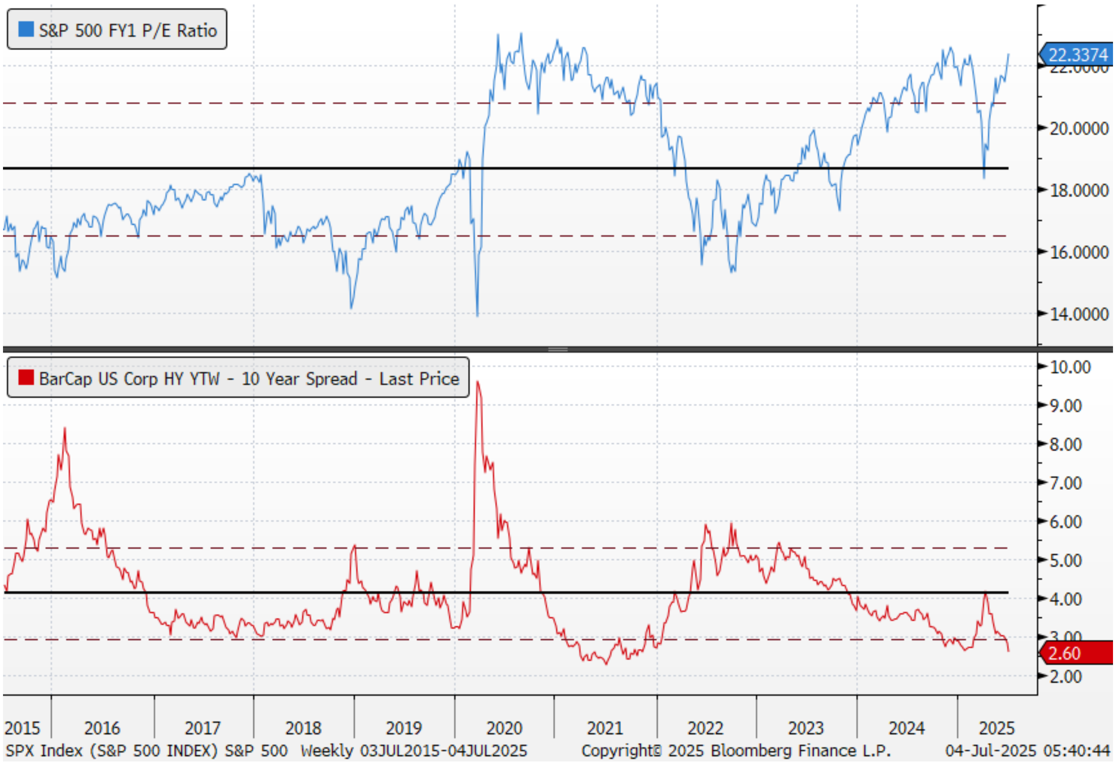
While the passage of President Trump's Big Beautiful Bill has been turbulent, the intent is clear. It is predominantly designed to benefit the majority of the working-class population. Furthermore, while the Federal Reserve may be employing a cautious stance on interest rate policy, preferring to wait for the potential inflationary impact of the tariffs, most of the global Central Banks are actively cutting interest rates. The blue line in Chart 2 is a graphic representation of the percentage of Central Banks that are cutting interest rates. The orange line is the US ISM Manufacturing Index. The persistent monthly print below 50 indicates a US Manufacturing environment in contraction, however, manufacturing typically lags interest policy by approximately a year. If tariff concerns ease and once the initial inflation impact of these policies is known, we consider there is a high chance that the broader economy can begin to participate in the rally, assisted by a more accommodative Federal Reserve.

Chart 2 – The percentage of Central Banks Cutting Interest Rates (blue) compared to the US Manufacturing sector.



Our optimism is not entirely reflected in the Fund's investment strategy, constrained by the fact that asset prices have once again screamed to eye watering valuations. At such elevated levels, there is little room for disappointment in an environment where policy uncertainty is high. Moreover, with a long-term view, we are convinced that the ever-growing government debts are a Ponzi scheme that will have their day of reconning. In recent days, the UK government has once again discovered that their dire fiscal position has removed any policy latitude. Until the root cause of their fiscal situation is addressed, by means of stealth devaluation, a policy utterly unpopular for most, the UK government will be 'boxed in'. While this is an immediate issue for the UK, most developed economies have the same fiscal context and will face the same constraints as the UK government is facing today.

Chart 3 – Top clip shows the elevated level of the S&P 500 Forward Price to Earnings Ratio and Bottom Clip shows how tight credit spreads are.



Please refer to the Core Equity letter and Technology Fund letter for commentary on our equity holdings

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