SOMERSTON ASSET MANAGEMENT

SOMERSTON CORE EQUITY FUND

INVESTMENT LETTER AS AT 31 DECEMBER 2025

Portfolio Objectives: To grow capital over the medium term by investing in a concentrated portfolio of high quality companies and to outperform global equities 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 15 to 25 high quality companies. We invest in companies that demonstrate strong governance, high profitability, low capital intensity, strong economic moats, and low business risk. We invest globally, without sector/geographic restrictions.

Performance: The Core Equity Fund (US1 class) fell by -0.3% in the month and rose by +0.6% over the last three months. The reference index rose by +0.6% during the month and rose by +4.1% over the last three months.

Performance US1 (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017				1.2	5.4	-0.2	0.4	-0.1	1.9	1.8	-1.8	2.1	**10.9**
2018	6.2	-4.6	-1.9	0.4	1.2	1.2	4.3	1.3	0.4	-8.5	2.7	-9.0	**-7.2**
2019	6.2	4.2	3.3	3.8	-4.0	5.7	0.6	0.8	-1.6	1.3	5.1	2.5	**31.1**
2020	0.9	-7.3	-14.3	12.5	5.8	2.6	4.4	5.5	-3.4	-3.8	9.7	2.9	**13.0**
2021	-0.6	1.7	3.3	5.0	0.2	3.4	3.1	2.2	-5.1	6.3	-1.6	2.9	**22.2**
2022	-8.3	-4.8	4.4	-9.4	-0.2	-8.8	10.4	-4.5	-8.6	6.6	4.7	-4.8	**-23.1**
2023	2.2	-3.8	5.3	1.8	-1.6	4.7	3.7	-1.1	-5.5	-2.8	8.9	4.6	**17.0**
2024	2.6	3.3	1.6	-4.2	4.0	2.1	0.3	3.3	0.8	-3.5	2.5	-2.1	**10.8**
2025	4.8	-1.9	-7.2	-0.7	7.4	3.6	0.4	1.4	0.1	2.3	-1.4	-0.3	**8.1**

Total return since March 2017: 100.5%

Geographical Allocation

Region	**% Fund**
North America	73.2%
Europe	18.2%
South America	3.2%
Cash & Equivalents	5.4%

Sector Allocation

Sector	**% Fund**
Information Technology	24.6%
Consumer Discretionary	19.5%
Health Care	16.6%
Communication Services	10.8%
Consumer Staples	10.3%
Financials	8.1%
Industrials	4.7%
Cash & Equivalents	5.4%

Top Ten Holdings

Name	**% Fund**
Amazon.Com Inc	6.3%
Alphabet Inc	6.3%
Microsoft Corp	6.1%
Intuit Inc	5.2%
Mastercard Inc	4.9%
Nvidia Corp	4.9%
Meta Platforms Inc	4.6%
Booking Holdings Inc	4.5%
Unilever Plc	4.0%
Stryker Corp	3.8%
Total for Top Ten	**50.5%**

This factsheet shows the performance of Somerston's "Core Equity Strategy" from 31 March 2017 to 30 September 2023 then the Somerston Core Equity Fund from its launch on 02 October 2023.

GB1 Class Performance: The Core Equity Fund (GB1 class fell by -0.3% in the month and rose by +0.5% over the last three months.

Performance GB1 (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017				1.2	5.4	-0.2	0.4	-0.1	1.9	1.8	-1.8	2.1	**10.9**
2018	6.2	-4.6	-1.9	0.4	1.2	1.2	4.3	1.3	0.4	-8.5	2.7	-9.0	**-7.2**
2019	6.2	4.2	3.3	3.8	-4.0	5.7	0.6	0.8	-1.6	1.3	5.1	2.5	**31.1**
2020	0.9	-7.3	-14.3	12.5	5.8	2.6	4.4	5.5	-3.4	-3.8	9.7	2.9	**13.0**
2021	-0.6	1.7	3.3	5.0	0.2	3.4	3.1	2.2	-5.1	6.3	-1.6	2.9	**22.2**
2022	-8.3	-4.8	4.4	-9.4	-0.2	-8.8	10.4	-4.5	-8.6	6.6	4.7	-4.8	**-23.1**
2023	2.2	-3.8	5.3	1.8	-1.6	4.7	3.7	-1.1	-5.5	-2.8	8.9	4.6	**17.0**
2024	2.6	3.3	7.4	-4.2	3.9	2.0	0.3	3.0	0.7	-3.6	2.5	-2.2	**9.9**
2025	4.8	-1.9	-7.0	-0.8	7.5	3.5	0.4	1.4	0.1	2.3	-1.5	-0.3	**8.0**

Total return since March 2017: 98.8%

** The GB class launched May 2024, prior performance is based on the US1 Class.*

Commentary

The Somerston Core Equity Fund (US1 class) rose by +0.6% over the fourth quarter of 2025 and +8.1% for the year.

As we reflect on 2025, a year marked by considerable volatility in global equity markets, we remain steadfast in our commitment to the core thesis that has guided the Somerston Core Equity Fund since inception: investing in quality compounders. These are businesses characterised by enduring competitive advantages, resilient earnings growth, and the ability to reinvest capital at high returns over extended periods. Yet, as our CIO noted in our year end letter, "*the 'steady eddies' of public markets often lose appeal to investors when there are more exciting things to invest* in*. The market's focus on AI companies has contributed to our Quality universe cheapening by around 15% this year alone*". This letter aims to reiterate why we remain steadfast in our commitment to owning these companies, despite recent market behaviour, and why we believe the current set-up for long-term returns is as attractive as any we have encountered in the past decade.

Our investment philosophy is centred around owning businesses that exhibit durable competitive advantages, with robust economic moats—such as network effects, brand strength, or proprietary technology. Businesses with consistent reinvestment opportunities, capital discipline, and a strong alignment between management and shareholders. These are rare attributes, but when found together, they create the foundation for long-term compound growth in intrinsic value.

Crucially, these are not businesses reliant on favourable macroeconomic conditions or one-off tailwinds. They are companies that continue to gain market share, innovate at scale, and grow cash flows through cycles. They may not always command headlines, but over time, they tend to command premium returns.

In our view, the market often underappreciates the power of compounding. Investors frequently chase the newest thematic, as we have seen this year with AI-exposed companies, or overreact to near-term macro data. Meanwhile, a company growing its intrinsic value, with high incremental margins, and with prudent capital allocation—can double in value over four to five years. Our task is to identify these companies early and remain disciplined in our ownership.

This year we have witnessed a dislocation between many of these company's fundamental drivers and their price. As of writing, many are trading at valuations below their 5-year averages—despite delivering earnings, margins, and balance sheet strength that would have commanded much higher multiples historically. Of the 26 companies in our portfolio, only 6 are trading at higher forward price-to-earnings multiples than at the start of 2025; the remaining 20 have seen their valuations contract.

We do not believe this to be a reflection of business deterioration. On the contrary, many of our holdings have reported record levels of free cash flow, continued user growth, and expanding addressable markets. Instead, the compression appears to stem from broader market dynamics: a rotation towards cyclical assets, macroeconomic uncertainty including around the robustness of the consumer and shifting expectations around AI adoption, monetary policy and geopolitics.

While these forces can influence sentiment in the short term, we view them as ultimately transient. Indeed, it is in such periods of dislocation – between price and value – that our long-term horizon becomes a key advantage. While painful in the short term, this compression has created compelling entry points for high-conviction ideas. Today, we are able to buy and hold exceptional businesses at valuations that imply only modest future success, despite their demonstrated ability to grow and execute in a variety of operating environments.

Portfolio Leaders

Alphabet for the consecutive quarter Alphabet was the top contributor to performance gaining +28.8% on the back of robust advertising revenue and increasing recognition of its AI strategy. A key highlight was the release of Gemini 3, which introduced advanced reasoning and "agentic" capabilities that demonstrated leading performance in multimodal tasks relative to peers such as ChatGPT. Strategically, Alphabet's long-standing investment in Tensor Processing Unit (TPU) chips reached a new phase. Previously used primarily for highly specific internal workloads, TPUs are now a commercially viable product to be sold to third parties. During the quarter, Alphabet secured high-profile contracts to supply TPU's to Meta, Anthropic and Fluidstack, directly challenging Nvidia's dominance in the inference market and validating Alphabet's investment in its proprietary hardware. We believe this quarter marked a turning point in investor perceptions. There is growing appreciation of Alphabet's end-to-end integration, which now spans custom silicon, large language models, cloud infrastructure, and AI-ready devices. This level of vertical integration represents a competitive advantage, with Alphabet benefitting from greater in-house control, while peers, such as OpenAI, remain more dependent on third-party providers.

The pioneer of robotic-assisted surgery, **Intuitive Surgical** ended +26.6% over the quarter. Its business model can be summarised as: (1) selling Da Vinci and Ion systems for use in robotic surgery, (2) increasing the number of procedures these systems undertake, (3) monetising each procedure through high-margin, recurring instrument sales. This quarter we saw strength across all strands of the business model. (1) Placements of the Da Vinci 5 system was very encouraging and beat elevated expectations. (2) More systems in the installed base helped procedure volume growth accelerate from +17% year-over-year to +19% sequentially. This suggests the Da Vinci 5 is supporting higher levels of utilisation and means that the ongoing penetration of Da Vinci 5 systems in the installed base should continue to support procedure growth over the long term. (3) Instrument revenue growth was strong, up 20% year-over-year. A recent concern from the market has been the emergence of recycled tools suppliers, which threaten to undercut the high-margin instruments revenue. However, from these results, it does not appear that the instrument revenue is facing a headwind, yet we continue to closely watch for signs of this.

Waters was a solid performer in the fourth quarter, advancing +26.7%, buoyed by resilient demand for its analytical instruments in pharmaceutical and emerging markets. Demand strength in high-growth areas, including a doubling in GLP-1 testing volumes and continued expansion in India's generic drug manufacturing sector, provided meaningful idiosyncratic tailwinds alongside a robust instrument replacement cycle. Management's optimism for continued growth from the factors which have helped the 2025 performance reinforces our view that Waters' decentralised structure and emphasis on non-discretionary end markets provide stability amid macroeconomic uncertainties. Furthermore, the company's $17.5 billion acquisition of Becton Dickinson's Biosciences unit is on track to close in early 2026, which is expected to double Waters' total addressable market to $40 billion.

Portfolio Laggards

Life science software company, **Veeva Systems** underperformed in the fourth quarter, falling -25.1%. Although the company reported a 16% revenue increase year-over-year during the quarter, investors were spooked by lowered adoption expectations among top-tier clients. Veeva now expects 14 of the top 20 pharmaceutical companies to migrate to their CRM platform, Vault, down from previous estimates. This erosion of its perceived moat, combined with a guidance slowdown to 10.8% growth, led to a sharp pullback, despite the successful release of new AI Agents for its platform. The CRM market is well established, with Salesforce a clear leader. We consider the ability of Veeva to 'win' many of these large biopharma customers to be incredible and suspect that those remaining with Salesforce will be in scope to be new signings for Veeva in the future.

Ferrari declined -23.8%, largely reflecting a valuation reset after an underwhelming Capital Markets Day (CMD) rather than weak operating performance. The subsequent quarterly update was solid, with organic growth ahead of expectations and strong pricing/mix driving a bottom-line beat; personalisation remains a key lever, contributing roughly 20% of car revenue. Management upgraded 2025 guidance, but investors were disappointed that 2030 targets landed below market expectations and that electric vehicle ambitions appeared more cautious, prompting a sharp sell-off. We view management's scarcity-driven approach—prioritising exclusivity and brand stewardship over maximising volumes—as strategically sound and akin to the playbook that has sustained other luxury leaders. With a strong history of beating CMD targets, continued scope for margin expansion, and a clearly stated commitment to dividends and buybacks, we remain comfortable with the long-term compounding profile despite near-term sentiment headwinds.

Latin America's e-commerce provider, **MercadoLibre** fell -13.8% amid heightened competitive concerns, particularly as Amazon stepped up efforts in the region during the quarter. Underneath the share price volatility, fundamentals remained strong: the company delivered another robust set of results with net revenues up 39% year-on-year, marking its 26th consecutive quarter above 30% growth, driven by continued fintech expansion and ongoing logistics investment. Operating metrics reinforced the health of the ecosystem, with unique buyers up 26%, items sold up 39% and same- and next-day shipments up 28%. While increased investment and a credit ramp can pressure near-term margins and sentiment, we remain anchored to the core thesis: MercadoLibre's e-commerce and fintech flywheel is deepening engagement across shopping, payments, borrowing and investing, and the long runway for digital commerce and financial inclusion in Latin America supports attractive medium-term value creation.

Activity

We re-established a position in S&P Global in the quarter. In Q3 we sold the position taking profits following a significant rerating. Then a sell off occurred across the financial data and analytics companies, triggered when competitor FactSet issued 2026 revenue guidance which was softer than analysts expected. We thought the price reaction to S&P Global was overdone and took the opportunity to re-establish the position, this decision was affirmed following S&P Global's results in October which beat consensus estimates for earnings and revenue.

We exited our positions in Copart and Novo Nordisk, favouring better prospective returns from alternative positions in our portfolio.

Outlook

Looking ahead, it may be surprising to most but the setup for prospective returns appears particularly attractive. With valuations reset lower and many quality compounders trading at discounts to their historical averages, we view the potential for medium-term upside to be significant. As investors refocus on fundamentals, we expect these businesses to deliver the compounding growth that has historically rewarded patient investors. Our concentrated portfolio, focussed on 26 high-quality companies, is strategically positioned to benefit from this dynamic.

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