SOMERSTON ASSET MANAGEMENT

SOMERSTON RAINY DAY FUND

INVESTMENT LETTER AS AT 31 DECEMBER 2025

Portfolio Objectives: The fund seeks to provide readily realisable, positive returns, during most forms of financial market adversity, while maintaining good value in benign environments.

Strategy: We use a fundamental Multi Asset Strategy to identify attractive investment opportunities that are likely to benefit from adversity. We have a 5-year investment horizon.

Performance: The Somerston Rainy Day Fund (US Class) rose by +0.6% in the month and rose by +3.4% over the last three months.

Performance (%) (US1 Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024						-1.1	2.2	0.5	1.6	0.8	-1.0	-1.2	**1.7**
2025	2.7	0.6	3.9	2.7	0.2	0.2	-0.2	2.6	5.2	0.8	2.0	0.6	**23.2**

Total return since inception 25.3%

Top Ten Holdings

Name		% Fund
Kilo Gold Bars (32.15 oz)	Bullion	27.9%
US I/L 0 1/8 15 Apr 2027	Inflation Linked Bond	6.5%
Bitcoin	Bitcoin	5.2%
US I/L 2 1/8 15 Jan 2035	Inflation Linked Bond	5.0%
UKTI 0 ¾ 22 Nov 2033	Inflation Linked Bond	4.4%
S I/L 0 1/8 06 Jan 2030	Inflation Linked Bond	4.0%
One River Dynamic Convexity	Long Volatility	3.2%
US I/L 0 1/8 15 Apr 2029	Inflation Linked Bond	3.2%
Ambrus Volatility Fund SP	Long Volatility	2.6%
ECX EMISSION	Carbon	2.6%
Total for Top Ten		**64.6%**

Currency Allocation

USD	109.8%
EUR	-4.8%
GBP	-5.0%
Total	**100.0%**

Allocation

Name	% Long	% Short	Net %
Gold Bullion	32.1%		32.1%
Silver Bullion	2.7%		2.7%
Silver Miners Equities	1.1%		1.1%
Gold and Precious Metals	**35.8%**		**35.8%**
Inflation linked Bonds	23.1%		23.1%
Volatility and CTA	15.5%		15.5%
Equity Long Short	9.6%	-10.0%	-0.4%
US Govt T-Bills	6.9%		6.9%
Blockchain	5.3%		5.3%
Carbon	2.6%		2.6%
Cash and Cash Equivalents	12.8%		12.8%
Total All Assets	**111.6%**	**-10.0%**	**101.6%**

Performance calculations for the month are based on estimates and will be subject to change.

Performance: The Somerston Rainy Day Fund (GB1 Class) rose by +0.5% in the month and rose by +3.3% over the last three months*

Performance (%) (GB1 Class)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024						-1.1	2.2	0.5	1.6	0.8	-1.0	-1.2	**1.7**
2025	2.7	0.6	3.9	2.7	0.2	0.2	-0.2	2.6	5.2	0.8	2.0	0.5	**23.2**

Total return since inception 25.3%

** The GB1 Class launched November 2025, prior performace is based on the US1 Class*

Commentary

The Federal Reserve's 1998 market intervention to 'save' financial markets in response to the failure of the hedge fund LTCM was a crucial moment. It emboldened policy makers and marked the start of an era of 'market responsive' policy making. Every time the market 'wobbles', a set of policies are introduced that alleviate these immediate market concerns.

Accordingly, we have seen very few market corrections in the past twenty years and those we have endured have been incredibly short-lived. In the past, market forces served as the main check on cyclical excesses and would take time to feed through to correct them; today, this role has largely been assumed by policymakers and is almost immediately discounted by financial markets.

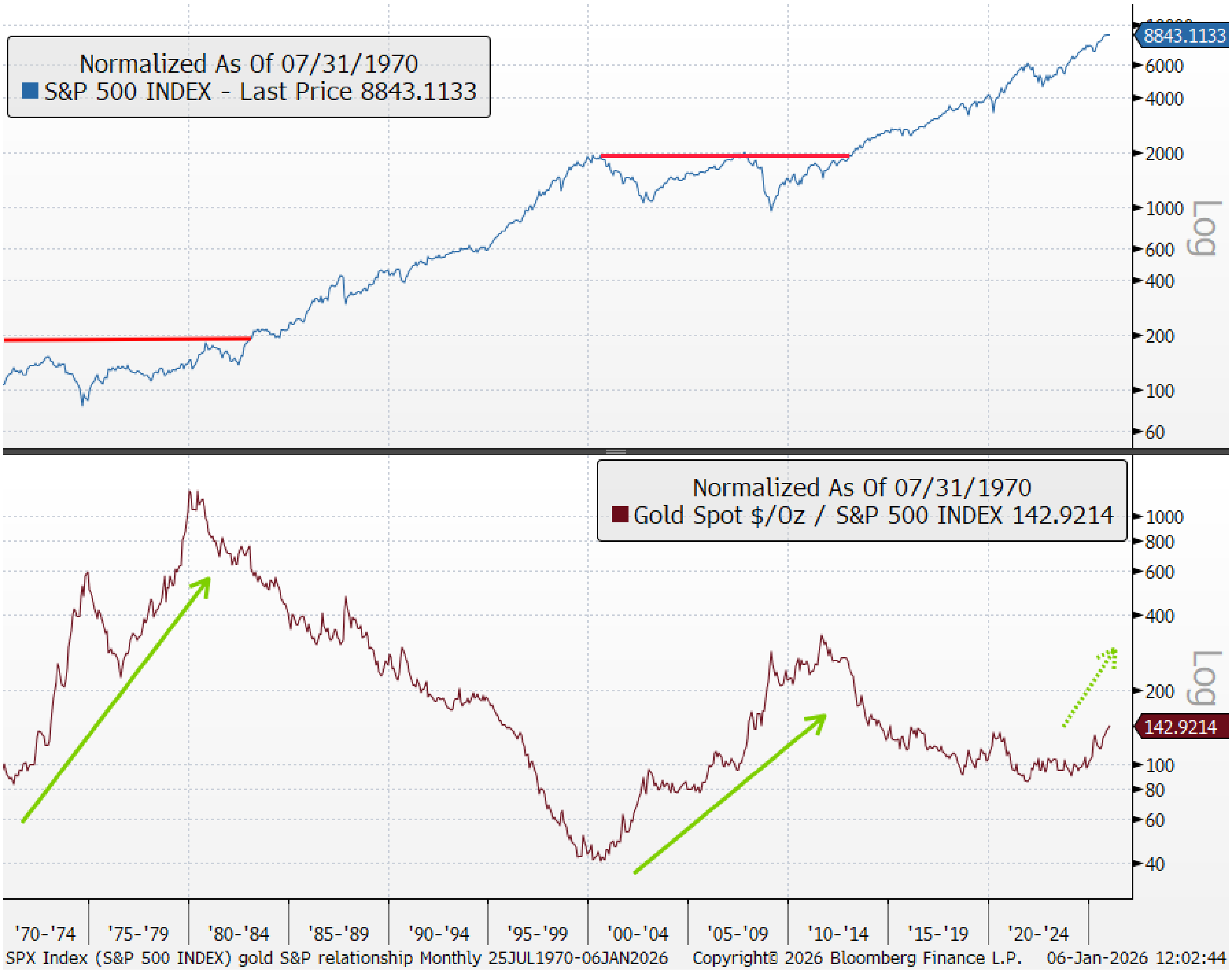
The implementation of these policies over recent decades has contributed to large government debts and yearly deficits even in non-recessionary times.

Even with the stock market near all-time highs, to all intents and purposes, on the 10th of December the Federal Reserve announced that they are restarting another era of Quantitative Easing ('QE 5'). Specifically, to 'maintain ample reserves in the financial system', the Fed announced that they would be buying Treasuries and Bills with a maturity of less than three years. Coincidently, that is the same tenor of securities that the US Treasury is issuing. It is reasonable to view this as direct monetisation of government debt.

Accordingly, while gold has had a good run, it remains a useful hedge against what appears a gradual debasement of our fiat currencies. Moreover, we are monitoring the chart below which goes back to 1970 and shows the stock market in the top clip and the relative performance of gold vs the stock market in the bottom clip. Since the 1970's there have been two multiyear secular bear markets in the S&P 500 where stock prices remained below the highs for more than a decade each time. While there is only a sample size of two, we note that gold considerably outperforms equities during these periods. The chart prompts consideration as to whether gold's recent outperformance of the S&P 500 may signal a more challenging period ahead for equities. Our baseline assumption is that both scarce assets and assets with growth potential will provide effective benefits and sufficient protection against currency debasement.

During these transition periods, we should expect several periods of heightened volatility. While our long volatility sleeve and equity long short sleeve has been relatively dormant, we expect they will flourish once these periods occur.

Gold Outperforms during secular equity bear markets



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