

SOMERSTON RAINY DAY FUND

INVESTMENT LETTER AS AT 31 MARCH 2026

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) fell by -4.0% in the month and rose by +3.2% over the last three months.

Rolling Performance

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US1	-4.0%	3.2%	3.2%	18.4%		
GB1	-4.0%	3.1%	3.1%	18.4%		

* The GB1 Class launched November 2025, prior performance is based on the US1 Class which launched May 2024

Top Ten Holdings

Name		% Fund
Kilo Gold Bars (32.15 oz)	Bullion	29.3%
US I/L 0 1/8 15 Apr 2027	Inflation Linked Bond	6.4%
Bitcoin	Bitcoin	5.2%
US I/L 2 1/8 15 Jan 2035	Inflation Linked Bond	4.8%
UKTI 0 ¾ 22 Nov 2033	Inflation Linked Bond	4.3%
US I/L 1 1/8 15 Oct 2030	Inflation Linked Bond	4.3%
S I/L 0 1/8 06 Jan 2030	Inflation Linked Bond	3.8%
One River Dynamic Convexity	Long Volatility	3.1%
US I/L 0 1/8 15 Apr 2029	Inflation Linked Bond	3.1%
Ambrus Volatility Fund SP	Long Volatility	2.6%
Total for Top Ten		66.9%

Allocation

Name	% Long	% Short	Net %
Gold Bullion	33.6%		33.6%
Silver Bullion	2.8%		2.8%
Gold and Precious Metals	36.4%		36.4%
Inflation linked Bonds	26.7%		26.7%
Volatility and CTA	16.0%		16.0%
US Govt T-Bills	12.7%		12.7%
Blockchain	5.2%		5.2%
Carbon	2.5%		2.5%
Cash and Cash Equivalents	2.3%		2.3%
Equity Long Short	4.7%	-4.0%	0.6%
Total All Assets	106.5%	-4.0%	102.5%

Currency Allocation

USD	109.1%
EUR	-4.5%
GBP	-4.6%
Total	100.0%

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

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
2026	4.7	2.6	-4.0										3.2

Total return since inception 29.2%

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	22.2
2026	4.6	2.7	-4.0										3.1

Total return since inception 29.2%

* The GB1 Class launched November 2025, prior performance is based on the US1 Class which launched May 2024

Commentary

The cadence of missile launches has materially slowed since the first week of the War in Iran, however the effective closure of the Strait of Hormuz is Iran's greatest weapon. The consequences of sustained disruption of ships through the strait have such drastic global economic consequences that financial markets appear to be discounting it as a low possibility. For instance, credit spreads have risen only modestly; volatility has nudged higher but is far from levels we would expect and the general lack of a bid for defensive assets illustrates the overall apathy of a more adverse outcome. This is not the same attitude taken by the logistic container lines and Gulf Oil producers that are increasingly making alternative plans. Maersk are rerouting around Africa – a 20-day diversion; CMA are going through the Suez Canal adding weeks to their preferred routes; Saudi Arabia have mobilised their East-West Pipeline rerouting to the Red Sea; Abu Dhabi is using the Fujairah port to bypass Hormuz. These actions are costly and only a partial solution.

Gold

Gold has historically been an excellent performer in times of uncertainty or when equity markets are in the doldrums. The relationship has never been scientific and as investors seek liquidity, like the other financial assets, gold often experiences outflows on the initial move. However, the question we are grappling with is whether the previous instances where gold outperformed in equity adversity will hold again. The arguments are finely balanced. Gold has already performed incredibly well, fuelled by the significant increase in Emerging Market Central Bank buying in the immediate aftermath of the seizure of Russia's US Dollar's reserves; the significant increase in Asian retail demand via exchange traded funds and the typical momentum chasing flows we have seen in developed markets in the last 15 years. Central Banks seem 'turned off' by high prices with demand slowing by 21% in 2025 resulting in a reduction of 200-tons however this was more than offset by demand from ETFs, buying over 800 tons, the strongest since 2020 and resulted in driving up gold prices through late 2025 and highlighting ETF's role as a counterbalance Central Banks.

Rolling 10-year return from the S&P 500 (blue) vs rolling 10-year return from Gold (grey). In the two previous secular equity bear markets, gold delivered substantial returns. Gold has already delivered substantial returns in the absence of a secular equity bear market.



Source: Somerston, Bloomberg, Tailwind

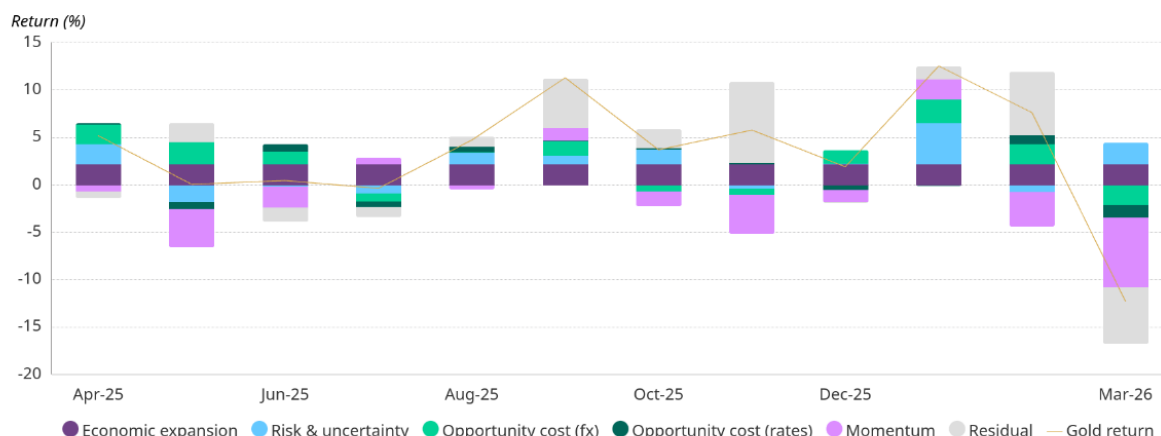
In the last 25 years, access to gold has become far easier and therefore, gold may be subject to more financial speculation than was seen prior to the 2000 bear market. However, this war will once again show up in far higher Government spending and the eventual pressure on fiat currencies seems unassailable. We therefore think gold serves an important proposition in the Rainy Day Fund.

The speculative swings are unfortunately a price we must pay, with a keen focus on long term preservation of purchasing power. March saw gold being a victim to one of these swings, with a fall of 12%, the weakest month since June 2013. According to the World Gold Council's Gold Return Attribution Model (GRAM) this was down to multiple reasons, with the largest being momentum factors including ETF outflows, a COMEX net long unwind and a price trend reversal.

The end of the month did see early signs of stabilisation and returns in the asset class reaching nearly 10% for this first quarter.

In the short term, we are vigilant that risks may remain for gold due to the Iran conflict and general deleveraging across all asset classes.

Chart 1: Momentum factors dominated the drawdown in March with higher US rates and dollar contributing



Sources: Bloomberg, World Gold Council. Disclaimer: <https://www.gold.org/terms-and-conditions#proprietary-rights>. Data to 31 March 2026. Our Gold Return Attribution Model (GRAM) is a multiple regression model of monthly gold price returns, which we group into four key thematic driver categories of gold's performance: economic expansion, risk & uncertainty, opportunity cost, and momentum. These themes capture motives behind gold demand; most importantly, investment demand, which is considered the marginal driver of gold price returns in the short run. The 'residual' represents the percentage change in the gold price that is not explained by factors already included. Results shown here are based on analysis covering a five-year estimation period using monthly data. Alternative estimation periods and data frequencies are available on Goldhub.com: <https://Goldhub.com>.

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Bonds

Given the threat of higher energy prices and disruptions to supply chains, the global expectations for a rise in interest rates has increased. As a result, long dated bonds in both the US and the UK have come under pressure this quarter, as investors reassessed the inflation and rate outlook. SRDF's exposure is focused on short dated and inflation linked bonds, which have proven more resilient to these duration-driven market moves. Consequently, the strategy was less affected by the selloff at the long end of the curve and outperformed within this segment of the market.

Volatility

After gold and bonds, the next biggest allocation in the SRDF is volatility and CTA. The main area of opportunity has been in multi asset volatility, especially FX and commodities. Our holdings in Kohinoor Core and Kohinoor Carry Neutral Funds are both up over 10% month to date. However, credit vol has been non-existent and equity vol has been orderly. Whilst the gains have been helpful in a volatile market, the main purpose of these strategies is to benefit from a far larger negative surprise.

Somerston Investment Team

Nick.Wakefield@somerston.com

Arthur.Castle@somerston.com

Emily.Brown@somerston.com

Investor relations: ir@somerston.com

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