

SOMERSTON MULTI ASSET FUND

INVESTMENT LETTER AS AT 31 MARCH 2026

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 Somerton Multi Asset Fund (US1 class) fell by -4.0% in the month and by -1.9% over the last three months. Our composite reference index fell by -6.3% in the month and fell by -3.9% over the last three months.

Rolling Performance

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US1	-4.0%	-1.9%	-1.9%	6.9%	26.9%	17.6%
GB1	-4.1%	-2.0%	-2.0%	6.4%	24.9%	13.1%

Top Ten Equity Holdings

Alphabet Inc	1.4%
Amazon.com Inc	1.3%
Nvidia Corp	1.2%
Meta Platforms Inc	1.0%
Stryker Corp	1.0%
Apple Inc	1.0%
Mastercard Inc	0.9%
Otis Worldwide Corp	0.8%
PepsiCo Inc	0.8%
Microsoft Corp	0.8%
Total for Top Ten	10.1%

Currency Allocation

USD	100.5%
NOK	2.6%
CHF	1.2%
EUR	0.8%
SEK	1.5%
GBP	-6.6%
Total	100.0%

Asset Allocation

Name	Long	Short	Net	
Quality Equities	24.3%		24.3%	↑
Emerging Market Equities	7.0%		7.0%	↓
Resources	6.8%		6.8%	↓
Value	6.2%		6.2%	↓
Small Caps	5.2%	-3.0%	2.2%	↓
Equity Long Short	4.8%	-4.2%	0.6%	↑
Europe		-3.3%	-3.3%	↑
Equities	54.3%	-10.5%	43.8%	↓
Inflation Linked Bonds	27.0%		27.0%	↑
Bonds	27.0%		27.0%	↑
Gold Bullion Derivatives	8.4%		8.4%	↓
Commodities	8.4%		8.4%	↓
Volatility and CTA	16.3%		16.3%	↑
Bitcoin & Blockchain	2.2%		2.2%	↓
Total All Assets	108.2%	-10.5%	97.7%	↓

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

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	-0.6	1.6	1.3	1.9	-1.3	-1.0	11.6
2026	1.5	0.6	-4.0										-1.9

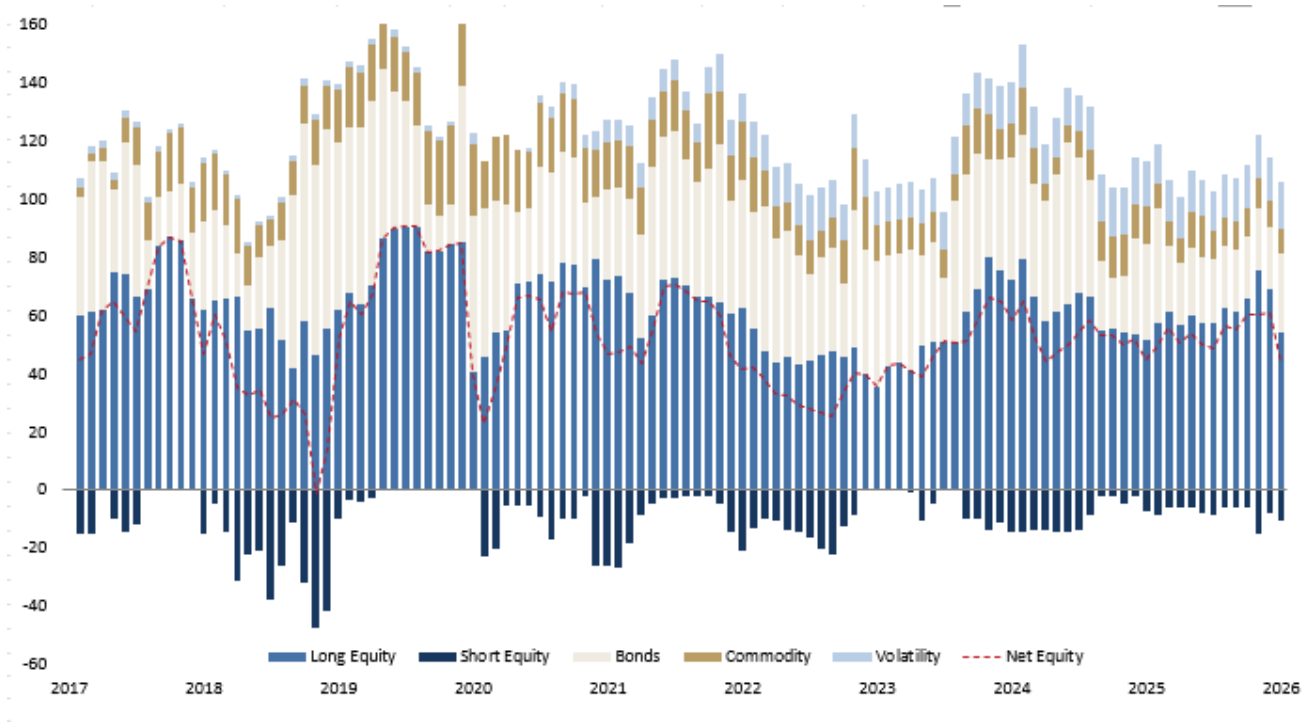
Total return since inception 61.8%

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	-0.7	1.6	1.3	2.0	-1.4	-1.0	11.4
2026	1.5	0.7	-4.1										-2.0

Total return since inception 55.2%

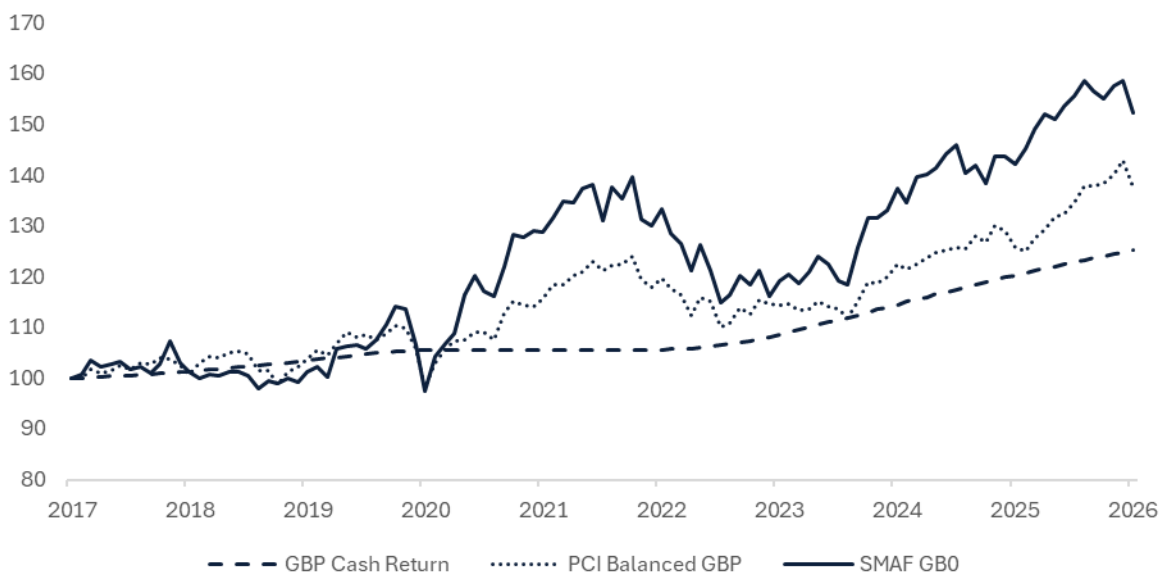
Evolution of Asset Allocation for Somerston Multi Asset Fund



Source: Somerston, Bloomberg, Tailwind

Performance since inception

Somerston Multi Asset Fund vs PCI Balanced (GBP)



Source: Somerston, Suggestus, Bloomberg

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.

While the conflict in Iran has occupied financial headlines, the rapid rollout of AI functionality remains a matter of significant preoccupation. Despite a great deal of differentiation within the software sector, in contrast to the investment consensus, we do not see the fall in the price of software companies as an indiscriminate buying opportunity.

In recent publications, we expressed our view that the equity market was ‘mature’. Accordingly, we had already increased diversification in the multi asset portfolios, and we have been poised to *meaningfully* reduce risk when our models indicated it was timely to do so. As of this writing we have undertaken four reductions in the equity allocation in as many weeks.

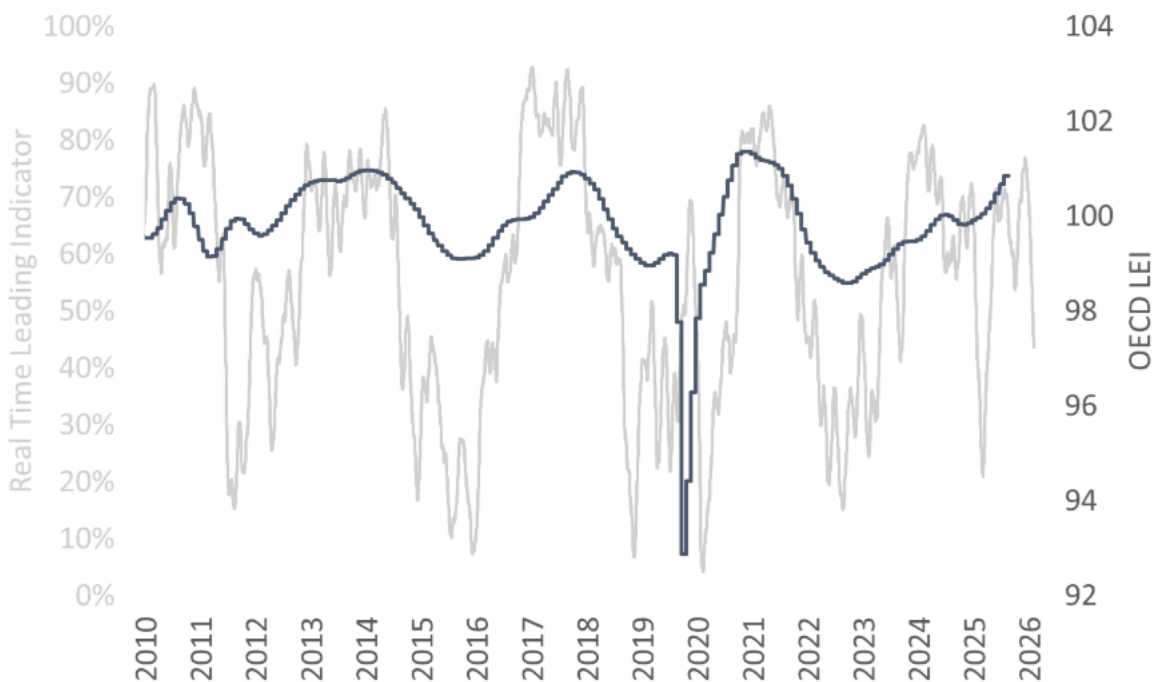
Rolling 10-year return from the S&P 500 have been elevated in recent years. Sustaining such high levels of return would be without historic precedent.



Source: Somerton, Bloomberg, Tailwind

The rationale is the same as described in previous notes. Specifically, AI disruption is causing significant uncertainty for many companies and the unpredictability of this War and its associated disruption to activity in the Strait of Hormuz has caused our Real Time Leading Indicator ('RTL') (grey) to slump below the 50% threshold - a warning of the potential of global recession. While the Liberation Day Tariffs also caused the RTL to warn of a recession; the quick policy U turn averted that outcome. If the War ends soon, and the Strait of Hormuz opens as it was before the invasion of Iran, then the signal from our RTL will similarly be merely a warning. Nonetheless, we have found such warnings are worth heeding.

RTL vs OECD LEI Lagged by 26 weeks



Source: Somerston, Bloomberg, Tailwind

Technology

The year commenced with SMAF holding over 10% in our technology equity sleeve as AI use cases began to emerge. February then brought headlines of the AI Bubble and 'SaaS-mageddon', and although we still saw strength in the long term for the wider technology sector, we considered that the fall in software was not to be ignored. Within this area we were active on several holdings to limit downside risk. As we moved into March, developments in the Middle East steered us to reduce our equity exposure, and for SMAF this meant reducing our allocation to technology equities to zero.

Please read our [Technology Letter](#) to learn more about our views on the current complexities of technology themed investing and the advancements of AI.

Quality Equity

This quarter saw a marked shift in considerations of “quality equity” as dual forces of the software sector and the macro environment weighed on this sector’s returns.

Our concerns over the acceleration in AI resulted in us closing our software positions in Roper, Autodesk, S&P Global and Intuit. Our defence against the effects of the escalation in Iran however, has been harder to navigate. The prospect of rising energy costs, disjointed supply chains and the potential rise in inflation has urged us to increase our exposure to those companies with strong balance sheets, are more likely to withstand high costs and who are led by adaptive leadership.

Overall, we anticipate sustained volatility in this area due to future uncertainty and therefore have decreased our exposure to core equities, in favour of resources and emerging markets.

We invite you to read the [Core Equity Letter](#) for more details.

Emerging Markets

Last quarter, we highlighted the growing appeal of emerging markets amid a reversal in relative performance, a weakening US dollar, and their pivotal role in the global AI supply chain. These markets are home to several key hardware providers underpinning AI infrastructure, including Taiwan Semiconductor, SK Hynix and Samsung. In light of these supportive dynamics, we increased our allocation to emerging markets during the period.

The conflict in Iran has weighed particularly heavily on emerging markets, as many are net oil importers and therefore more exposed to rising energy prices. Combined with short-term US dollar strength and a broader risk-off backdrop, this has driven recent underperformance. We consider these factors temporary and do not see a breakdown in fundamentals.

Resources

During the period, we increased our allocation to the resources sector towards the end of February, reflecting improving fundamentals and heightened sensitivity to rising energy and commodity prices. As the quarter progressed and valuations adjusted alongside increased market volatility, we began to trim exposure toward the end of March, proactively locking in gains and managing risk.

Risk Off Assets/Strategies

Inflation Linked 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. SMAF’s exposure is focused on short-dated, inflation-linked bonds, which have proven more resilient to these duration-driven market moves. Consequently, the strategy was less affected by the sell-off at the long end of the curve and outperformed within this segment of the market.

Gold

Gold has historically been an excellent performer 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. On the one hand, 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.

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 all our strategies. The speculative swings are unfortunately a price we must pay with a keen focus on long term preservation of purchasing power.

Summary

Our views are implemented in the multi asset funds according to their mandates.

In the Somerston Multi Asset Fund ("SMAF") we continue to be underweight equities to reflect the maturing of the market. Within equities we have reduced our holdings in technology, adding exposure to emerging markets, resources, value equities and small caps; we own no credit or traditional government bonds, instead preferring Inflation linked bonds, long volatility strategies and gold as the primary diversifiers.

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