SOMERSTON ASSET MANAGEMENT

SOMERSTON TECHNOLOGY FUND

INVESTMENT LETTER AS AT 31 MARCH 2026

Portfolio Objectives: To grow capital over the medium term by investing in a concentrated portfolio of high growth companies and to outperform our reference index 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 20-30 high growth companies.

Performance: The Somerston Technology Fund (US1 Class) fell by -3.9% during the month and by -14.0% over the last three months. Our reference index fell by -3.9% during the month and by -13.1% over the last three months.

Rolling Performance

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US1	-3.9%	-14.0%	-14.0%	9.3%	77.5%	31.0%
GB1	-4.0%	-14.2%	-14.2%	8.8%	75.2%	28.7%

** The GB1 class launched in February 2023, performance prior to this date is from the US1 class*

Geographical Allocation

Region	% Fund
North America	85.7%
Europe	4.3%
Asia ex Japan	4.1%
South America	2.1%
Cash and Equivalents	3.8%

Sector Allocation

Sector	% Fund
Information Technology	61.3%
Communication Services	16.9%
Consumer Discretionary	14.2%
Health Care	1.5%
Industrials	1.2%
Financials	1.0%
Cash and Equivalents	3.8%

Top Ten Holdings

Name	% Fund
Nvidia Corp	12.1%
Amazon.Com Inc	10.7%
Alphabet Inc-Cl A	9.0%
Advanced Micro Devices	8.5%
Meta Platforms Inc-Class A	7.9%
Microsoft Corp	6.4%
Arm Holdings Plc-Adr	4.7%
Asml Holding Nv-Ny Reg Shs	4.3%
Apple Inc	4.0%
Broadcom Inc	3.0%
Total for Top Ten	**70.6%**

This factsheet shows the performance of Somerston's "Technology Equity Strategy" from 31 December 2014 to 30 November 2020 then the Somerston Technology Fund from its launch on 01 December 2020.

Performance (%) (US1 Class)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	6.1	3.9	4.2	4.5	7.7	-1.5	5.8	3.2	-0.1	8.5	3.8	-0.8	**55.1**
2018	12.3	-1.4	-4.1	1.0	8.0	-0.1	0.0	8.9	-1.8	-12.3	1.3	-7.5	**1.7**
2019	12.0	2.9	5.6	6.3	-8.0	8.2	4.1	-3.8	-1.8	3.1	6.1	3.8	**43.6**
2020	6.2	-3.8	-6.6	18.2	9.6	10.0	9.1	8.5	-6.2	-0.7	9.6	5.5	**73.4**
2021	-0.2	1.6	-6.5	8.8	-3.6	11.6	1.0	5.7	-7.9	6.2	-1.5	-5.0	**8.5**
2022	-13.8	-5.5	2.2	-20.2	-6.1	-11.2	13.8	-6.9	-13.0	2.1	4.9	-10.0	**-50.8**
2023	16.7	0.3	11.9	-1.1	13.2	4.6	6.5	-3.3	-6.3	-2.0	16.1	4.8	**76.6**
2024	6.0	7.8	0.8	-5.0	6.8	8.5	-5.3	3.4	2.6	0.0	6.3	-1.8	**33.0**
2025	6.3	-5.4	-9.9	3.9	14.4	8.0	3.3	-2.8	3.3	8.3	-8.5	-3.7	**15.1**
2026	-0.2	-10.3	-3.9										**-14.0**

Total return since 2017: 387.7%

Performance (%) (GB1 Class)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	6.1	3.9	4.2	4.5	7.7	-1.5	5.8	3.2	-0.1	8.5	3.8	-0.8	**55.1**
2018	12.3	-1.4	-4.1	1.0	8.0	-0.1	0.0	8.9	-1.8	-12.3	1.3	-7.5	**1.7**
2019	12.0	2.9	5.6	6.3	-8.0	8.2	4.1	-3.8	-1.8	3.1	6.1	3.8	**43.6**
2020	6.2	-3.8	-6.6	18.2	9.6	10.0	9.1	8.5	-6.2	-0.7	9.6	5.5	**73.4**
2021	-0.2	1.6	-6.5	8.8	-3.6	11.6	1.0	5.7	-7.9	6.2	-1.5	-5.0	**8.5**
2022	-13.8	-5.5	2.2	-20.2	-6.1	-11.2	13.8	-6.9	-13.0	2.1	4.9	-10.0	**-50.8**
2023	16.7	0.4	11.4	-1.2	13.3	4.4	6.3	-3.4	-6.5	-2.0	15.8	4.8	**74.2**
2024	6.0	7.8	0.8	-5.1	6.7	8.5	-5.2	3.3	2.5	0.0	6.4	-1.9	**32.6**
2025	6.4	-5.3	-9.7	3.7	14.5	7.9	3.4	-2.9	3.2	8.3	-8.6	-3.6	**15.4**
2026	-0.3	-10.4	-4.0										**-14.2**

Total return since 2017: 379.4%

** The GB1 class launched in February 2023, performance prior to this date is from the US1 class*

Commentary

The Technology Fund US1 Class fell by -14.0% in the first quarter of 2026.

Capital spending on equipment tied to the AI infrastructure race continues to accelerate. We have previously discussed the question of prospective returns on this investment, and we continue to believe that the unit economics of large language model (LLMs) mean that AI products must evolve beyond being merely a "useful tool" that users pay $20 per month for. To justify the scale of investment now taking place, these products need to become enterprise-grade solutions that fundamentally uplift the trajectory of the global economic system.

We have argued that AI agents are a critical step on that path, offering the potential for greater monetisation, more attractive underlying economics and, ultimately, more durable business models for the foundational AI labs such as OpenAI and Anthropic.

In this area, the pace of development over recent months has been striking:

- The adoption of common standards and protocols for AI agents has improved, most notably through the rise of MCP-style standards. MCP, or Model Context Protocol, is a framework that allows AI systems to connect more easily with external software tools, data sources and digital workflows, making them more useful in real-world applications.
- Digital infrastructure required to support agentic systems is beginning to emerge. What was missing previously was not just model capability, but the surrounding architecture needed for agents to operate reliably: standardised tools access, orchestration frameworks, web access for agents.
- OpenClaw (formerly MoltBot, previously ClawdBot) was released on 27th January 2026 to considerable excitement. It is positioned as an AI personal assistant with system-level access that can act with minimal human intervention, clearing inboxes, sending emails, managing calendars and checking users in for flights.
- Anthropic meanwhile, has released a suite of specialised agents targeted at specific professional workflows, spanning areas such as legal work and other domain-specific tasks.
- Companies such as Spotify have announced that their developers are now mostly overseeing coding agents, rather than writing code themselves. Management said some of its best developers have not written a line of code since December.

"SaaS Apocalypse"

These developments, and the excitement that followed, triggered a sharp sell-off in global software stocks in what was dubbed the "SaaS apocalypse". Although the sector has since regained some composure, the share prices of many leading software companies remain materially below the levels seen at the end of 2025. In our view, the market's concern has been twofold. First, rapid advances in AI coding tools have led many to conclude that barriers to entry for start-ups, or indeed in-house development by customers, are now much lower. This view is supported by data from SensorTower, which shows a significant increase in the number of new apps released on the Apple App Store. That threatens both the growth prospects and pricing power of incumbent software vendors. Second, as AI agents increasingly act on behalf of users, the software application itself risks disintermediation. Agents are increasingly being provided with the digital infrastructure needed to bypass traditional software programmes.

These are valid concerns and we believe there are many software companies facing profound questions as AI coding and agentic capabilities continue to accelerate. Nevertheless, they do not apply equally across the software universe. During the first quarter, the market showed little inclination to distinguish between the most and least exposed businesses, and valuations across much of the sector were cut indiscriminately. The most pressing task for investors across the technology sector is how to separate those at genuine risk from the companies that are being unfairly punished. We shall unpack this below.

Software Barriers to Entry

On the first concern, we have certainly seen a flurry of new start-ups that are utilising AI coding agents to accelerate product development, and we note that the relative attraction of developing specialised tools in-house has also substantially increased. That said, we think some software companies' moats extend beyond code creation itself. Moats can be rooted in network effects, proprietary data, brand trust, scale, workflow entrenchment or distribution. Several examples illustrate the point. Firstly, Snowflake benefits from ecosystem and data sharing dynamics that make competitive entry more difficult. Secondly, cybersecurity companies, which sold off sharply following the release of Anthropic's Claude Security Agents, arguably possess some of the deepest moats in the software universe, due to the importance of brand reputation and scale. The trend over the past few years within cybersecurity is one of consolidation, customers have favoured allocating to fewer broader vendors. Indeed, under the recently announced Project Glasswing, Anthropic has chosen to partner with established cybersecurity companies, such as CrowdStrike and Palo Alto Networks, to tackle AI-native cyber threats. Thirdly, companies such as S&P Global (which we do not hold in the fund) benefit from holding unique proprietary data that has been collected over many years, which would be difficult for competitors to replicate. Even if a competitor can accelerate the development process, it does not mean they can dethrone incumbents in every category. In our view, the risk is more concentrated in generic, 'point solution' software, where product differentiation is lower and switching costs are weaker, such as HR systems and productivity and creativity tools.

Agentic Disintermediation

The second concern, disintermediation, is potentially more troubling and will only increase as the digital infrastructure buildout mentioned above continues. This creates the possibility that some application layers become less valuable over time as agents 'skip' these layers. This concern has been focused on platform businesses, such as ecommerce marketplaces and online travel agents. At present, AI agents can still make common mistakes which means deployment remains, to a degree, a risk-reward decision for enterprises. Arguably, the cost of an agent making an error in a drive-through fast-food order is far lower than the cost of an error in the preparation of a company's financial statements. For that reason, we would expect software businesses focused on highly sensitive, mission critical workflows to be more insulated than those undertaking lower-stake consumer or administrative tasks. We have seen similar dynamics historically in banking software, where customers have often preferred to build on top of trusted existing infrastructure rather than risk wholesale replacement. We believe a similar pattern may emerge in the debate between existing software platforms and agent-native challengers.

Concluding Thoughts

After a 15-year period during which SaaS companies were firmly in vogue, software investing is now presenting a far more complex set of challenges. We believe the most resilient software companies will be the ones with durable moats, such as those stemming from network effects, proprietary data, embedded workflows, and where management teams are clearly adapting to the changing landscape. During the quarter, we materially reduced our software exposure but retained a core which align with these criteria. That said, the pace of development has greatly increased the level of uncertainty for all companies in the sector.

This dynamic further increases the relative attraction of exposure to data centre hardware and AI infrastructure companies, where we see a clearer and more immediate transmission mechanism from AI investment to revenue growth. We have been deploying the capital raised from software sales into these areas. While the AI build-out to date has already been substantial, we see evidence that this investment cycle has further to run. Following the weakness in the shares, we specifically initiated a new position in SK Hynix, a leading supplier of high-bandwidth memory (HBM). HBM is critical in addressing the memory shortages faced by data centres currently. We also initiated a position in Fabrinet, a contract manufacturer of a broad range of highly precise products. What particularly attracted us to Fabrinet was the company's important role in the production of optical networking equipment. As data centres continue to evolve from copper-based connectivity toward fibre optical architectures, we believe Fabrinet is well positioned to benefit.

Top and Bottom Performers

Given the trends discussed, software stocks are overrepresented in our detractors for the quarter, with Microsoft, Duolingo and Zscaler among the largest laggards.

By contrast, the top performers all benefitted from the exposure to the data centre buildout. **Arm** was the fund's top contributor over the period. The company, which provides the core blueprints underpinning semiconductor designs, announced its first in-house central processing unit, called the AGI CPU. The chip will focus on the "orchestration" of AI agents and other applications. This marks a notable evolution in **Arm's** business model, shifting from a pure licensing approach toward first-party product sales, which could improve unit economics and materially expand the company's long-term growth opportunity.

ASML, the leading provider of lithography equipment used in semiconductor manufacturing, also performed well. The company delivered a strong earnings report in January, with revenue ahead of expectations, supported by continued demand for its high-end EUV tools. Bookings increased by 86% year-over-year, as both logic and memory customers sustained high levels of investment to expand capacity at their fabrication facilities.

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