SOMERSTON ASSET MANAGEMENT

SOMERSTON MANAGED GROWTH FUND

INVESTMENT LETTER AS AT 30 JUNE 2026

Portfolio Objectives: The Fund seeks to grow capital over the medium term by predominantly investing in global equities and managing risks through tactical allocation and portfolio construction.

Strategy: The main focus of strategy is to deliver attractive total returns through investment in global equities. Where the manager considers the manifestation of risk likely, risks may be reduced materially.

Performance: The Somerston Managed Growth Fund (US0 Class) fell by -1.8% in the month and rose by +5.4% over the last three months.

Rolling Performance

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US0	-1.8%	5.4%	-0.1%			
GB0	-1.9%	5.3%	-0.2%			

Top Ten Holdings

Somerston Core Equity Fund	18.2%
Somerston Technology Fund	13.6%
Vanguard S&P 500 Value ETF	7.1%
MSCI Emg Mkt Future	7.0%
Vanguard Small-Cap Value ETF	5.8%
Copper Future	3.6%
MSCI World Quality	3.5%
Ambrus Volatility Fund SP	3.5%
One River Dynamic Convexity	3.5%
1798 Bear Convexity Fund	3.4%
Total for Top Ten	**69.4%**

Currency Allocation

USD	96.9%
EUR	2.2%
SEK	0.4%
CHF	0.4%
GBP	0.1%
Total	**100.0%**

Asset Allocation

Name	Long %	Short %	Net %	
Quality Equities	21.8%		21.8%	↑
Technology Equities	12.2%		12.2%	↓
Value	10.0%		10.0%	↓
Emerging Markets	10.0%		10.0%	↑
Resources	9.5%		9.5%	↑
Small Caps	5.8%		5.8%	↑
Equity Long/Short	6.6%	-6.3%	0.3%	↓
Europe		-1.1%	-1.1%	↔
Equities	**75.9%**	**-7.4%**	**68.5%**	↓
Copper Derivatives	3.6%		3.6%	↔
Gold Bullion	3.1%		3.1%	↓
Commodities	**6.7%**		**6.7%**	↓
Volatility and CTA	14.7%		14.7%	↑
Total All Assets	**97.3%**	**-7.4%**	**89.9%**	↓

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

Performance (%) (US0 Class)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025												-1.3	**-1.3**
2026	1.5	-1.4	-5.2	4.6	2.6	-1.8							**-0.1**

Total return since inception -1.4%

Performance (%) (GB0 Class)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025												-1.4	**-1.4**
2026	1.5	-1.4	-5.4	4.5	2.7	-1.9							**-0.2**

Total return since inception -1.6%

Commentary

Equities

The equity market is laser focussed on AI. The Goldman Broad AI basket is up 49.4% Year to date. The Goldman AI at risk basket is down -22.7%. The AI influence is not confined to the technology sector. Many Industrial, Utility and Basic Materials companies are benefitting. Conversely, consumer companies alongside financials are struggling. In fact, we can narrow the theme further. It is the picks and shovels; the enablers and providers to the AI buildout whose stocks are flourishing while almost everything else is languishing.

As an example, Caterpillar (Sector: Industrials), (not owned) has performed extraordinarily well rising 85% year to date. Surging demand for power solutions to support AI infrastructure and data centres has been a major tailwind. Caterpillar's engines and power systems (part of its Energy & Transportation segment) are seeing robust orders for backup power, generators, and related equipment. This has driven outsized growth in a high-margin area and boosted overall visibility. However, whereas earnings have grown by 30%, the main driver of returns has been enormous valuation expansion. Caterpillar now trades at 39 x earnings relative to a 30-year average of 16 x. We have seen this sort of exuberance before. In 2008, Caterpillar was the major beneficiary of the commodity boom; its valuation exploded and its stock price descended just as dramatically. Conversely, MasterCard, a stock that straddles the consumer and financial sector, has fallen 10% this year. Its earnings have grown 23% but its valuation is at 10-year lows.

It is all about AI momentum. The valuations of the AI momentum stock offer no margin of safety. Yet, that momentum may push higher yet.

As prudent investors we shy away from investments that in our opinion may incur substantial loss. This has caused equity strategy to material underperform this year.

Bonds

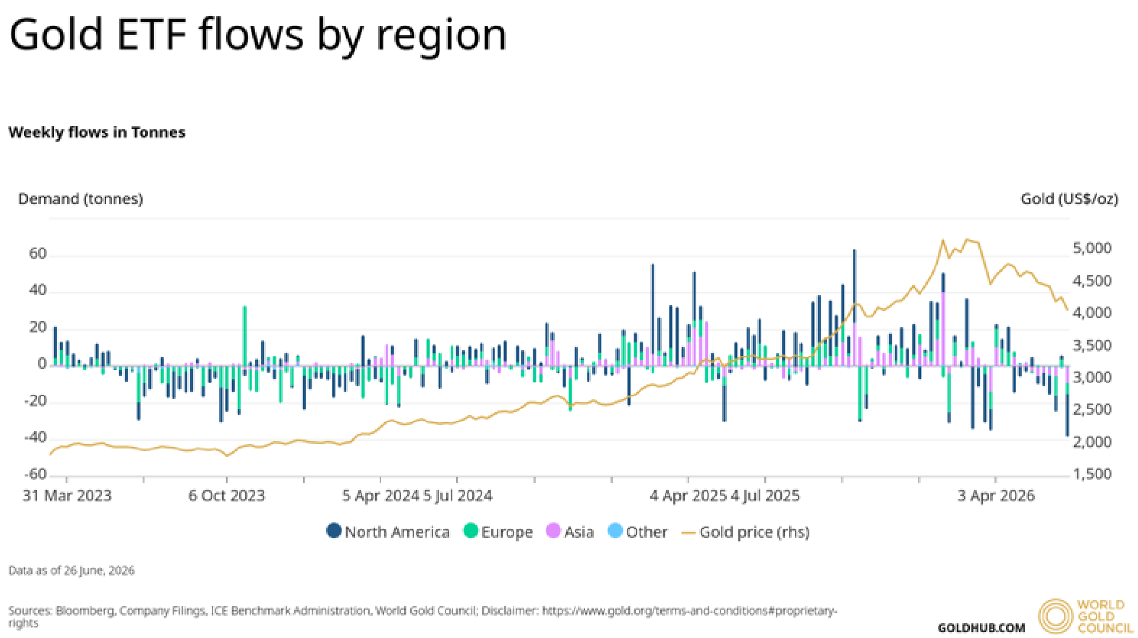
Government bond market is becoming increasingly interesting. While the spectre of ever-increasing government debts appears as a strong headwind over the medium term, US 10-year real yields offer 2.2%. Inflation plus 2%+ presently compares favourably to many other opportunities sets as well as in the context of the range of real yields over last 25 years. Moreover, if there is a wave of misallocation of capital within the AI space, much as we saw post the commodity boom earlier this century, the deflationary pull would generate short term capital appreciation for this unloved asset class. We remain in short duration inflation linked bonds but are open minded to increasing duration in nominal government bonds.

Commodities

We would expect prices of precious metals to reflect diminished geopolitical risks. However, gold is now 30% below its high and Crude oil is 41% lower. Even materials that are considered crucial for the AI datacentre buildout are down materially.

Gold is a core holding in our Multi Asset Funds. The deterioration of demographics in the developed World creates an unsustainable social obligation that is unlikely to be funded. A ‘technical default’ seems to be a matter of time. Moreover, while gold represents the majority of reserves for many developed countries such as the US and Italy, gold as a percentage of reserve assets remains at a low level for countries such as Brazil, India and China. However, where gold is a large proportion of reserves, it stands to reason that when there is a need to dip into these reserves, gold may need to be disposed of to raise fiat currency. Turkey and Russia are notable in this respect, selling Gold in the most recent months.

Despite fundamentals of the precious metal, the marginal flows into and out of gold are largely speculative in nature and are the main explanation of short-term price moves. In any given report, the World Gold Council illustrate that the largest swing in supply and demand is often ETF’s. The chart below shows a steady outflow from funds across all regions for the past three months.



By our measures, Gold appears moderately oversold.

Liquidity

The highly divergent performance of equity markets, the falls in precious metals and bitcoin, rising real yields and central banks, many of whom are either sounding hawkish or have raised rates, is indicative of diminished financial liquidity.

This is particularly noteworthy and our antennae for reducing risk are on high alert.

Strategy

Our positions in long volatility, US Treasury Bills and equity long short will serve as ballast to negative surprises and we remain moderately underweight equities.

We invite you to read our Technology Fund Q2 Letter and our Core Equity Fund Q2 Letter here.

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