SOMERSTON ASSET MANAGEMENT

SOMERSTON MULTI ASSET FUND

INVESTMENT LETTER AS AT 30 JUNE 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 Somerston Multi Asset Fund (US1 class) fell by -2.5% in the month and by -0.6% over the last three months. Our composite reference index rose by +0.1% in the month and by +10.2% over the last three months.

Rolling Performance

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US1	-2.5%	-0.6%	-2.5%	-0.6%	24.3%	12.1%
GB1	-2.5%	-0.6%	-2.6%	-0.9%	22.6%	7.8%

Top Ten Holdings

Somerston Core Equity Fund	20.2%
US I/L 1 1/8 15 Jan 2033	7.8%
MSCI Emg Mkt Future	5.6%
Vanguard S&P 500 Value ETF	5.4%
US I/L 0 1/8 15 Apr 2027	5.3%
Vanguard Small-Cap Value ETF	5.0%
US I/L 1 1/8 15 Oct 2030	4.9%
S I/L 0 1/8 06 Jan 2030	4.6%
UKTI 0 ¾ 22 Nov 2033	4.0%
One River Dynamic Convexity	3.8%
Total for Top Ten	**66.6%**

Currency Allocation

USD	94.8%
NOK	2.5%
EUR	1.9%
SEK	0.4%
CHF	0.4%
Total	**100.0%**

Asset Allocation

Name	Long %	Short %	Net %	
Quality Equities	20.2%		20.2%	↔
Emerging Market Equities	8.2%		8.2%	↑
Resources	7.8%		7.8%	↑
Value	7.7%		7.7%	↓
Technology Equities	7.0%		7.0%	↑
Small Caps	5.0%		5.0%	↓
Equity Long Short	6.7%	-7.0%	-0.3%	↓
Europe		-0.9%	-0.9%	↔
Equities	**62.6%**	**-7.9%**	**54.7%**	↑
Inflation Linked Bonds	26.6%		26.6%	↑
Bonds	**26.6%**		**26.6%**	↑
Gold Bullion	7.1%		7.1%	↓
Copper Derivatives	2.3%		2.3%	↔
Commodities	**9.4%**		**9.4%**	↓
Volatility and CTA	16.4%		16.4%	↑
Total All Assets	**115.0%**	**-7.9%**	**107.1%**	↑

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	2.0	-0.1	-2.5							**-2.6**

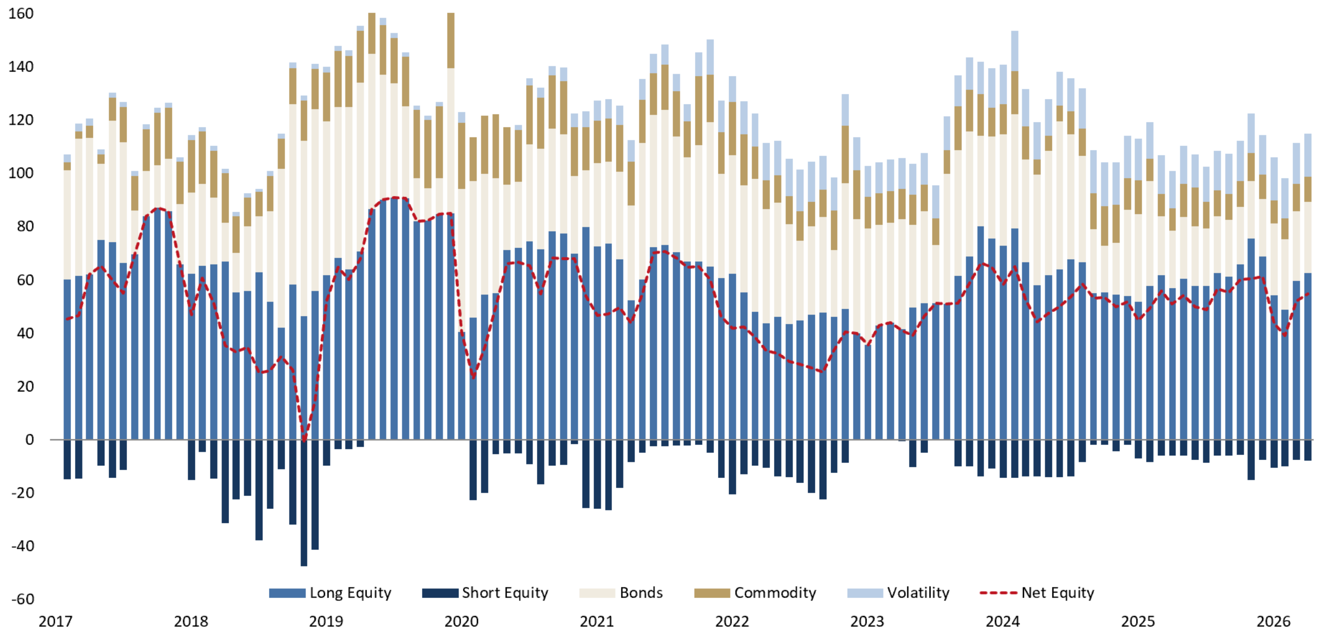
Total return since inception 61.5%

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	0.0	-2.5							**-2.6**

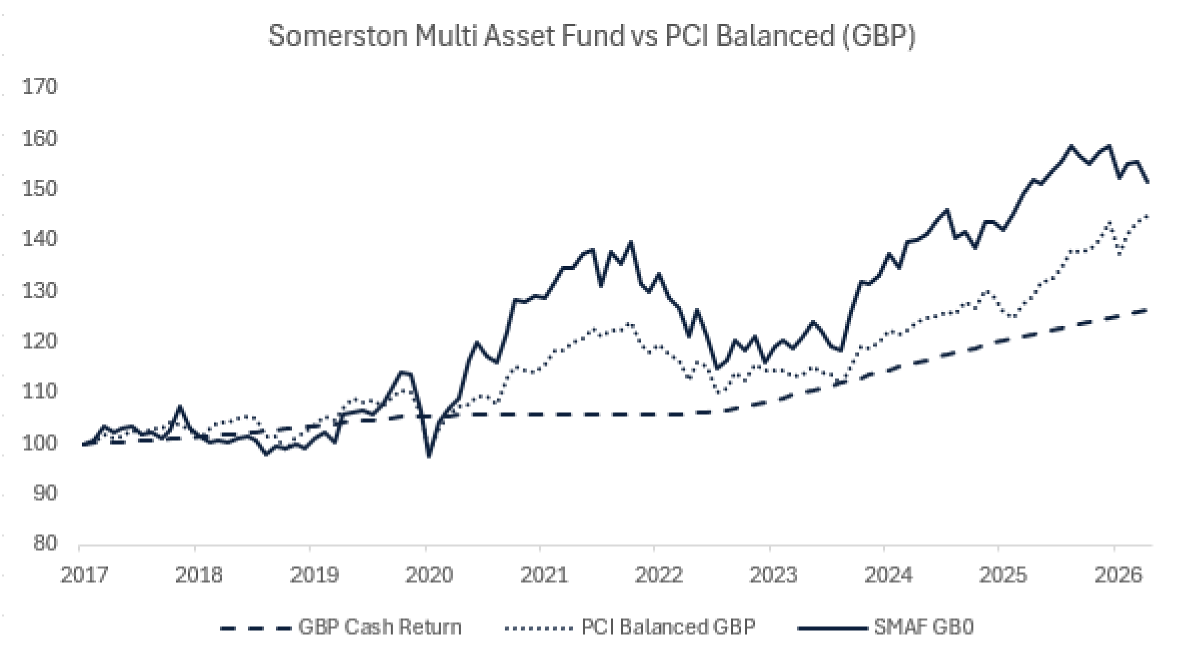
Total return since inception 54.2%

Evolution of Asset Allocation for Somerston Multi Asset Fund



Source: Somerston

Performance since inception



Source: Somerston, Suggestus, Bloomberg

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 39x earnings relative to a 30-year average of 16x. 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

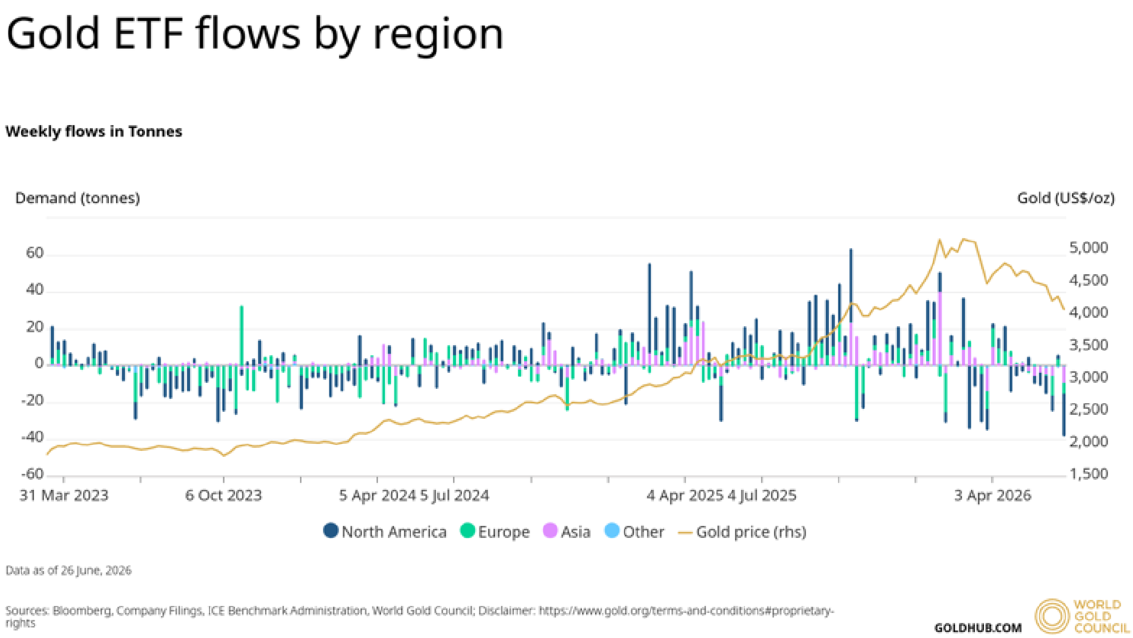
The government bond market is becoming increasingly interesting. While the spectre of ever-increasing government debts appears as a strong headwind over the medium term, US 10-year real yields offer 2.2%. Inflation plus 2%+ presently compares favourably to many other opportunities sets as well as in 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 ETFs. 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, short duration inflation liked bonds, 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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