SOMERSTON
ASSET MANAGEMENT

SOMERSTON RAINY DAY FUND

INVESTMENT LETTER AS AT 30 JUNE 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 -6.1% in the month and by -7.4% over the last three months.

Rolling Performance

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US1	-6.1%	-7.4%	-4.5%	6.3%		
GB1	-6.2%	-7.4%	-4.6%	6.3%		

** 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	26.7%
US I/L 0 1/8 15 Apr 2027	I/L Bond	6.8%
US I/L 2 1/8 15 Jan 2035	I/L Bond	5.3%
Bitcoin	Blockchain	4.8%
UKTI 0 ¾ 22 Nov 2033	I/L Bond	4.6%
US I/L 1 1/8 15 Oct 2030	I/L Bond	4.5%
S I/L 0 1/8 06 Jan 2030	I/L Bond	4.0%
US I/L 0 1/8 15 Apr 2029	I/L Bond	3.3%
One River Dynamic	Long Volatility	3.2%
ECX Emissions	Carbon	2.9%
Total for Top Ten		**66.2%**

Allocation

Name	Long %	Short %	Net %	
Gold Bullion	30.7%		30.7%	↓
Silver Bullion	2.3%		2.3%	↓
Gold and Precious Metals	**33.0%**		**33.0%**	↓
Inflation linked Bonds	28.6%		28.6%	↑
Volatility and CTA	17.1%		17.1%	↑
US Govt T-Bills	7.9%		7.9%	↑
Blockchain	4.8%		4.8%	↓
Carbon	2.9%		2.9%	↑
Cash and Equivalents	2.0%		2.0%	↓
Equity Long/Short	7.1%	-7.4%	-0.3%	↑
Total All Assets	**103.2%**	**-7.4%**	**95.9%**	↓

Currency Allocation

USD	99.3%
EUR	0.7%
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	-0.5	-0.9	-6.1							**-4.5**

Total return since inception 19.7%

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	-4.1	-0.4	-0.9	-6.2							**-4.6**

Total return since inception 19.6%

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

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.

Bonds

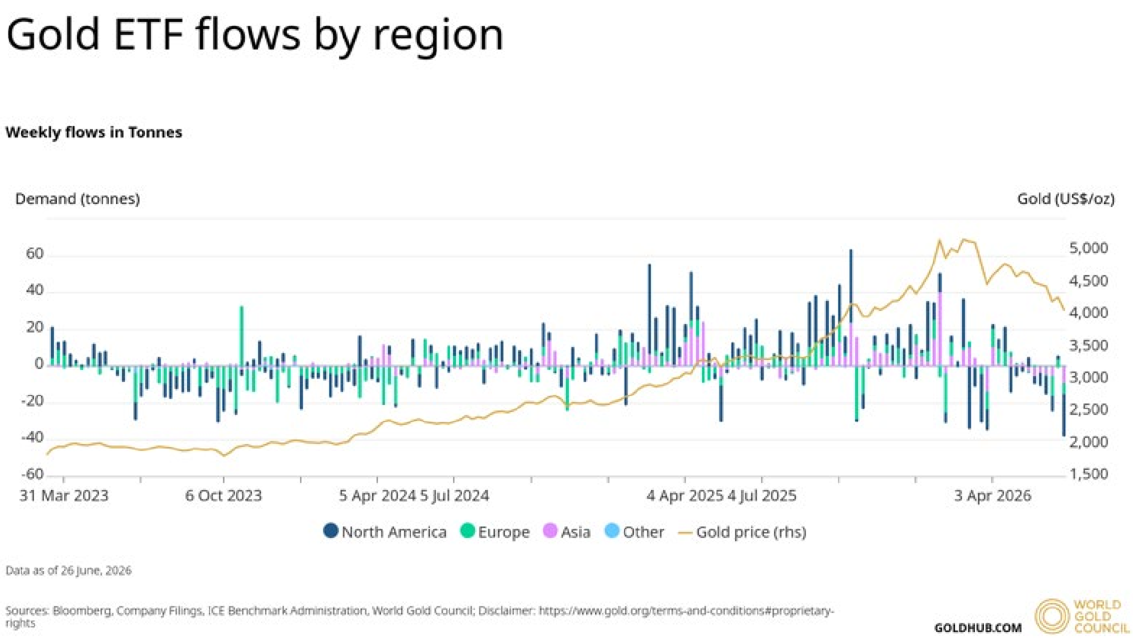
Government bond market is becoming increasingly interesting. While the spectre of ever-increasing government debts appears as a strong headwind over the medium term, US 10-year real yields offer 2.2%. Inflation plus 2%+ presently compares favourably to many other opportunities sets as well as in the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

Bitcoin

Bitcoin is experiencing a significant drawdown in 2026 following its 2025 peak near $126,000. The current price hovers around $58,000–$59,000, with returns down approximately 30–33% so far this year and over 50% since its October high. Bitcoin offers compelling merits as a scarce, uncorrelated digital asset with growing institutional adoption, though high volatility demands a long-term horizon and modest portfolio allocation. It has a market capitalization of $1.17 trillion.

Much like gold, Bitcoin's near-term price moves are largely explainable by derivative and fund flows which have been negative for several weeks. Moreover, Michael Saylor's company Strategy Inc, that employs leverage to own $57 Billion of Bitcoin, is touted to be considering selling bitcoin to pay the coupons on the company's debt instruments.

The price of Bitcoin is now very close to the weighted average price of bitcoin on chain i.e. collectively holders are at breakeven levels. This suggests that levels of speculative activity have reduced. This does not mean an end to the downtrend but perhaps indicates most of the fall is behind us.

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. Both Bitcoin and gold should do well in the event of a currency concern as well as a reversal of an interest rate tightening narrative consequent on a growth slowdown.

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