



SOMERSTON RAINY DAY FUND

INVESTMENT LETTER AS AT 30 SEPTEMBER 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 -2.6% in the month and rose by +2.5% over the last three months.

Rolling Performance

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
US1	-2.6%	2.5%	-2.1%	1.2%		
GB1	-2.6%	2.4%	-2.3%	1.1%		

Top Ten Holdings

Name		Fund %
Kilo Gold Bars (32.15 oz)	Bullion	27.1%
US I/L 0 1/8 15 Apr 2027	I/L Bond	6.7%
Bitcoin	Blockchain	6.7%
US I/L 2 1/8 15 Jan 2035	I/L Bond	4.9%
UKTI 0 ¾ 22 Nov 2033	I/L Bond	4.5%
US I/L 1 1/8 15 Oct 2030	I/L Bond	4.4%
1798 Bear Convexity Fund	Long Volatility	3.9%
S I/L 0 1/8 06 Jan 2030	I/L Bond	3.7%
Silver Future	Bullion	3.7%
Ambrus Volatility Fund SP	Long Volatility	3.5%
Total for Top Ten		69.1%

Allocation

Name	Long %	Short %	Net %	
Gold Bullion	31.1%		31.1%	↓
Silver Bullion	5.9%		5.9%	↓
Gold and Precious Metals	37.0%		37.0%	↓
Inflation linked Bonds	28.6%		28.6%	↑
Volatility and CTA	16.6%		16.6%	↑
US Govt T-Bills	6.6%		6.6%	↑
Blockchain	6.7%		6.7%	↑
Carbon	3.0%		3.0%	↑
Cash and Equivalents	1.8%		1.8%	↓
Equity Long/Short	6.7%	-6.8%	-0.1%	↓
Total All Assets	107.0%	-6.8%	100.2%	↓

Currency Allocation

USD	99.0%
EUR	0.9%
SEK	0.1%
Total	100.0%

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

Performance US1 (%)													
	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	0.6	4.5	-2.6				-2.1

Total return since June 2024: 22.6%

Performance GB1 (%)													
	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	23.2
2026	4.6	2.7	-4.1	-0.4	-0.9	-6.2	0.6	4.5	-2.6				-2.3

Total return since June 2024: 22.4%

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

Commentary

The most important development has been the shift into 'Risk Off'. When our models shift in this way, there are crucial implications and a defined 'risk off' playbook.

Table 1: Asset class performance during 'Risk off vs Risk On' periods (last 25 years)

		MSCI World	Bloomberg Commodities Index	10 year Gov Gold Bonds	
Risk ON	Time : 73.2%				
	IRR	19.0%	7.9%	9.8%	2.0%
	Volatility	11.7%	15.0%	17.0%	4.3%
	Info.ratio	1.63	0.53	0.58	0.46
Risk OFF	Time : 26.8%				
	IRR	-16.5%	-8.8%	15.6%	5.8%
	Volatility	22.1%	19.2%	18.6%	5.9%
	Info.ratio	-0.75	-0.46	0.84	0.97



The Playbook

In a 'risk off' environment, equities (alongside other risk sensitive assets such as commodities and cyclical stocks (financials, industrials, discretionary), not only have a historic tendency to deliver terrible returns, but the volatility is almost double compared to returns during 'risk on' environments.

Conversely, on average, both Gold and Government bonds have delivered attractive risk adjusted returns during adversity.

Generalisations

While the general themes of the 'risk off' playbook are clear, there is always nuance with specific periods having variances to the 'typical' blueprint. For instance, while government bonds have a great track record during periods of adversity, they did very poorly in the risk off period between 2021-2022. That was a period dominated by demand inflation and a very low level of starting yields. Today, inflation seems to be more disruption led and yields are close to a 20 year high. While we are not yet positive on traditional government bonds, the stars are aligning.

Similarly, while technology companies have traditionally been highly susceptible in risk off environments, an argument can be made that capex is insensitive to interest rates or short-term cycles this time around. It is not a view we entirely subscribe to, but we acknowledge the unique circumstance that the roll out of AI may provide.

While gold as a risk off asset has context over centuries, it has already delivered a CAGR of 18.2% over the past five years. In contrast government bonds have suffered their worst rolling 10 year returns on record.

Strategy

1. We are at a significantly reduced level of overall equity exposure.
2. The equities we own are generally defensive/ low beta equities
3. At this time, we prefer shorter dated inflation linked bonds to traditional government bonds. That preference may change.
4. We own some precious metals but less than we would ordinarily, owing to historic levels of rolling returns.
5. We have a high level of exposure to long volatility strategies that profit from a rapid fall in prices.
6. We are holding short term T Bills.

Summary

We have published several longer articles this quarter via our Substack which describe our concerns about the [structure of the market](#), the impact that [capex is having on earnings](#) and the interplay between [higher long-term rates](#), interventions in capital markets and the potential growing distrust of governments.

The flip of our models to 'risk off' augment these concerns and drive an asset allocation that is both highly resilient and unlike any employed by other multi asset strategies.

Somerston Investment Team

Nick.Wakefield@somerston.com

Arthur.Castle@somerston.com

Emily.Jaakola@somerston.com

Rhea.Write@somerston.com

Investor relations: ir@somerston.com



DISCLAIMER

Any information in this Document may not be suitable for all investors. Investors must make their own investment decisions using their own independent advisors and reviewing relevant offering material (including the Final Offering Document). Any investment decisions must be based upon an investor's specific financial situation and investment objectives and should be based solely on the information in the relevant offering material.

The Fund's manager, Somerston Asset Management Limited (the "Manager") believes the information contained in this Document to be reliable but does not warrant its accuracy or completeness. The information contained herein is preliminary in nature and is not and does not purport to be complete. Any estimates contained herein may be subject to change without notice. No guarantee or representation is made that the investment program set out in this Document, including, without limitation, any investment objectives, diversification strategies, or risk monitoring goals, will be successful, and investment results may vary substantially over time. Investment losses may occur from time to time. Nothing herein is intended to imply that the Manager's investment methodology may be considered "conservative", "safe", "risk free" or "risk averse".

No person, including (without limitation) any of the members, shareholders, directors, officers, partners, employees or advisers of the Manager or its associates, accepts any liability whatsoever (whether direct, indirect, incidental, special, consequential, punitive or otherwise) for any loss arising from any use of the information, opinions or other statements contained herein or otherwise arising in connection therewith (including in the case of negligence, but excluding any liability for fraud) and, accordingly, liability is disclaimed by all such persons to the maximum extent permitted by applicable law or regulation.

NO INVESTMENT ADVICE

The information contained herein does not constitute advice and should not be relied upon for any purpose. No approvals have been given by the Jersey Financial Services Commission in respect of the contents of this Document or the circulation of any offering document in relation thereto.

The information contained herein is not intended to influence you in making any investment decisions and should not be considered as advice or a recommendation to invest. This Document is for information only and provision of this Document does not in itself constitute any kind of service provided by the Manager. Furthermore, this Document does not purport to describe all of the risks associated with investment or the other matters described herein. Income from or the price or value of any financial instruments may rise or fall.

Somerston Asset Management Limited is regulated by the Jersey Financial Services Commission.

WARNING

Past performance is not indicative or a guarantee of future results. No assurance can be made that profits will be achieved or that substantial losses will not be incurred