STENHAM ASSET MANAGEMENT

Q4 2025 Investment Letter

with Kevin Arenson, Akshay Krishnan & Tim Beck

Market Commentary

Equities	Q4	2025
Global Equities	2.3%	19.5%
EM Equities	2.5%	30.8%
US Equities	2.3%	16.4%
European Equities	5.9%	32.3%

Fixed Income	Q4	2025
Global Gov't Bonds	0.1%	7.5%
Investment Grade	0.5%	8.0%
High Yield	1.5%	8.8%
Global Agg Bonds	0.2%	8.2%

Currencies	Q4	2025
USD (DXY)	0.4%	-9.4%
EUR (vs USD)	0.1%	13.4%
JPY (vs USD)	-5.2%	0.3%
GBP (vs USD)	0.2%	7.5%

Commodities	Q4	2025
Gold	12.8%	64.7%
Oil (WTI)	-9.5%	-19.9%
Natural Gas	12.8%	1.5%
Commodities	4.8%	11.1%

Source: Bloomberg as of 31 Dec 2025

Risk assets continued to advance in Q4 2025, rounding off a strong year. Equities fared very well with all regions up healthy double digits. Credit spreads remained tight, though given their already historic-tight levels, returns were mainly generated by carry. Currencies saw moderate USD strength, but the overall trend for 2025 was USD weakness. Commodities were mixed with exceptionally strong performance for precious metals; gold returned 65% for the year and silver 148%, a trend which has continued into 2026.

The new year has started eventfully. Geopolitically, we have seen President Nicolás Maduro taken from Venezuela into the US and held on charges linked to narco-terrorism; there has been a fracturing of the Western alliance as President Trump looked to acquire/take over Greenland and protests have erupted in Iran which have been violently suppressed. Whether these lead to regime change, perhaps aided by external military involvement is unknown. Despite these issues, markets have been somewhat benign with equities posting decent gains and credit spreads barely moving. What has seen extreme moves have been the price of precious metals, following very strong performance last year. At the end of January, gold has risen 13.3% and silver 18.9%, while the USD has fallen 1.4%.

There are some strong fundamental tailwinds to both the US and global economies tallied with significant geopolitical risks as well as one looming more economic risk – that of the AI bubble bursting. Looking at Bloomberg forecasts, consensus is for good, consistent growth for the US (2% real GDP growth) and Europe (1%) over the next 2 years. However, the consensus of a recession is high at 30%. This seems elevated given the consistent growth forecast and most likely reflects the geopolitical and AI-related risks to markets and economies.

There are numerous tailwinds for the US economy going into 2026:

- Wealth effect on consumers
  - falling oil price
  - elimination of federal income tax on overtime and tips

- increase in child tax credit
- high equity prices

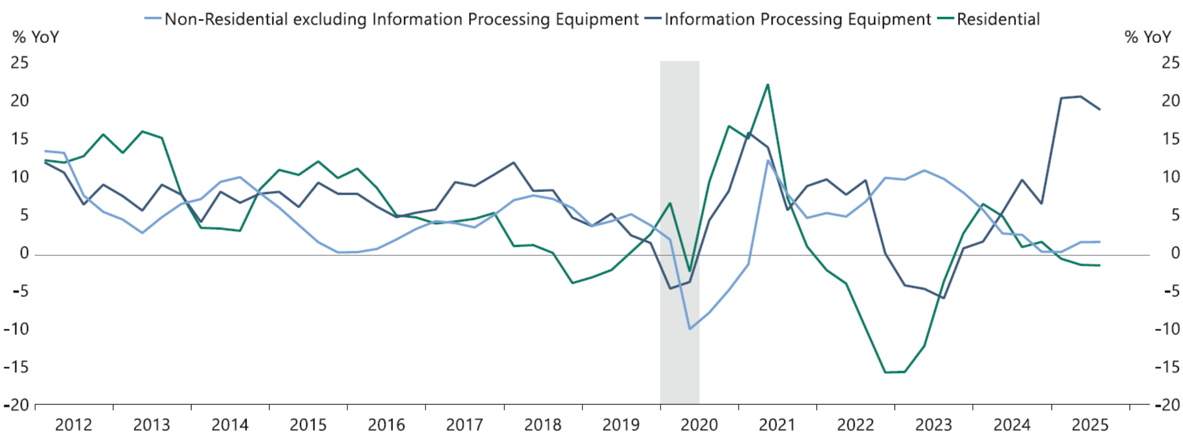
- Strong capex spending
  - Massive investment in data centres
  - 100% expensing for equipment and factories

- Monetary policy stimulus
  - Likely cuts to interest rates

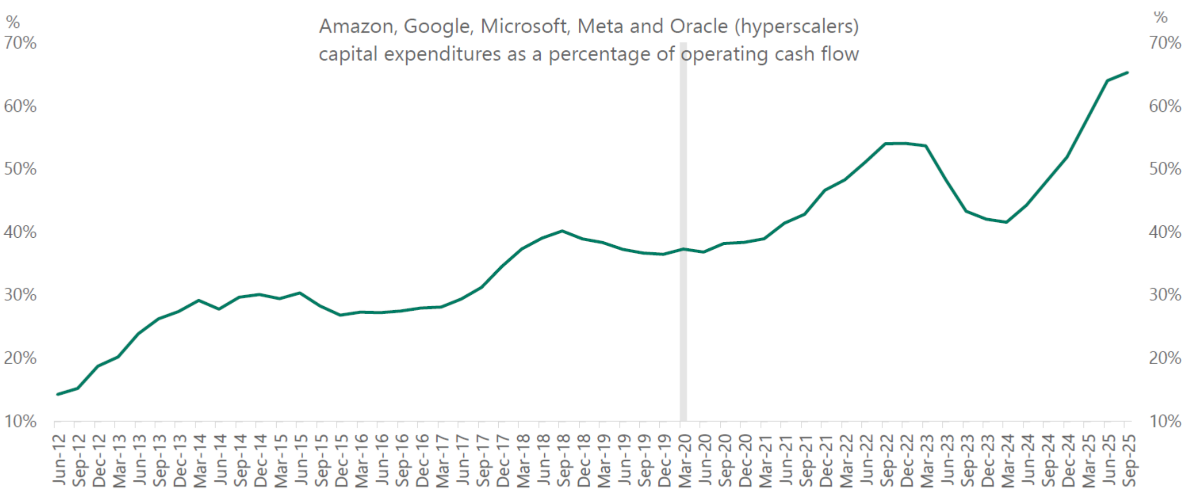
The longer-term consequences from tax cuts can be debated, leading to a larger budget deficit, and so debt, as well as cutting interest rates while inflation remains above the 2% target, but in the short to medium term these would lead to a major stimulus in the US economy. The Congressional Budget Office (CBO) estimates that the One Big Beautiful Bill Act will add 0.9% to GDP growth in 2026.

Aside from geopolitics, what could derail this is a significant downturn in valuations in AI-related stocks. We are going through a massive capex cycle linked to AI representing an increasing amount of cash flow from the hyperscalers. At some point this expense will have to be monetised.

Real private fixed investment[1]

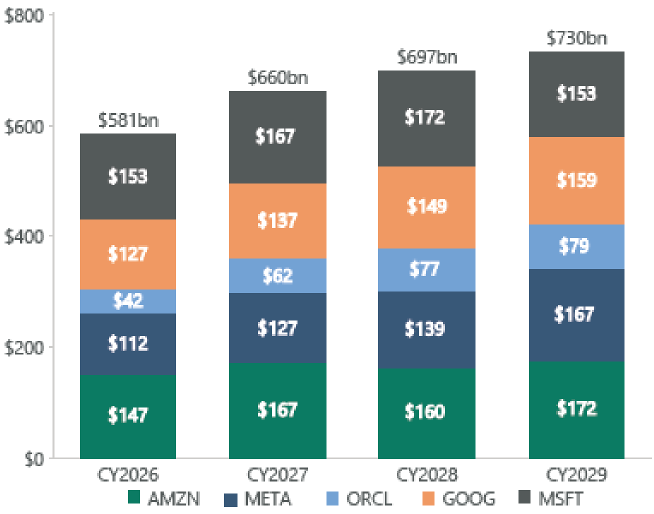


Capex as a % of operating cash flow[1]

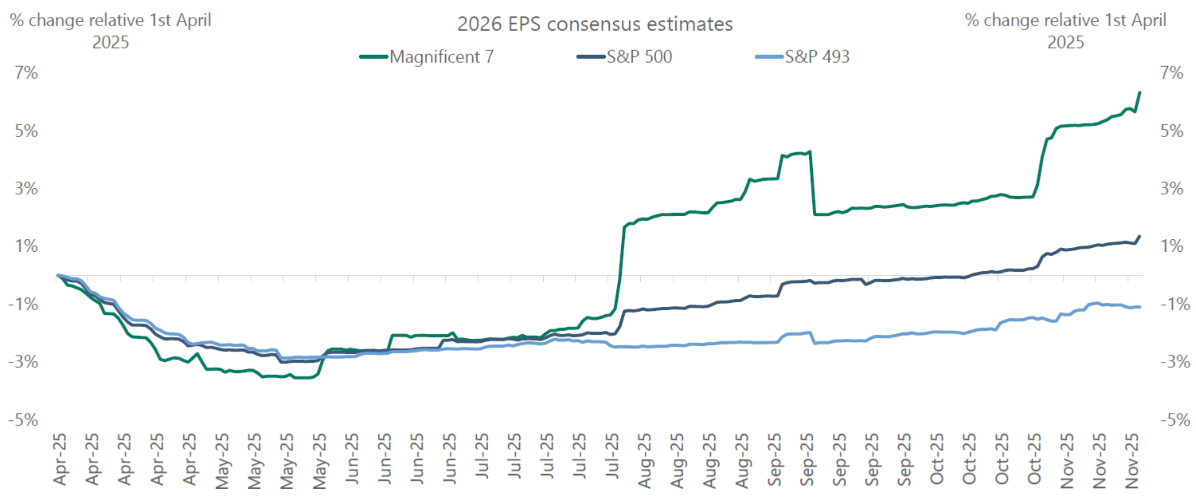


[1] *Source: US Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist.*

Hyperscaler capex projections ($bn)[1]



There are signs that AI adoption is somewhat flatlining, though it is too early to call this a clear trend and indeed if the use case comes through strongly then this will likely pick up. The latter is unclear; in surveys many companies say they do not know or cannot evaluate the benefit AI has on their business. Potentially this is inevitable for a technology which has developed so rapidly, but at some point, the use case will need to be identified for profitability to continue. The reliance on the Magnificent 7 for equity market performance is well known and continues. For 2026, earnings per share (EPS) estimates have risen for the Mag7 since Liberation Day but are negative for all other companies in the S&P 500[2].



What may be less obvious is that credit markets are becoming increasingly sensitive to AI companies also. Four of the largest issuers of credit in 2025 were the hyperscalers and this looks set to continue.

[1] *Source: S&P Capital IQ. Data as of Sep 2025.*

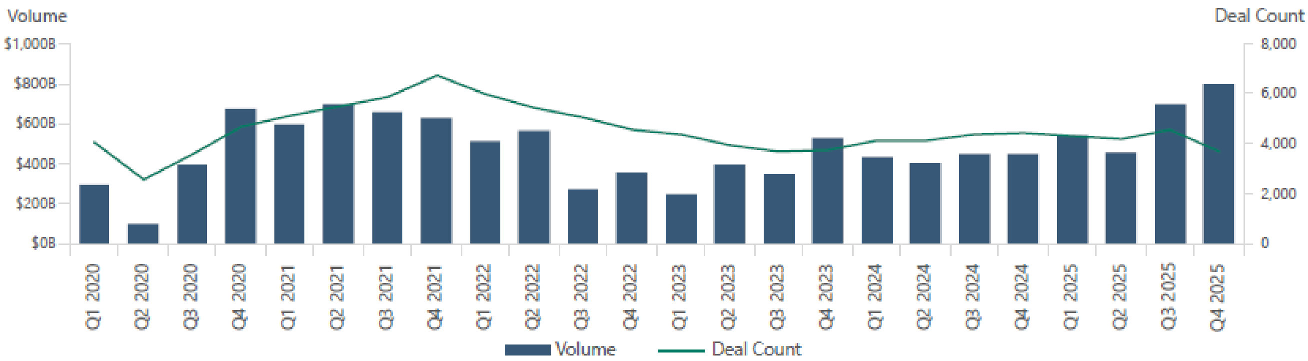
[2] *Source: Bloomberg, Apollo Chief Economist.*

Top 15 issuers trending away from banks and towards tech, media and telecom[1]

	2021		2022		2023		2024		2025	
	Issuer	Issuance $bn	Issuer	Issuance $bn	Issuer	Issuance $bn	Issuer	Issuance $bn	Issuer	Issuance $bn
1	GS	43.7	BAC	40.2	PFE	31.0	JPM	39.5	META + RPLDCI*	57.3
2	JPM	41.3	JPM	33.1	WFC	27.7	MS	35.8	MS	36.0
3	BAC	41.3	WBD	30.0	MS	26.3	C	30.7	C	35.9
4	MS	34.5	MS	26.0	BAC	25.0	GS	29.8	GS	26.4
5	VZ	26.0	C	25.3	AMGN	24.0	UNH	18.0	JPM	26.0
6	AER	22.0	WFC	23.5	JPM	18.0	WFC	16.8	MARS	26.0
7	AAPL	20.5	GS	23.2	HSBC	16.0	HSBC	16.5	ORCL	25.8
8	AMZN	18.5	AMZN	21.0	UBS	15.0	ABBV	15.0	HSBC	23.8
9	C	18.5	HSBC	18.5	C	13.5	RY	14.0	BAC	23.0
10	HSBC	16.5	TD	17.3	SUMIBK	13.4	CSCO	13.5	GOOGL	22.5
11	ORCL	15.0	UNH	15.0	PNC	12.0	TOYOTA	13.3	WFC	19.5
12	UBS	13.3	UBS	13.8	BACR	11.8	BMY	13.0	UBS	16.3
13	TOYOTA	12.6	CS	13.3	CVS	11.0	ANZ	12.8	AMZN	15.0
14	TD	12.5	AXP	13.3	INTC	11.0	HYNMTR	11.6	RY	14.9
15	QPETRO	12.5	MUFG	13.2	TOYOTA	10.9	LLY	11.5	AVGO	14.0

Absent the impact of AI, corporate activity is strong with a resurgence in M&A activity seen in the latter part of 2025. Tensions between countries may result in making some cross-border transactions more difficult, particularly as countries may begin to favour "national champions", but 2026 has started strongly as well.

North American M&A transactions[2]



One final point, which is causing more localised political conflict, is the increasing inequality in society. This is exacerbated by the "K-shaped" recovery. In the US, GDP grew at 4.4% annualised in Q3 and the Atlanta Fed GDP is now showing growth of 5.4% in Q4 2025. Despite this, the unemployment rate has picked up moderately to 4.4%, from 4.1% in June and <4% at the start of 2025. Similarly, the share of consumption from the top 10% consumers has steadily picked up.

There are high levels of volatility and uncertainty in markets, over intrinsic valuations (record-tight credit spreads, high equity valuations), with an unravelling of geopolitical alliances and otherwise economic stimulus from both fiscal and monetary measures. We think it makes sense to have a balanced approach, with investments which can perform in different scenarios.

---

[1] *Source: Goldman Sachs as of Dec 2025. Includes $27.3bn of investment-grade data centre project finance issued by Beignet Investor LLC and backed by Meta.*

[2] *Source: Bloomberg as of Dec 2025. Includes pending and completed deals, and one count of WBD transaction.*

Strategy Allocations

Our portfolios have continued to perform well for 2025, bringing gains for the year to high single digits / low double digits. This has continued to be generated with minimal, if any, beta with broader markets. We continue to operate with a similar mindset and see sufficient opportunities to generate strong returns without beta.

Discretionary and Systematic Global Macro

Discretionary macro strategies were the strong drivers of returns in Q4. Classic directional thematic macro funds were strategically positioned to capitalise on a trending market as the year closed. Gains were realised across various asset classes:

- **Rates:** profitable steepening views in US and European yield curves, along with a long position in UK rates, contributed to gains. Conversely, long positions and steepeners in select Asian markets detracted, while a short bias on Japanese rates proved beneficial.
- **Commodities:** managers generally held a bullish outlook on base and precious metals, dynamically adjusting position sizes and employing option structures to mitigate losses. As the quarter progressed, concerns about crowded trades in precious metals grew.
- **Currencies:** currency trading yielded profits, particularly through a short bias against the USD in favour of emerging market currencies.
- **Equities:** macro managers capitalised on equity trading, with sector positioning in technology and long positions in European and Asian indices driving gains.

Risk levels were moderate to high as macro funds leveraged a fertile opportunity set, though risk was reduced towards year end. Managers remain vigilant, noting increased market complacency amid extended asset price trends.

Quantitative equity market neutral strategies (statistical arbitrage) ended the year positively after a tough summer. US mid-frequency strategies rebounded, benefiting from strong alpha in short positions as several high-momentum stocks declined. Despite a challenging environment for quantitative investing, characterised by market volatility and irrational exuberance, our managers are diversifying their signal range beyond US equities to other geographies and asset classes.

Relative value strategies produced mixed results, with our fixed income-focused manager achieving positive returns. The bond-basis opportunity set remains average, lacking the allure of post-Covid times. However, managers anticipate potential changes in the medium term due to ongoing bond issuance from developed economies facing fiscal challenges, which could enhance liquidity provision opportunities. Profitable relative value bond trading in Japanese bonds was noted during the year.

As we enter the new year, we maintain our current allocations, recognising the compelling environment for discretionary global macro. However, we remain cautious, acknowledging the potential for rapid changes. We favour managers who actively manage exposures and demonstrate flexibility in positioning, given the fast-paced developments in macroeconomic and geopolitical spheres.

Equity Long/Short

Risk assets made further gains in the fourth quarter, with most global equity indices closing at or near all-time highs. Equity hedge funds generally did well to capture this rally, with the HFRI Equity Hedge Index ending the year up 17.1%, its second-best year in the last 16 years surpassed only by 2020. The last 2 years have generally provided a favourable backdrop for equity long/short strategies.

Several key themes dominated equity market performance in 2025, most notably the substantial investments being made in generative AI, which continued to have a profound impact on broad swathes of the market, including semiconductors, networking, storage, and power infrastructure. Beyond AI, other areas that performed well included aerospace and defence, as well as beneficiaries of US re-industrialisation, energy security and the scramble for rare earth materials. All of these have been propelled by an increasingly volatile global geopolitical backdrop. Many of our equity long/short managers generated strong returns from one or more of these themes throughout the year.

Stenham's equity manager allocations, in aggregate, contributed positively to performance in both the fourth quarter and for the full year. Among our core holdings are two global multi-manager platform funds that employ a tightly risk-managed, market-neutral approach. Both managers delivered double-digit returns for the year, with low volatility and no persistent correlation to equity markets. Another positive area of investment was healthcare, which experienced a turnaround after a difficult few years. Our allocation to healthcare managers, particularly those focused on biotechnology, posted outsized returns in Q4. We continue to view the space constructively but have been reducing exposure to more directional managers. We remain cautiously optimistic on the outlook for our equity long/short exposure in 2026 and continue to favour funds that can generate strong returns irrespective of overall market direction.

Event Driven

The event driven strategy had a slightly less impressive quarter, but generated very strong gains overall for the year, with one manager returning low double digits and one over 25%. This was initially driven earlier in 2025 by active trading of older deals which subsequently closed. Now, levels of investment by our funds are at historic-high levels for the funds, a result of the pick-up in M&A activity seen in Q4. Activity has also been high in 2026 and we are optimistic on the outlook. A number of the deals announced have been with larger companies often with more complex, larger capital structures which can allow more dynamic positioning.

Credit

The credit allocation had a strong quarter. Notably, our convertible bond manager performed well with a high level of issuance allowing strong capital markets trading. Additionally, the volatility of stocks, particularly in technology, enabled strong gamma trading. These bonds are now trading with a higher equity delta – our manager is typically fully hedged at the single-stock level, which means that these are increasingly “synthetic put” trades and long volatility against high multiple equities.

Our other credit managers continued to perform well. Gains were driven by long positions given the continued narrowing of spreads, with managers tilting overall net long. Under the surface of tight spreads, there is relatively high dispersion, with weaker ‘CCC’ debt trading at wide spreads and higher quality at very tight levels. There are significant refinancing requirements in 2026 and 2027 (often refinancing the debt raised in 2020/2) which should enable interesting trades both long and short in determining which of these companies will be able to refinance successfully. Overall, net exposure has continued to trend lower as spreads have tightened, though the funds remain very fully invested.

Summary

Our funds have seen strong performance in the past year, continuing a trend over a number of years. We are encouraged by this, and the outlook remains strong across all strategies. We have seen increased interest from clients for the uncorrelated returns which are possible, as shown in the growth of our AuM, and we are very focused on securing capacity with the highest-quality funds.

Thank you for your ongoing confidence. Please get in touch if you would like to hear more about our strategies or funds. Further information can also be found on our website.

The Executive Advisory Committee

Kevin Arenson

Akshay Krishnan

Tim Beck

DISCLAIMER

This document relates to the services of the Stenham Asset Management Group and certain both regulated and unregulated collective investment schemes (the "Funds") as defined in the Financial Services and Markets Act 2000 ("**FSMA**"). It has been approved by Stenham Advisors Plc. The Funds have not been authorised or otherwise approved by the Financial Conduct Authority. This communication is directed only at, and the units to which this communication relates are available only to, such persons who satisfy the criteria for one or more of the following : (a) an investment professional, being a person having professional experience of participating in unregulated schemes within the meaning of article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) Order 2001, as amended (the "**CIS Promotion Order**"); (b) a certified high net worth individual, being an individual who has signed, within the preceding 12 months, a statement complying with Part I of the Schedule of the CIS Promotion Order; (c) a high net worth company, unincorporated association etc, being an entity to which article 22(2) of the CIS Promotion Order applies; (d) a certified sophisticated investor, being a person: (i) who has a current written certificate signed by an authorised person stating that the person is sufficiently knowledgeable to understand the risks associated with participating in unregulated schemes; and (ii) who has signed, within the preceding 12 months, a statement in the terms set out at article 23(1) of the CIS Promotion Order; (e) an association of high net worth or sophisticated investors within the meaning of article 24 of the CIS Promotion Order; and (f) any other person to whom it may otherwise be lawfully communicated, including, where the communicator is an authorised person, those persons listed in rule 4.12 of the Conduct of Business Sourcebook of the FCA Handbook ("**COBS**"); (collectively, "**Exempt Recipients**"). It is not intended for Retail clients.

This communication is exempt from the scheme promotion restriction in section 238 of FSMA on the communication of invitations or inducements to participate in unregulated schemes on the grounds that it is made to Exempt Recipients. It is a condition of your receiving this communication that you are, and you warrant to Stenham Advisors Plc that you are an Exempt Recipient. Persons who do not satisfy the criteria to be an Exempt Recipient should not rely on this communication nor take any action upon it but should return this communication immediately to Stenham Advisors Plc at 180 Great Portland Street, London W1W 5QZ.

This communication is confidential and intended solely for the person to whom it is delivered. No part of this communication may be reproduced in any form or by any means or re-distributed without the prior written consent of Stenham Advisors Plc. This communication should not be construed as an offer to sell any investment or service. This communication does not constitute the solicitation of an offer to purchase or subscribe for any investment or service in any jurisdiction where, or from any person in respect of whom, such a solicitation of an offer is unlawful. This communication does not constitute investment advice or a personal recommendation. If you are in doubt about the units to which this communication relates, you should consult an authorised person specialising in advising on participation in unregulated schemes. The information in this communication has been prepared in good faith, however, no representation or warranty, expressed or implied, is or will be made and no responsibility or liability is or will be accepted by Stenham Advisors Plc or its officers, employees or agents in relation to the accuracy, completeness or fitness for any purpose of this communication. Past performance is not a reliable indicator of future results. The information stated, opinions expressed and estimates given are subject to change without prior notice.

The services described are provided by Stenham Advisors Plc or by its subsidiaries and/or affiliates in accordance with appropriate local legislation and regulation. Certain products and services may not be available in all locations or to all Stenham Advisors Plc clients.

Stenham Advisors Plc is authorised and regulated by the Financial Conduct Authority.