STENHAM
ASSET MANAGEMENT

2025 Investment Letter

Stenham Equity UCITS Fund

Performance Review

Fund vs. Benchmark[1]	Q4 2025	2025	Since Inception
Stenham Equity Fund (A1)	**-1.4%**	**6.8%**	**233.9%**
Stenham Equity Fund (A1) excl. FX	**-1.5%**	**9.5%**	**-**
MSCI World Index	2.9%	19.5%	245.0%
Relative	-4.3%	-10.0%	-11.1%

Portfolio Attribution

Top Contributors - 2025	Weight	Attribution
Taiwan Semiconductor	6.5%	3.0%
GE Aerospace	3.1%	2.3%
Safran	4.1%	2.2%

Top Detractors - 2025	Weight	Attribution
Thermo Fisher Scientific	0.0%	-1.3%
Zoetis	0.0%	-1.3%
Ferrari	4.2%	-0.6%

Market Commentary

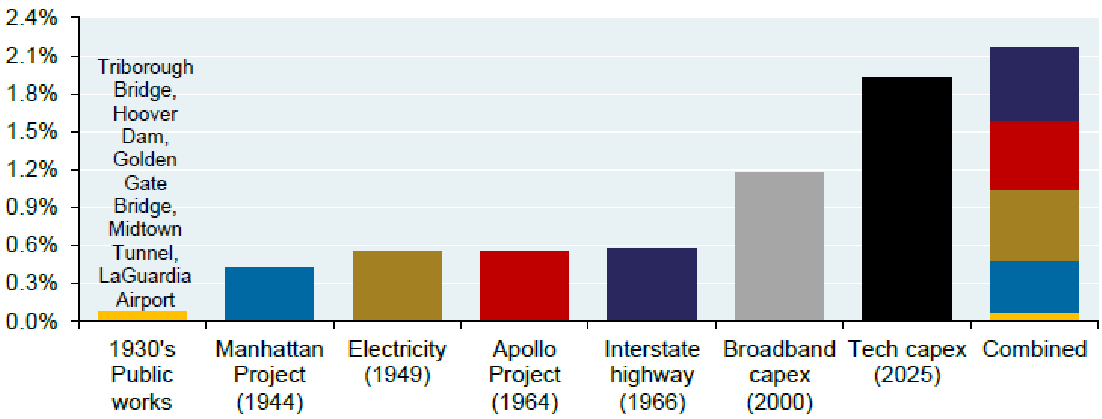
Equity markets delivered another year of positive performance, with the MSCI World Index advancing 19.5% in 2025. This headline figure, however, belies the meaningful volatility experienced over the course of the year. Early on, a breakthrough by Chinese Artificial Intelligence (AI) company DeepSeek sent shockwaves through the technology sector. Morgan Stanley's AI Leaders basket fell 15% in a single day, while Nvidia recorded the largest one-day market capitalisation loss in history, shedding nearly $600bn in value. This was followed by "Liberation Day", when proposed changes to the US tariff regime drove the VIX Index, often referred to as the

[1] *Performance as of 31 Dec 2025 is presented net of fees. Stenham Equity Fund Class A1 reactivation date 18 Nov 2020. Stenham Equity Long Only Strategy inception date 13 Apr 2012.* ***Past performance does not predict future returns.*** *Source: Stenham, Bloomberg. This is a marketing communication. Please refer to the Fund prospectus and KIID before making any final investment decisions.*

market's fear gauge, to its third-highest level of the past two decades, surpassed only during the Global Financial Crisis in 2008 and the pandemic in 2020.

Despite these episodes, equity markets recovered strongly, driven largely by sustained investor enthusiasm around AI. JP Morgan estimates that AI-related investment represents the largest capital spending programme in US history, with technology sector capital expenditure contributing an estimated 40–45% of US GDP growth over the past three quarters, up from <5% in the first three quarters of 2023. This recovery in markets, however, was not without its own challenges. AI-related equities continued to climb a wall of worry, amid concerns over bubble-like dynamics, complex and circular funding structures reminiscent of the dot-com era, and ongoing debate about the ultimate returns on the level of spending underway.

Technology capital spending in 2025 vs Spending on major US infrastructure projects[1]
Peak annual project % of GDP



While some of these questions remain unresolved, a growing number of companies across a broad range of industries are beginning to demonstrate tangible value creation, both through cost efficiencies and revenue growth. In retail, Walmart highlighted the use of AI to manage data across its vast product catalogue, a task that would have required "nearly 100x the current headcount" to complete within the same timeframe. In transport, logistics firm CH Robinson reported a "40% increase in shipments per person per day" following the deployment of generative AI across quoting, scheduling and customer communications. Within technology, Shopify's CEO noted that he had written "more code in the past three weeks than in the prior decade", underscoring the productivity gains emerging from AI-enabled development tools.

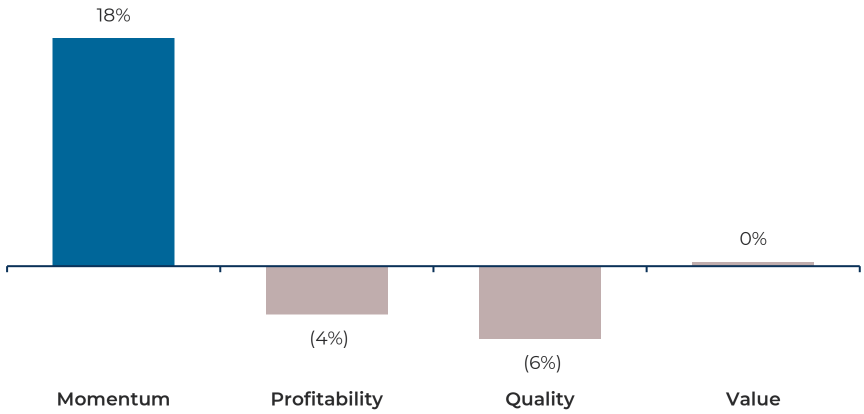
In our view, AI represents a clear long-term secular growth opportunity, reflected in the Fund's exposure to the theme. However, fundamentals also matter and our investment philosophy is grounded in the quality and predictability of the businesses we invest in. Quality as a factor has underperformed since the emergence of AI as a dominant equity market theme, with 2025 marking the most pronounced divergence to date. The year saw the largest performance gap between the S&P 500 Index and the S&P 500 Quality Index since 1999. Even within technology, this dynamic has been stark: the Goldman Sachs Non-Profitable Technology Index rose 46% over the year, while the Goldman Sachs Quality Technology Index declined 4%.

This environment proved a significant headwind for the Fund, driving the sizeable underperformance relative to the index as fundamentals gave way to momentum, which was the overriding force in the market. While

[1] *Source: Manhattan District History, BEA, Planetary Society, Eno Center for Transportation, San Francisco Fed, Hoover Archives, Baruch, GoldenGate.org, New York Times, JP Morgan Asset Management, 2025.*

fundamentals may not matter all the time in markets, they certainly do matter over time. As we enter the fourth year of this AI cycle, we believe the focus will increasingly shift toward business fundamentals, particularly with the rising investor debates previously mentioned and we are already seeing emerging signs of this. Oracle rallied 38% after Q3 2025 earnings pointed to AI-driven cloud demand well ahead of expectations, only to retrace the entire move and trade almost 30% below its pre-earnings price as scepticism around the durability of that demand and balance sheet leverage eclipsed the AI narrative. Against a backdrop of rapid technological change, disruption and questions on the sustainability of AI demand, we believe companies with deep competitive advantages, attractive returns on capital and a high degree of earnings visibility are best placed in this regard. We will discuss several of these portfolio holdings further, alongside other key themes.

2025 Performance by US Factors[1]



Portfolio Discussion

Power (Siemens Energy)

Power is a key investment theme for us and has emerged as a binding constraint on US economic expansion. Following years of minimal growth, US electricity demand is inflecting, fuelled by data centre expansion, electric vehicle adoption and the reshoring of manufacturing. The computational intensity of AI training and inference is enormous. As AI adoption broadens and use cases proliferate, demand for compute – and therefore electricity – is expected to grow exponentially. Major technology firms are responding by massively investing in US data centres, which currently account for ~5% of electricity demand, a figure anticipated to reach 10% by 2030. Against this backdrop, the US has underinvested in both generation capacity and its grid, much of which was built decades ago. In contrast, China has maintained an aggressive pace of investment, on track to add generation capacity equivalent to the entire US every three years, providing an important advantage in the competition for AI leadership. These dynamics are creating unprecedented demand for generation and grid equipment in the US, leading to shortages, extended backlogs and significant pricing leverage. Within generation, natural gas stands out as the most scalable near-term option, deployable quickly, cost-effectively and with low execution risk, while providing reliable baseload power. Our investment in Siemens Energy (ENR GR) reflects this view, with the company uniquely positioned to benefit as a leading supplier of gas turbines and grid equipment. The strong cash flow visibility associated with gas turbines is

[1] *Data as of 31 Dec 2025. Momentum = Goldman Sachs US Barra HiLo Momentum (GSP1MOMO Index); Growth = Goldman Sachs US Barra HiLo Profitability (GSP1PROF Index); Value = Goldman Sachs US Barra HiLo Value (GSP1VALU Index); Quality = Goldman Sachs US Barra HiLo Quality (GSP1QUAL Index). Source: Stenham Asset Management, Bloomberg.*

especially attractive to us, underpinned by: (1) a significant supply-demand imbalance fuelling a growing multi-year backlog; and (2) a rising installed base paired with long-duration service contracts, which will provide a recurring aftermarket revenue stream for decades ahead. We continue to deepen our work on this theme which we think offers a runway and opportunity set that extends well into the future.

Semiconductors (Taiwan Semiconductor, Synopsys)

Semiconductors have been clear beneficiaries of AI-driven demand, but within the sector, Taiwan Semiconductor Manufacturing Co. (TSMC) occupies what is arguably the most critical bottleneck as the dominant manufacturer of advanced logic chips, with few credible alternatives able to operate at comparable scale and efficiency. This unique competitive position provides TSMC with a high degree of revenue visibility, particularly as the current demand far outstrips supply. In addition, it provides TSMC with significant pricing power, which we believe remains underappreciated when comparing TSMC's gross margins of 60% (FY2025) with those of its key customers such as Nvidia, generating 71% margins. In fact, Nvidia CEO Jensen Huang publicly endorsed the view that TSMC's pricing has been "too low" relative to the value of its technology. Despite this, TSMC's valuation has remained broadly unchanged over the past year at around 20x forward earnings, with share price performance driven primarily by positive earnings revisions of over 44%. Taken together, we remain constructive on the outlook given the combination of powerful secular tailwinds and compelling underlying fundamentals.

US Reshoring (Union Pacific, Canadian Pacific Kansas City, Ferguson)

Reshoring represents a core investment theme and a structural trend we believe will fundamentally shape the next phase of the global economy. For decades, trade globalisation increased US reliance on low-cost manufacturing hubs, particularly China, which emerged as the largest exporter of goods to the US. As geopolitical tensions and supply chain disruptions have intensified, securing control over strategic resources has become paramount. Consequently, US policy is increasingly focused on reducing dependence on China and bolstering domestic and regional production. This shift is already evident: Mexico has recently overtaken China as the top exporter of goods to the US, and significant investment is underway to bring back critical industries, not only semiconductors and pharmaceuticals, but also broader manufacturing such as automotive and machinery. Railroads remain the backbone of the North American economy and are vital to the reshoring effort, accounting for over 30% of US freight movements. Our investments in two railroads are especially well positioned: (1) Canadian Pacific Kansas City (CP US), the only single-line network spanning Canada, the US and Mexico, is uniquely placed to capitalise on North-South trade flows; (2) Union Pacific (UNP US), in combination with Norfolk Southern (NSC US) pending regulatory approval, would create the only single-line network directly connecting the West Coast and East Coast, ideally positioned to benefit from West-East trade flows. These physical networks, built through two centuries of capital investment and protected by significant regulatory and practical barriers, cannot be replicated, rendering them increasingly valuable, particularly in a world where digital moats are being increasingly challenged by AI. Additionally, our investment in Ferguson (FERG US) also reflects this view. Megaproject activity, particularly manufacturing facilities and data centres is becoming an increasingly important driver of non-residential construction in the US, with management estimating that these large capital projects represent a sizeable opportunity within a broader US construction spend of roughly $2.5tn through 2030. Ferguson, with a leading market position across HVAC[1], plumbing, industrial distribution, and an extensive local footprint in regions seeing elevated megaproject and data centre construction activity, is well positioned to capture this trend.

[1] *Heating, ventilation and air conditioning.*

Payments (Visa, Mastercard)

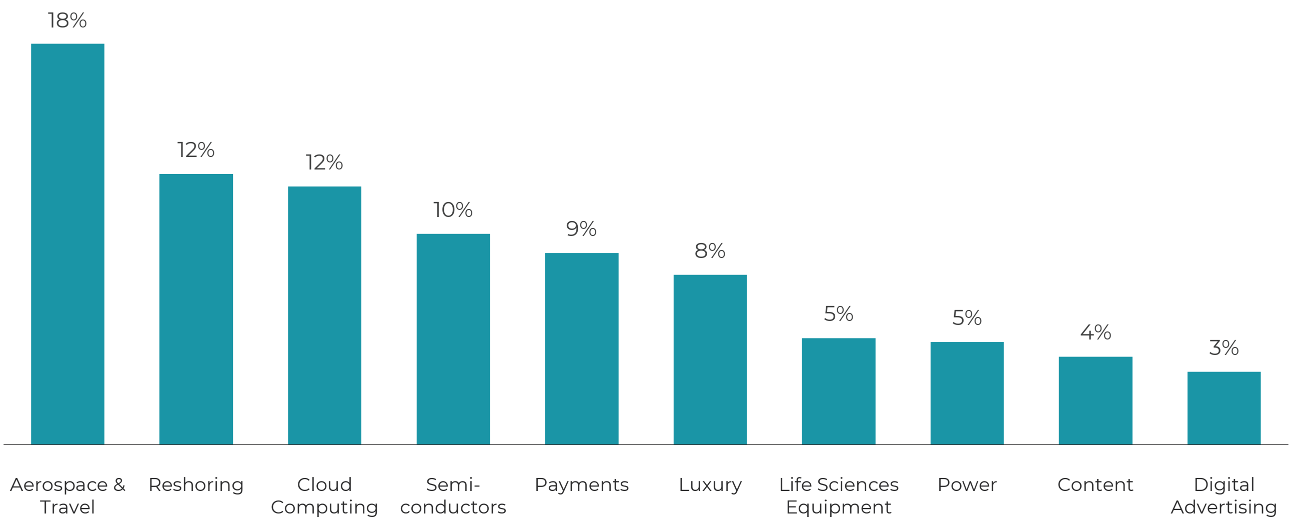
The card networks, Visa and Mastercard, have been one of the longest-standing themes in the portfolio. They provide the infrastructure "rails" underpinning modern consumption flows and increasingly leverage their vast data assets and domain expertise through additional value-added services (VAS) spanning acceptance, risk and advisory solutions. Looking ahead, the emergence of agentic commerce, where AI agents autonomously transact on behalf of consumers and merchants is expected to accelerate online commerce by further reducing frictions in digital purchasing. This shift also enhances the networks' value proposition through greater fraud complexity, driving rising demand for data, risk, and other value-added services.

We remain confident in the networks' future position within the payments ecosystem and their ability to outperform over time, while acknowledging that regulatory noise will arise periodically. Most recently, the Trump administration expressed intent to cap credit card interest rates at 10% and endorsed the Credit Card Competition Act (CCCA). Our research indicates these measures have a low probability of passing in their current form, and if enacted, their implications would likely provide more harm than good to consumers. Nevertheless, the implications of such measures should have limited impact on the networks' business models. While payment networks set card interchange fees, they do not earn them, as interchange revenue accrues predominantly to the issuing banks. Historical precedent suggests that such regulatory interventions can deliver debatable consumer benefits without materially impacting the networks' long-term economics.

Outlook

While the Fund generated positive returns over 2025, we remain disappointed with the relative performance versus the index. The average valuation multiple for our portfolio companies compressed 4% over the year, despite earnings estimates rising 14%. Said differently, the valuation opportunity within the portfolio has improved even as the fundamental outlook has strengthened. We retain a high degree of conviction in the quality of the businesses we own, and the prospective IRR for the Fund is near the highest levels we have seen in recent years at 16%, approximately 2x greater than the long-term return of the MSCI World Index.

Portfolio Themes[1]



[1] *Data as of 31 Dec 2025. Source: Stenham Asset Management.*

As always, we appreciate your continued support and investment. Should you have any questions, please do not hesitate to reach out.

Kind regards,

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