8 April 2026

Dear Equity Investor

STONEHAGE FLEMING GLOBAL BEST IDEAS EQUITY FUND – 1st Quarter 2026

1. FIRST QUARTER MARKET PERFORMANCE

Stock market[1]

Global equity markets experienced a volatile first quarter. The MSCI All-Country World Index (MSCI ACWI) delivered a total return of -3.2% for US Dollar-based investors. The initial positive start to the year turned progressively negative as the Iran war escalated through March. The worst performing markets over the quarter were China (-8.9% for the MSCI China Index) and Europe (-5.1% for the EURO STOXX 50 Index). Against this, Japan (+0.5% for the Nikkei 225 Index), Emerging Markets (-0.1% for the MSCI EM Index) and the US (-4.4% for the S&P 500 Index) performed relatively better.

The Dollar also reversed its weakening trend through the quarter, supported by higher US interest rates which resulted from materially higher energy prices and their potential effects on inflation.

Backdrop

The global economic backdrop remains constructive. World trade has continued growing, currently at +5% p.a. This indicates solid global economic activity. Despite weak US consumer confidence, overall consumption is currently growing at +5% p.a., which is in line with its long-term average. US economic activity indicators are also rising.

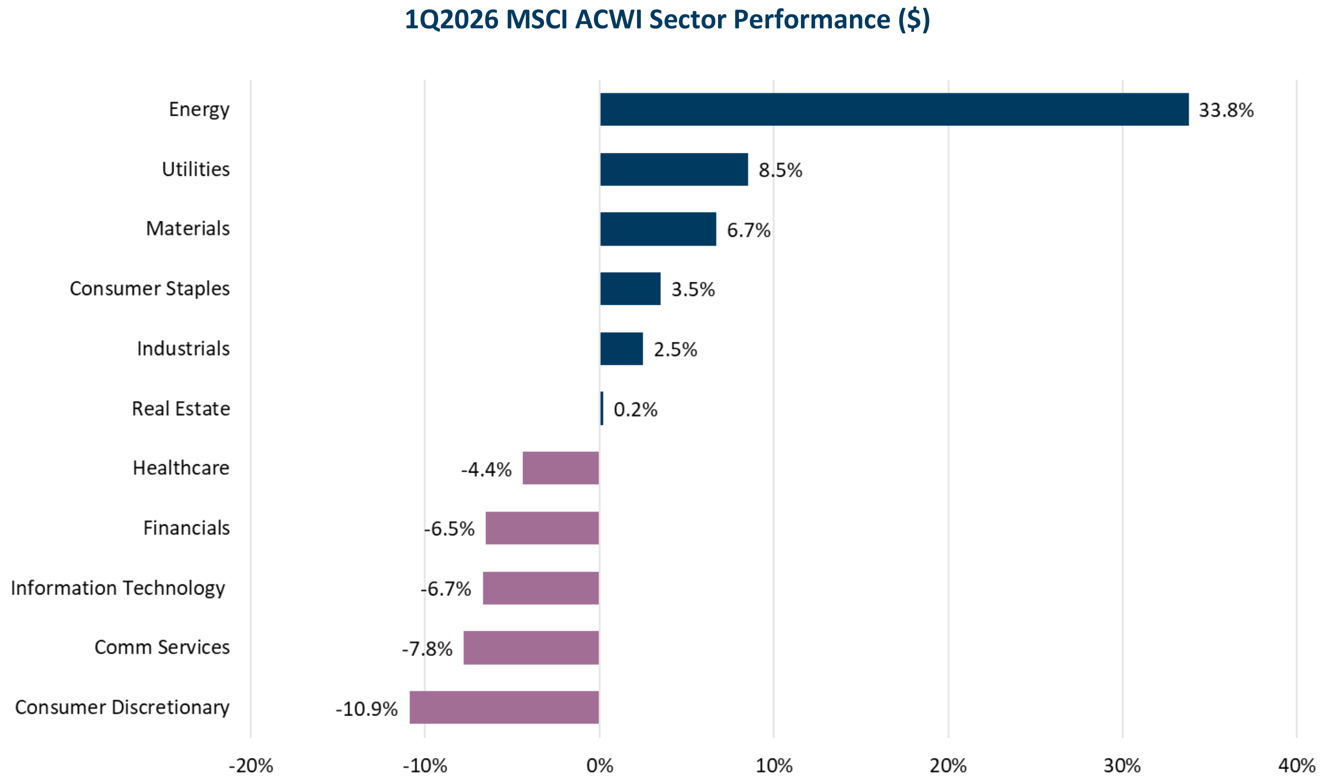
US employment was a focus area of the quarter. It weakened well below average levels earlier in the year but then recovered strongly to an above-average level by March. Job cuts remained well below average. Some are asking the question whether AI may even be starting to affect employment creation.

This positive backdrop was in contrast to the bombing of Iran from 28 February, and specifically the war's effects on energy prices. Crude oil's price increased by over 50% during March, fuelling fears of inflation and higher interest rates. Expectations for two-year US inflation increased over the month from 2.8% to 3.3%, and the 10-year Treasury yield increased from 3.9% to 4.3%. This negatively affected investor sentiment with the MSCI ACWI dropping -7.4% over the month.

The Iran war has had profound effects on capital markets. As mentioned, the Dollar reversed its weakening trend, European equities underperformed and sector performances turned in favour of defensive businesses. The latter

[1] Source: Bloomberg, April 2026

is illustrated in the following chart:



The Energy, Utility and Materials sectors outperformed during the quarter, with Energy producers doing particularly well on the back of the high oil price. This sentiment rubbed off on Utilities that distribute energy and many gas and fertiliser businesses in the Materials sector. Many underlying companies in these sectors are not included in quality portfolio mandates, that typically seek to hold sustainable compounders.

Separate to the effects of the war on investor sentiment, the negative rerating of the Magnificent Seven and especially Software technology stocks continued relentlessly. As many of these stocks represent large weights in stock market indices, they have had a proportional effect on the index performance levels.

The overall S&P 500 Index volatility (as reflected by the VIX Index) increased to over +2 standard deviation levels, last seen with the Liberation Day stock market collapse of April last year. It is clear that the Iran war has materially disrupted stock markets.

2. FIRST QUARTER FUND PERFORMANCE[2]

Performance

The Fund delivered a -9.0% return to US Dollar-denominated investors (share class B) over the quarter, which equates to a -7.2% return in Sterling terms (share class D). This has brought the compound annual return since inception (August 2013) to 8.4% p.a. in US$ terms. For Sterling investors this is a compound annual return of 9.9% p.a.

The Fund is not, and never has been directly exposed to commodity prices (Oil) that are cyclical and difficult to

[2] Source: Bloomberg, April 2026. Performance quoted net of management fees and withholding tax.

forecast. This proved a headwind to relative performance over the quarter.

Contributions to Fund performance

The largest contributors to, and detractors from gross Fund performance over the quarter reflect in the table below (all data in US Dollars). The pertinent points to make from the table are as follows

- ASML and Eaton continue to benefit from the structural growth in semiconductor manufacturing.
- Linde benefits from its perception as a safe haven under uncertain circumstances.
- Netflix is now in a better fundamental position, having decided against doing the Warner transaction and, furthermore, earning the $2.8 billion break clause provision.
- AIA benefits from the robust Pan Asian life insurance and savings market.

Against these positive contributions, the following were the largest detractors from performance:

- Microsoft has suffered from uncertainty on its AI strategy and its uncertain ties with OpenAI despite record firm commitments.
- LVMH and EssilorLuxottica are negatively affected by weak sentiment on luxury as a result of the war.
- S&P Global is affected by fear of potential AI disruption on data businesses.
- The soft US property insurance pricing environment and the fear of AI disruption has affected AJ Gallagher.

1Q 2026 Contributors / Detractors

Largest Contributors		
Name	Total Return	Contribution
ASML	19.2%	0.8%
Linde	16.5%	0.6%
Eaton	12.6%	0.3%
Netflix	4.4%	0.1%
AIA	5.7%	0.1%
Total		**1.9%**

Largest Detractors		
Name	Total Return	Contribution
Microsoft	-23.4%	-1.2%
LVMH	-29.6%	-1.1%
S&P Global	-18.6%	-0.9%
EssilorLuxottica	-27.6%	-0.8%
AJ Gallagher	-16.1%	-0.6%
Total		**-4.6%**

3. FUND ACTIVITY

Notable transactions during the quarter, which included the introduction of three new businesses, were as follows:

Introducing Safran

Safran complements the holding we have in GE Aerospace. It is a French equal partner in GE Aerospace's CFM International which focuses on the design and manufacturing of narrow body turbines. Around 20% of Safran's business is in European defence with further attractive growth potential from rising defence budgets. As with GE Aerospace, a main attraction of the business is its servicing aftermarket with strong free cash flow characteristics, while its valuation multiple is at a discount to GE Aerospace's.

Introducing West Pharmaceutical Services

West Pharma is a dominant global manufacturer of liquid drug packaging products. These products have regulatory approvals that are tied to the particular drugs and put West Pharma in a strong competitive position to retain their clients and to win new business. The increased adoption of biologics and biosimilars provide good organic growth potential.

Introducing Cintas

Cintas is the dominant leader in the North American uniform rental and facility services market (e.g. factory uniforms, the scrubs of hospital staff, catering clothing). It also sells ancillary products and services like linen supplies, restroom supplies, and first aid and safety products. Over time, Cintas has built enormous scale which has helped it benefit from route density – they focus on specific physical areas to cover as many clients as possible and therefore need fewer delivery trips. It has become very difficult for peers to compete on efficiencies. They are in the process of acquiring their main competitor in their focused regions. We anticipate large synergy potential.

Fully exited two holdings

We have sold the remaining small holdings in Copart and Ferrari. The former is losing market share to their largest peer who benefits from a key insurance partner itself buying market share, and we also have reservations about the structural second-hand value of cars. Ferrari's management materially dampened their medium-term outlook because of the business's rising cost base.

4. OUR CURRENT PORTFOLIO

The portfolio remains well diversified in best-in-class businesses across different sectors and regions. We continue to focus on optimising the quality and the correlations of the underlying holdings.

The Portfolio

As strategic investors, the main long-term structural growth themes that we invest in (and as previously communicated) are briefly as follows:

- 4th Industrial & AI revolution
- Health Care
- Critical Infrastructure
- Insurance
- Innovation
- US Exceptionalism

In this context, the following deserve further mention:

The strategic stars continue aligning for **Alphabet** and **ASML**. Along with the inherent strategic AI successes Alphabet has enjoyed with their Gemini developments, Apple has entered a multi-year partnership that makes Gemini the primary engine behind Apple's ecosystem. Further to this, Alphabet has developed their own Tensor Processing Units (TPUs) for inferencing in their own datacentres. This year, external customers like Anthropic (for their Claude family of models), Meta (for their Llama models), and Apple (to power Siri) have agreed multibillion Dollar TPU contracts with Alphabet. Other large customers like Ford (for autonomous driving algorithms) and Deutsche Post DHL (for complex logistics optimisation) are also using these TPUs. Along with its normally strong deal flow, this year ASML is benefitting further from Samsung Electronics and Intel's memory businesses booming and the new Terafab (Intel-Tesla-xAI) project in Texas requiring large scale new equipment from ASML. ASML is moving from being somewhat cyclical to a more structural growth business.

Market concerns about the potential disruption of software and data related businesses have negatively affected software and data stocks. **Microsoft**, nevertheless, has an exceptionally strong client network and OpenAI has been successful in raising all its large capital needs. **S&P Global** confirmed that 95% of the data they use for supplying solutions is proprietary[3] and it is therefore difficult to disrupt. These shares currently offer good buying opportunities.

We waited more than five years to buy **West Pharma** at an attractive valuation. This addition to the portfolio provides further strong health care exposure with strong organic growth potential, cash generation and an exceptionally strong strategic competitive edge, but with very low risk of new competition or disruption, and with low stock volatility.

The relatively new addition of **AIA** late last year was well timed with the higher-end Pan Asian life insurance and savings markets growing strongly. The stock has added good additional regional diversification and, importantly, is uncorrelated with most of the other positions in the Fund.

With the Iran war, US exceptionalism has again become a topic of debate. Nevertheless, we continue believing that it remains deeply entrenched in the management of their corporations. The new Federal Reserve chair appointment was a responsible one, the Dollar has stabilised and the S&P 500 has outperformed Europe over the quarter. Nevertheless, we have been diversifying the portfolio both sector-wise and regionally as the recent inclusions of **AIA, Safran** and **Cintas** illustrate.

Portfolio Characteristics

The portfolio currently has the following characteristics:

Quality Metrics	
Gross Margin	59.3%
Operating Margin	34.0%
ROIC	21.7%
FCF Conversion	90%
Net Debt: EBITDA	0.7
Interest Cover	39.6x

3 Year Expected Growth[4]	
Revenue	+12% p.a.
Earnings per Share	+16% p.a.
Dividend per Share	+10% p.a.

The data above reflects continued high profitability and strong free cash flow generation, with particularly strong balance sheets. The solid growth outlook (the table on the right) has further improved since year end, off a higher base. This combination of strong financial fundamentals and growth outlook bodes well for protecting and growing wealth.

[3] Company Investor Day, November 2025

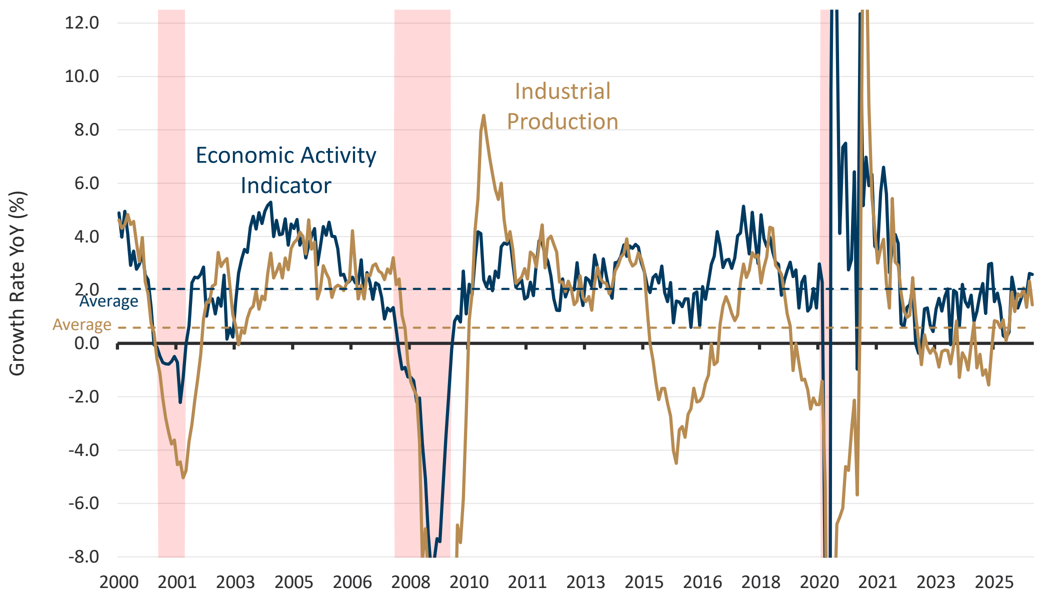
[4] Source: Stonehage Fleming Investment Management. These are internal projections only, and are not guaranteed

5. MACRO OUTLOOK

We highlight the main fundamental issues affecting the outlook for capital markets from a macro perspective:

a) World economy remains resilient

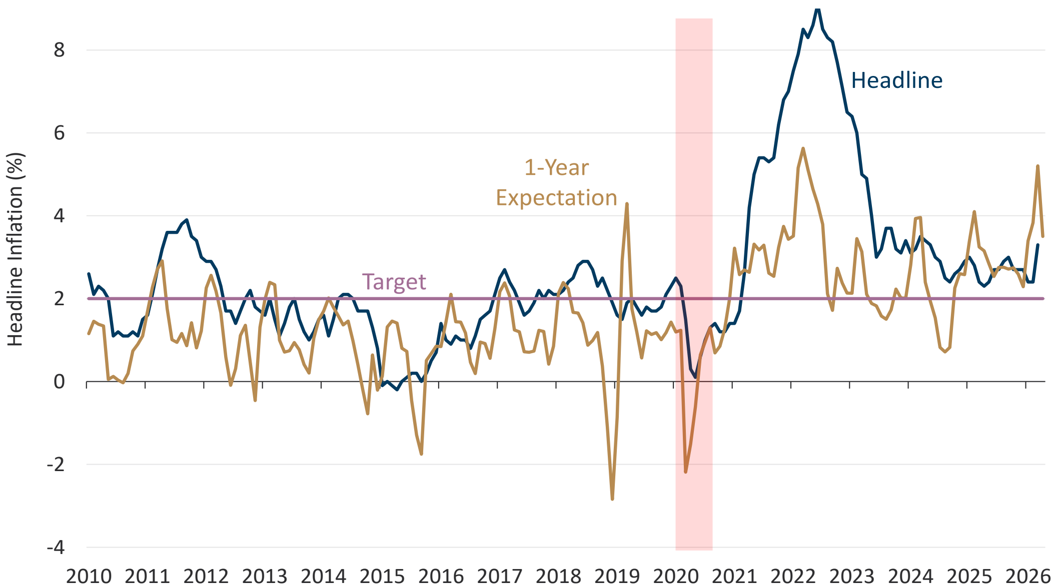
US - Goldman Sachs Leading Economic Activity Indicator vs Industrial Production Growth (%)



A year since the Liberation Day tariff announcements, the US and global economy remain more resilient than most expected. As reflected in the preceding chart, both the US Economic Activity Index and Industrial Production continue to grow close to long-term average levels. This, importantly, is also the case for Consumption. World trade continues to grow at the same rate of +5%. Forward looking data is generally constructive (e.g. Citi Economic Change data, PMI indices, Backlog data). Barring disruptions (e.g. further potential effects from the Iran war), the economic outlook remains favourable.

b) Inflation outlook uncertain

US Headline Inflation vs 1-Year Implied Expectation (%)



US inflation was well under control at the end of February at 2.4%. The increase to 3.3% in March is almost entirely due to the increase in energy costs. This implies little other material inflation pressures. The fears of high inflation stickiness following the Pandemic did not last long. Whilst expectations for future inflation (the gold line in the above chart, note to what extent it often overreacts) accelerated sharply with the Iran war, they also receded quickly in April with the ceasefire discussions. Clearly, the inflation outlook is almost exclusively dependent on the Iran war outcome. Should a resolution be found in the not-too-distant future, we do not fear potential inflation stickiness and expect US inflation to again become a non-issue and therefore supportive of capital markets.

c) Interest rate outlook uncertain

US interest rates have been affected by the uncertainties as a result of the Iran war. Separate to that, the appointment of Kevin Warsh as the new Fed chair brings a new hawkish perspective to the US interest rate outlook, with there now being no target rate cut expectations this year.

Nevertheless, rates have normalised following the extreme low levels since the Pandemic. Rates were, in real terms, marginally above the long-term average immediately before the war. As with inflation, the interest rate outlook depends almost exclusively on the war outcome. In a positive outcome, rates will be supportive of capital markets.

d) Profit outlook positive

Whilst the potential effects from the Iran war on business earnings are still uncertain, we consider the current consensus projections.

S&P 500 earnings growth has been accelerating for two calendar years in a row since the Pandemic lows (+10% in 2024 and +13% in 2025). The expectations for the next two years are for continuing accelerating results (+16% in 2026 and +17% in 2027). This is a positive fundamental earnings backdrop.

Consensus S&P 500 Forward Earnings Revisions vs 12 Months Ago (Growth %)

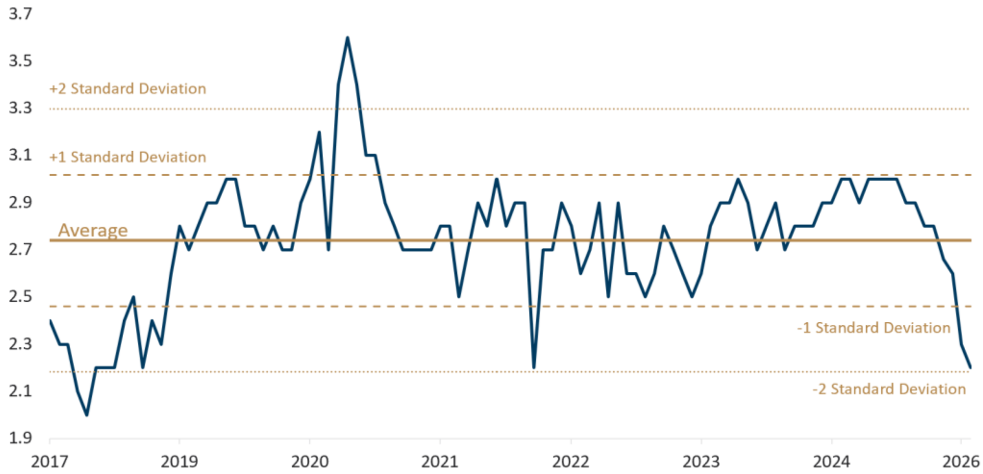
The above chart reflects the change in the earnings expectations against those of a year ago. Expectations have been accelerating over recent months. Whilst it may not yet reflect potential adjustments should the war endure much further, it highlights the constructive fundamental earnings backdrop.

e) Attractive valuations

The following points confirm the current attractive opportunities from a valuation perspective:

- Despite earnings valuations having rerated materially over the longer term, the S&P 500 Forward P/E Ratio has dropped to a level close to its 10-year average – predominantly because of the war.
- Companies making up 61% of the value of our Fund and 69% of the number of holdings are currently trading below their respective 10-year average P/E ratios.
- From an earnings growth perspective, our Fund is attractively valued even compared to its own history:

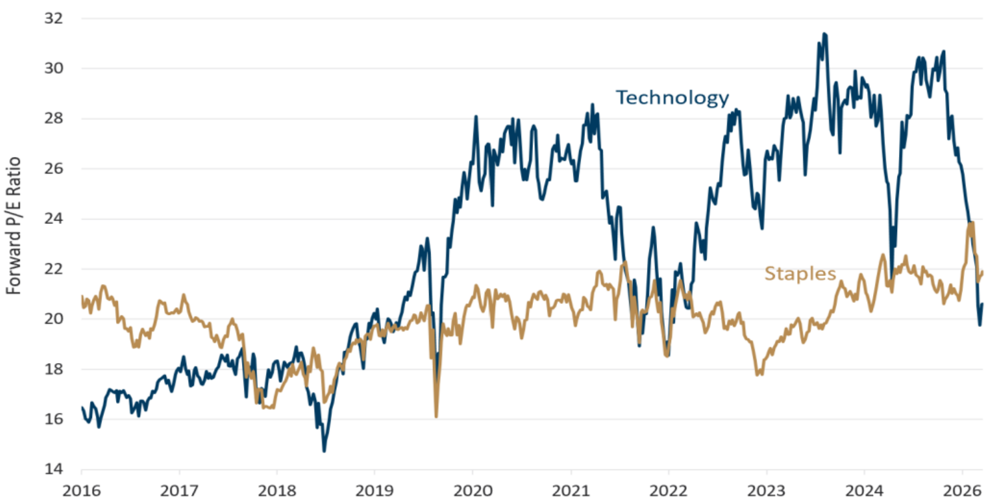
Global Best Ideas – P/E : Growth (PEG) Ratio[5]



The current PEG ratio is -2 standard deviations below average. Considering the quality of the portfolio (as reflected in the table on page 5), this offers an attractive entry point.

- The consensus S&P 500 bottom-up valuation reflects a +22% upside. This compares favourably to the 15-year average upside of +13%, with a realised 15-year return of +13% (including reinvested dividends). The comparable figures for the MSCI ACWI are +19%, +13% and +11% respectively. These expectations may again not fully reflect potential negative effects from the Iran war.
- The valuation upside we have on our Global Best Ideas portfolio is an attractive +24%.
- With uncertainties around the potential disruptive effects from AI and the 'flight to safety' because of the war, various valuation anomalies offer new opportunities. The following chart illustrates a good example:

S&P Technology vs S&P Staples – Forward P/E Ratio



[5] The PEG ratio reflects the ratio between the weighted average trailing PE ratio in the Fund and its projected three-year forward earnings growth

Technology's valuation multiple has dropped to levels last seen with the Liberation Day announcements (2025), The Fed's aggressive tightening (2022 and 2018) and the Pandemic (2020). Apart from the current level being low on absolute levels, it is also low on a relative basis with it having dropped below Staples' valuation multiple (as was the case with those occurrences). Historically, this anomaly offered good buying opportunities in Technology.

6. GLOBAL BEST IDEAS TEAM

Earlier this year we communicated the planned changes in our Global Best Ideas team. As a reminder, I will soon take on the responsibility of Chair of our Global Equity Management business unit, along with the responsibility of Chair of the Global Best Ideas Investment Committee. Carolyn Bell (currently Deputy Portfolio Manager) will become Lead Portfolio Manager and Prandhana Naidu (currently a Senior Analyst) will become Deputy Portfolio Manager.

Before joining our team two years ago, Carolyn spent five years with Baillie Gifford as an Equity Analyst and eleven years with Aegon as Lead Portfolio Manager of their US Pension Fund portfolio and Co-Manager of their US Technology Pension portfolio. Before joining us almost two years ago, Pran spent eight years with Melville Douglas as a Senior Analyst and Co-Manager of their Global Equity Fund.

7. IN SUMMARY

Since 28 February 2026, geopolitical developments in the Middle East have been disrupting capital markets to a material extent – most notably evidenced by renewed inflation, and therefore interest rate uncertainties. The capital market outlook is therefore predominantly dependent on a positive development in this complex conflict. Likewise, a negative outcome will be further detrimental to capital markets.

Up until now, the capital market outlook had been largely constructive. Especially for the US, but the Rest of World economy had also been resilient, with world trade accelerating - despite the US tariff issues. Earnings outlooks were strong and accelerating. Inflation concerns had largely abated, and further Fed target rate cuts had been on the cards for the latter half of this year. The main uncertainties towards the end of February were around the cost of creating AI infrastructure, its potential disruption of some business models and what may come next from the US administration, particularly regarding tariffs and foreign policy.

The structural damage over the past six weeks to the above relatively benign fundamental picture is not yet material. There are clear efforts to resolve the war quickly, and the US administration has good reason to do so. Should they succeed, the Iran war has created good buying opportunities in numerous outstanding quality businesses. We perceive the further potential downside in capital markets in a drawn-out war scenario to be less than the potential upside from a better geopolitical outcome.

We remind ourselves that many a regional war has come and gone without material structural repercussions for stock market returns. With Russia's invasion of Ukraine, the oil price was higher than is currently the case.

With regards to the Fund, we have further refined the portfolio both in terms of regional exposure and underlying correlations. Its valuation upside is the highest we have had in a long time and the current market environment also provides us with further opportunities to consider.

We remain most grateful for all the support from our investors.

With appreciation and kind regards

Gerrit Smit
Partner – Head of Global Equity Management, Lead Portfolio Manager

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