12 January 2026

Dear Equity Investor

GLOBAL BEST IDEAS EQUITY FUND – 2026 Annual Letter

1. 2025 MARKET PERFORMANCE

Stock market[1]

Global equity markets enjoyed another year of strong returns in 2025. The MSCI All-Country World Index (MSCI ACWI) delivered a total return of 22.3% for US Dollar-based investors. Given Dollar weakness (and Sterling strength) through the year, this equates to a 13.9% return in Sterling terms. Against the norm, the US market underperformed major peer markets. The S&P 500 and Nasdaq 100 indices delivered 17.9% and 20.2% respectively, against the EURO STOXX 50 Index's 34.1%, Japan's Nikkei 100 Index's 29.0% and the MSCI China Index's return of 32.3% (all in US Dollar terms).

Dollar weakness had a major impact on investor returns. The Dollar weakened by 9.5% against a trading basket of currencies and enhanced returns on non-US assets for Dollar-based investors. The reverse effect was dampened returns for non-Dollar-based investors with US exposure.

Backdrop

The global economic backdrop was more constructive than initially expected. Despite the many uncertainties and weak consumer confidence, 2025 US GDP is expected to be around 2% and China close to its target of 5.0%. Europe continued to lag with growth around 1%.

A main feature of 2025 was the 2nd April Liberation Day tariff announcements. It caused major uncertainties around global trade and potential effects on US inflation. The S&P 500 Index immediately dropped 12%. The subsequent announcement, a few days later, of a 90-day grace period to negotiate the tariff rates triggered a sharp tactical relief rally.

The relief rally later turned into a fundamental driven rally that continued throughout the year. In most cases, tariff levels settled at rates much lower than the initial announcements, with many concessions and exclusions. This reversed many of the concerns about the potential damage to world trade and resulting inflation fears. Whilst headline US inflation slowly increased, this was driven more by the cost of shelter (through high mortgage rates) than by tariff costs. This also abated later in the year with headline inflation starting to drop in the fourth quarter.

The US employment market softened through the year with new employment numbers dropping and the unemployment rate increasing, but still at a moderate level. US interest rates dropped through the year, further

[1] Source: Bloomberg, January 2026

supporting investor risk appetite.

US companies reported strong topline growth with margin expansion – both of which were well above consensus expectations. Further to this, consensus S&P 500 earnings expectations for the following twelve months have been rising from the middle of the year and ended up at +14% at the end of year.

The Federal Reserve (Fed) made its first target rate cut of 2025 in September following the slowing employment market. A feature this time was that this cut accompanied a strong stock market, which reflects a constructive fundamental outlook. This monetary stimulus further supported the market, with the Fed having further reserves to employ in 2026.

The Liberation Day announcements triggered major investor outflows out of the US and further weakened the Dollar. US exceptionalism then became a topic of debate but soon dissipated. US entrepreneurship, their technology leadership and productivity drive remain entrenched, and their corporations will likely continue to deliver well ahead of peers.

The strength of gold and silver in 2025 (+65% and +131% respectively) has been intriguing. One school of thought argues that the safety of the Dollar is coming under question and that crypto currencies do not yet offer the necessary security.

Another striking feature of 2025 was that good returns were earned without material rating changes. The Magnificent 7 Index has again outperformed (albeit with outperformance less extreme than in 2024), with the source of those returns being earnings growth without multiple expansion, as reflected in the table below:

	Total Return (USD)	
Forward P/E	**S&P 500**	**Mag 7**
31-Dec-24	21.6	30.2
31-Dec-25	22.0	29.0
Change in Forward P/E	1.9%	-4.0%
Total Return	17.9%	24.9%

Some technology stocks have essentially derated whilst still providing attractive returns on the back of strong earnings growth.

2. 2025 FUND PERFORMANCE[2]

Performance

In 2025, the Fund delivered a 9.9% return to US Dollar-denominated investors (share class B), which equates to a 2.3% return in Sterling terms (share class D). This has brought the compound annual return since inception (August 2013) to 9.4% p.a. in US$ terms. For Sterling investors this is a compound annual return of 10.7% p.a.

Quality as an investment style had a rare calendar year of underperformance in 2025 (only the fifth occasion in the last 19 years). This predominantly resulted from a valuation derating effect following investor exuberance about AI opportunities, at the cost of Quality – despite continuing strong operational performance of the latter. With the Fund's Quality Growth orientation, this style rotation impacted its performance in 2025. We comment further in paragraph 5. e. (page 8) on this style rotation.

[2] Source: Bloomberg, January 2026

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Contributions to Fund performance

The largest contributors to, and detractors from gross performance were as follows (all data in US Dollars):

2025 Contributors / Detractors

Largest Contributors		
Name	Total Return	Contribution
Alphabet	65.0%	3.7%
Amphenol	96.1%	3.3%
GE Aerospace	52.2%	2.1%
ASML	55.2%	1.9%
EssilorLuxottica	31.7%	1.5%
Total		**12.5%**

Largest Detractors		
Name	Total Return	Contribution
Copart	-31.7%	-1.2%
Accenture	-21.9%	-0.9%
Verisk Analytics	-18.4%	-0.7%
UnitedHealth	-22.3%	-0.6%
Zoetis	-25.8%	-0.6%
Total		**-4.1%**

Pertinent points to note from this table are as follows:

- Alphabet has been a top 5 contributor three years in a row.
- EssilorLuxottica has been a top 5 contributor two years in a row.
- Two of the top 5 contributors are relatively new holdings in the portfolio (Amphenol and GE Aerospace).
- Zoetis has been a top 5 detractor two years in a row. The stock was sold last year.

3. FUND ACTIVITY

We were more active in 2025 than in previous years – introducing four new names in the portfolio and selling out of some challenged businesses. Notable transactions during the year were as follows:

Introducing GE Aerospace

Following the unbundling of non-core businesses, GE Aerospace offers a strong proposition of sustained high demand for its turbines along with the world's largest installed base (78,000 turbines) as a servicing aftermarket, with strong free cash flow. We expect double-digit growth in returns to shareholders.

Introducing Ferrari

The business excels in generating high demand with limited supply, and consequently stable organic growth and strong returns on investment.

Introducing Broadcom

Broadcom offers good AI exposure through the design of custom chips for their clients' inferencing, along with a large AI-related software business with strong cash flow. This combination is expected to provide high and sustainable organic growth.

Re-introducing AIA

We sold AIA three years ago with the weak Hong Kong and China economy. Its pan-Asia footprint has since operationally continued delivering well, with positive investor sentiment recently returning to the region.

Exiting some holdings

Adobe, Edwards Lifesciences, UnitedHealth and Zoetis were sold because of their individual operational challenges. Thermo Fisher continued struggling with a stagnant biotech market. Colgate-Palmolive has struggled to stimulate its low organic growth. Keyence took on large employment costs which did not translate into additional revenue, whilst facing the risks of more competition and AI disruption.

Addressing regulatory exposure limits

The Fund is subject to certain UCITS maximum exposure limits. With its top positions performing well and growing in portfolio weightings, we undertook several transactions to ensure we remained within the UCITS rules.

4. OUR CURRENT PORTFOLIO

The portfolio is well diversified in best-in-class businesses across different sectors and regions. We pay particular attention to share price correlation amongst the holdings.

As we communicated in last year's annual letter, the main long-term structural growth themes that we continue investing in are briefly as follows:

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

As mentioned earlier, US exceptionalism was briefly questioned last year, but we believe it remains strongly entrenched in the management of their corporations. Notable new developments in technology, especially in AI, merit further comment.

a) 4th Industrial & AI Revolution

<u>Backdrop</u>

AI's vast expected market scale and its profound potential technological impact elevate it to a historic class of innovation. With an expected +37% p.a. compounded growth rate[3] in its addressable market over the next five years, investors are taking serious cognisance of its potential effects on business and its investment opportunities.

2025 was a strong year for a core group of AI infrastructure and semiconductor companies. Meanwhile, many quality companies offering compelling AI solutions were penalised despite remaining highly profitable.

Both optimism and huge uncertainty over future AI adoption and its potential profitability have a major impact on company valuations in various sectors. It has developed into both the current 'AI bubble' debate and the rotation out of Quality with a resulting 'Quality on Sale' market situation. The key AI issues investors focus on are as follows:

- *Will the Hyperscalers' AI investments remain sufficiently profitable?*

  This is one of the most highly debated topics in AI. With rapid AI chip obsolescence and the new datacentre capacity being built – including by new entrants – the risk of price competition and lower profitability is rising, although only in later years.

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[3] Statista Market Insights, October 2025

Providers with the strongest cash flow and balance sheets, largest scale and best technological know-how are best placed going forward. Amazon, Microsoft and Alphabet lead this group. Amazon and Alphabet, by using their own chips, also benefit from an access and cost perspective.

- *Will OpenAI be able to fund its $1.4tr of spending commitments?*

  As a key player and with many peers dependent on its business, investors are increasingly concerned about OpenAI's ability to meet its enormous spending commitments, given that its 2025 revenues are thought to be just $13bn[4].

  In Consumer AI, whilst OpenAI still benefits from its first mover advantage, the competition has caught up and successfully challenged its lead. Alphabet's Gemini 3 model now beats ChatGPT's 5.2 in most tests. In Enterprise AI, Anthropic's Claude model has established itself as the clear market leader, with a structural cost advantage. The fears around competition (as well as 'circular' deals) contributed to a rise in the cost of insuring against default on the debt of the likes of Oracle and CoreWeave (not holdings in the Fund).

  The scale of OpenAI's influence on related businesses means that its fund-raising success (or lack thereof) is influencing market sentiment on many stocks.

- *Will 2026 see a material increase in enterprises' adoption of AI software tools?*

  Many quality software stocks derated sharply last year due to AI uncertainty around 1) their ability to earn incremental revenue from AI solutions, and 2) concern that AI will increase competitive disruption. Investors are having to establish which of these companies are structurally challenged and which are successfully adopting AI tools for operational delivery in due course, and whether their shares are being overly penalised (and therefore offering good new investment opportunities).

- *What will the AI impact be on employment?*

  Whilst the market's conviction is growing that AI Agents will replace material levels of service-sector jobs, no evidence of this can yet be seen in the jobs data. Companies with growth tied to employment (e.g. payroll businesses) have de-rated sharply despite continued good operational performance.

AI offers huge investment opportunities and potential efficiencies, but also the material risk of disruption in this relatively early phase of evolution.

<u>The Fund's AI Exposure</u>

The Fund has for some time had material exposure to companies leading in the 'fourth industrial & AI revolution'. We focus on high quality, highly profitable franchises with strong, reliable earnings growth, strong cash generation and strong balance sheets. The holdings in this context are as follows:

Hyperscalers

Alphabet, **Amazon** and **Microsoft** are leaders in their respective fields, well diversified with various income streams and all self-funding in this phase of high AI-related capital expenditure.

Semiconductors

ASML, **Cadence Design Systems** and **Broadcom** benefit directly from the boom in semiconductor manufacturing. Cadence as a software company and Broadcom as a 'fabless' (non-manufacturing)

[4] Reuters News

semiconductor and software company each have a 'capital-light' business model requiring limited capex.

More indirect exposures

Amphenol and **Eaton** benefit from the build out of AI data centres. Both are diversified companies, with their exposure to AI infrastructure investment enhancing their growth rates and profitability. **Accenture** is the global enterprise partner of choice in technology consulting and outsourcing. They launched a new AI-first strategy and announced partnerships with Anthropic, Palantir, OpenAI and NVIDIA. The stock suffered last year from DOGE cuts.

It is appropriate to highlight the unique positions of **Alphabet** and **ASML** in the context of AI. The former has, through two decades of excellent strategic investments, developed into being the only full stack AI business in the world. They own all the strategic components necessary for AI success (major peers are dependent on strategic partnerships), and Gemini has turned out to be a leading AI tool. ASML, in turn, is the only company in the world able to provide the top-end machines essential for making the most efficient semiconductors which power AI. Furthermore, their major clients (e.g. Taiwan Semiconductor, Intel, Samsung Electronics) are now urgently installing manufacturing capacity in the US to address the enormous lack of strategic domestic capacity along with sharply increasing local demand. It has been a long time since we have seen the strategic stars so well aligned, for any major corporation, as they currently are for Alphabet and ASML.

b) Portfolio Characteristics

With our Quality-Growth orientation, the portfolio currently has the following characteristics:

Quality Metrics	
Gross Margin	58.3%
Operating Margin	34.0%
ROIC	21.1%
FCF Conversion	86.2%
Net Debt: EBITDA	0.76
Interest Cover	63.6x

3 Year Expected Growth	
Revenue	+11% p.a.
Earnings per Share	+15% p.a.
Dividend per Share	+11% p.a.

The data reflects high profitability, strong free cash flow generation and balance sheets and double-digit earnings and dividend growth potential in a well-diversified portfolio. We believe this is a conservative way for equity investors to grow their wealth.

5. 2026 MACRO OUTLOOK

The following summary reflects our views on the most pertinent issues potentially affecting capital markets:

a) US economy: Steady as she goes

The US economy remains more resilient than many expected, and the effect of the tariffs has been less than expected. The following chart is a helpful forward-looking tool:

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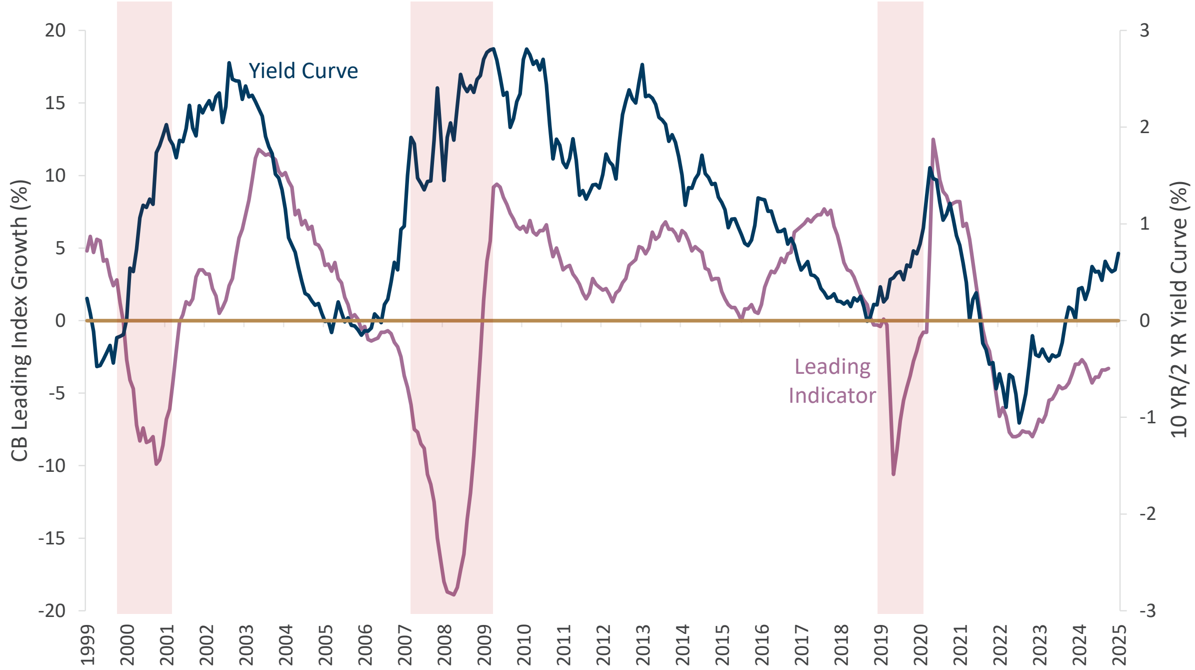
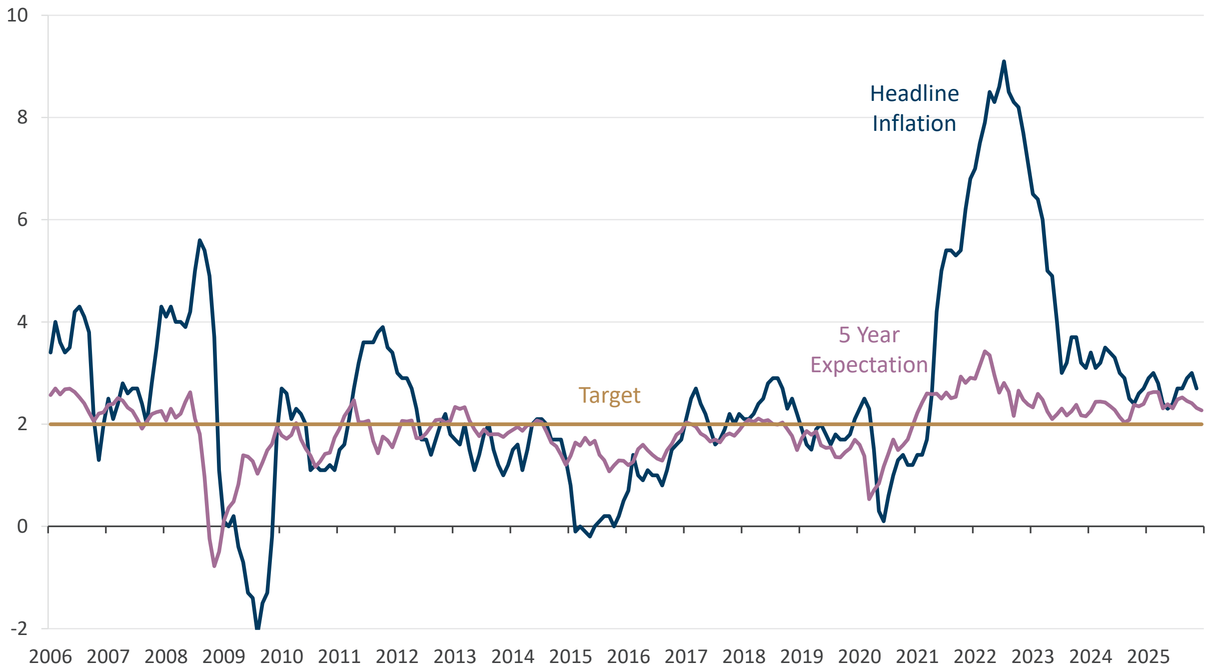
US Leading Economic Index (Growth YoY) vs Yield Curve (%)



The Leading Economic Index and the Yield Curve are concurrently trending upwards. This is more of an ex-recession than a pre-recession tendency. The strong growth in capital expenditure and the weak Dollar support the US economy. Fears for an imminent recession have abated.

b) US inflation: Under control

US Headline Inflation vs 5-Year Implied Expectation (%)



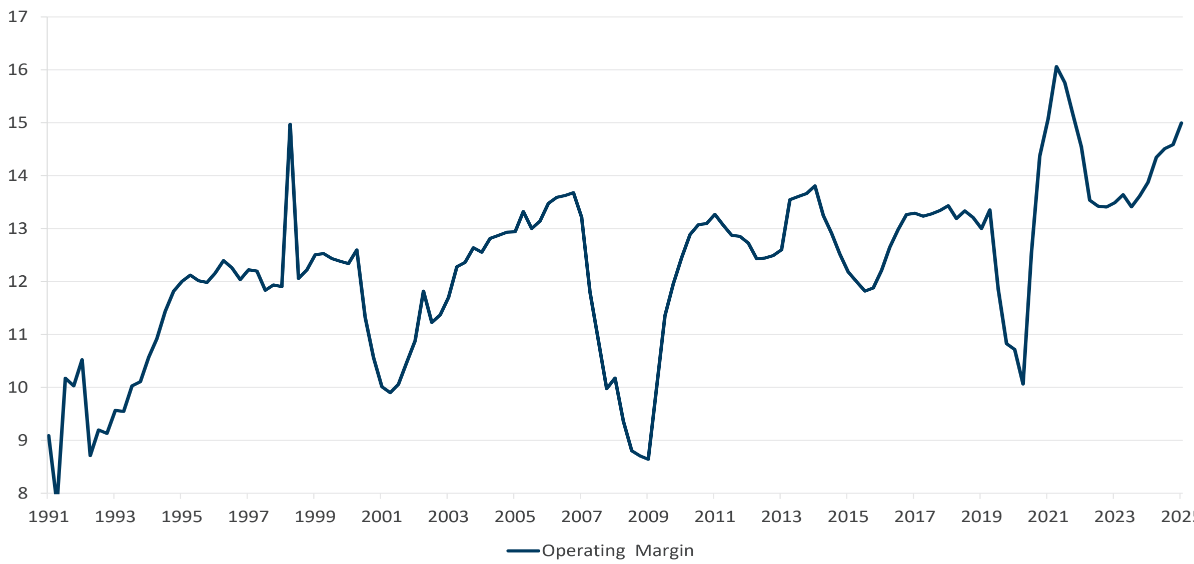
Trade tariffs have not impacted US inflation to the extent that was initially feared, and longer-term expectations have remained only moderately above the Federal Reserve's 2% target rate. With the oil price under downward pressure, there is currently little indication of material upside risk in US inflation.

c) **US Monetary Easing support**

The Fed has been timely in this cycle with cutting their target rate and still enjoys the luxury of having ample reserves for further monetary easing. The capital markets have the Fed on their side in 2026.

d) **Profitability**

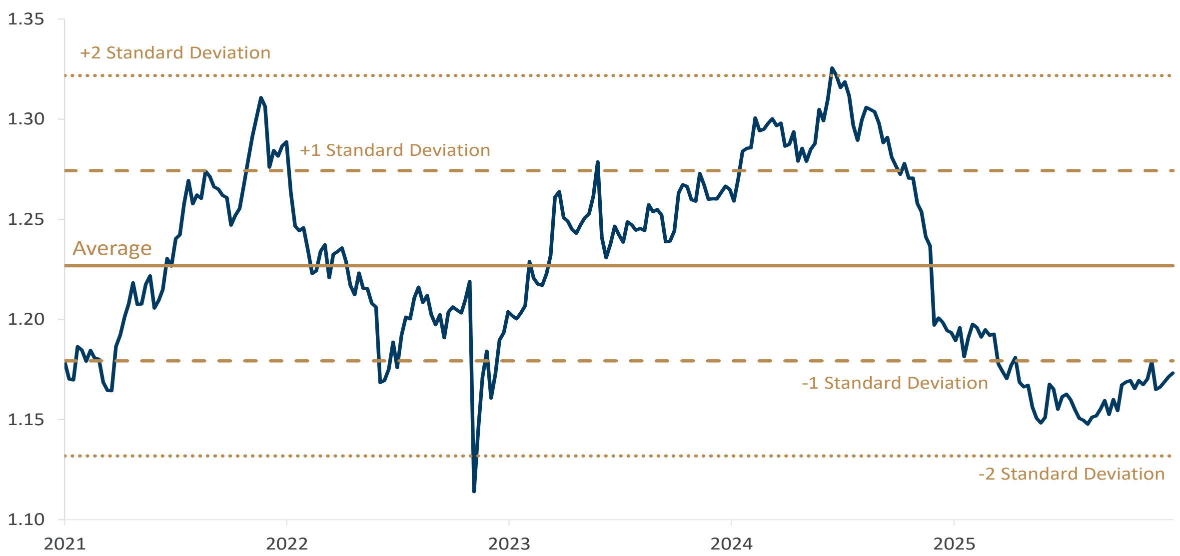
S&P 500 Index Operating Margin (%)



US corporate exceptionalism can continue driving business profitability, while the cost benefits of incorporating AI are still in an early phase. Expectations for twelve month forward S&P 500 Index Earnings are accelerating and are currently at a handsome +14%.

e) **Quality rerating in process**

Quality Relative Forward P/E Ratio[5]



5 Relative to MSCI ACWI

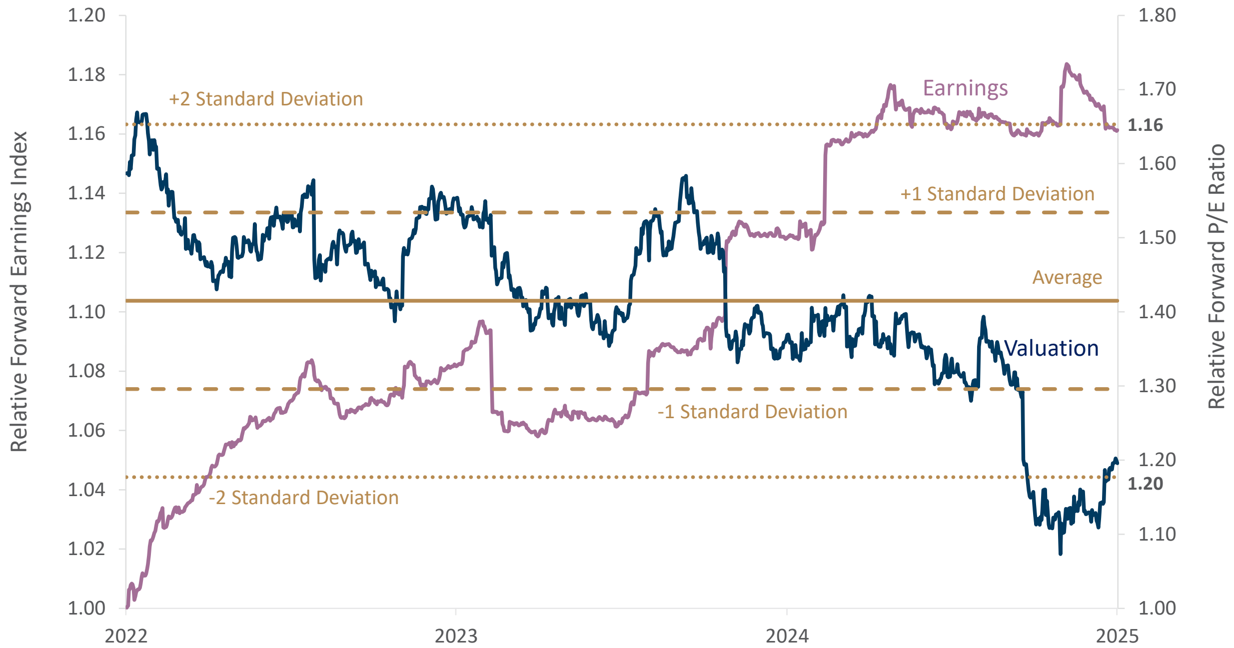
We have earlier referred to the rare underperformance of Quality in 2025. The preceding chart reflects the derating process that took place. This derating process appears to have recently turned for the better, offering good investment opportunities in best-in-class businesses. Quality can resume its long-term outperformance record in 2026.

In this context, this is the valuation picture in the Fund:

Global Best Ideas Equity Fund Valuations[6]
• **Companies making up 29%** of the Fund are **more than 10% below their respective historic averages**
• **Companies making up 59%** of the Fund are **below their respective historic averages**
• **Companies making up 59%** of the Fund are **more than 10% below their respective levels a year ago**

We expect 14% earnings growth in the portfolio this year. This table implies that, other things being equal, there is more than an equal chance that the returns in the Fund can be driven by both earnings growth and a rerating of some valuation multiples. This bodes well for active investing versus passive investing in the coming years. The following is a good example in this context:

S&P Global - Relative Forward Earnings vs Relative Forward P/E Ratio[7]



S&P Global is a high-quality business with an operating margin of nearly 50% and a 76% recurring revenue mix. Consensus earnings expectations have been rising (the purple line) and remain strong. Despite that, the stock's relative P/E ratio (the blue line) de-rated through 2025 on excessive AI disruption fears, to a level lower than -2 standard deviations. This started reverting towards the end of last year. We perceive good value and have topped up our holding. Management recently reaffirmed medium term organic revenue growth guidance at 7-9% p.a. The core credit ratings business should benefit from AI infrastructure spend (a good portion of it being debt financed).

[6] Compared to respective five-year average P/E ratios
[7] Relative to MSCI ACWI

6. RESPONSIBLE STEWARDSHIP & ENGAGEMENT

In 2025, the Global Best Ideas Equity Fund renewed its commitment to the UK Stewardship Code. We continue to demand quality corporate governance, and we proactively engage with our companies to ensure best practice is delivered and that shareholders' interests always come first.

Most importantly, we actively engage on strategic, financial and operational issues at our companies, as well as at companies that are candidates to be included in the Fund. Our approach is aligned with our quality philosophy and 4-pillar focus on sustainable growth, quality management, operational efficiency and cash flow use. This may be in the form of one-on-one meetings with senior management, through conversations with Investor Relations teams or by attending Capital Market events.

In 2025 we again voted, where permitted, at all company meetings, and we will shortly be publishing the results on our website. We have always observed that despite ESG being a popular topic in the investment media, the actual number of votes put to shareholders on the topic, either by management or shareholders, has always been small, and typically limited to a few high-profile companies such as Amazon, Alphabet and McDonald's. In 2025, that number got even smaller, primarily due to the Trump administration effectively banning companies from promoting diversity and inclusion, and its withdrawal of the US from the Paris Agreement and UN Framework Convention on Climate Change.

In December 2024, we started an engagement initiative to fill gaps in the data we are required to report for the Task Force on Climate-Related Financial Disclosures (TCFD). We asked all our companies if they had a net-zero transition plan in place and, if so, what science-based targets they had set. The engagement exercise on the topic continued throughout 2025, and in a few instances required escalation to their responsible Board Committee to garner a response. The world of ESG engagement has clearly changed materially in 2025. We now find ourselves in a position of being required in Europe to report climate related data of US companies that are no longer being provided.

7. IN SUMMARY

Despite the major geopolitical uncertainties in the world, economic growth remains predominantly on track and inflation under control. Capital markets are further supported by monetary and fiscal stimulus in the US, along with high corporate profitability. This can in future be further supported by AI technology-driven efficiencies.

Investor exuberance around AI last year happened at the cost of Quality. Markets appear to currently be rotating back in favour of Quality with the potential for the investment style to enjoy some multiple expansion together with good earnings growth. This would support our investment philosophy this year.

With regards to the Fund, more than half of its holdings have derated below their respective average valuation multiples (despite continuing strong operational performance), with an increasing probability of rerating. All holdings are also expected to grow earnings. The Fund remains exposed to the best in AI. It enjoys broad regional and sector diversification with well-balanced correlations amongst the stocks. We have high conviction in the holdings and have invested more in those names where we see the most potential.

We are 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

RISK DISCLOSURE

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