

Q3 2026

Resolution Investors

Quarterly Letter

MARKETING COMMUNICATION FOR PROFESSIONAL INVESTORS ONLY

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Introduction

Dear Friends,

This quarter marks the one-year anniversary of our investment strategy. It has been an exciting first year, and we are grateful for the support and trust from our clients. We continue to work hard on your behalf and look forward to building on this foundation over the years ahead.

In this letter's *Thinking Aloud*, we share our self-assessment following a detailed review of our processes, decisions and output over the past 12 months. We consider how consistently the strategy has operated against its stated objectives; whether the 'returns compounding machine' is running as intended; how the absolute and relative returns align with our investment approach; and, importantly, what we have learned and will take forward.

As usual, this letter also discusses the market backdrop and the strategy's performance in the latest quarter, including some of the key contributors and detractors - Thermo Fisher, Fortum, Adidas and Rentokil. We review our portfolio activity, alongside two new purchases into SAP and STMicroelectronics.

We recently published our inaugural Sustainability and Stewardship Report, which provides a detailed review of the strategy's climate characteristics and credentials, alongside our wider ESG approach, proxy voting and engagement activity. In this letter we highlight some of its key points. The report also coincides with a broader step forward in our stewardship commitments. During the quarter we joined the Institutional Investors Group on Climate Change (IIGCC) and we are now working towards becoming a signatory to the UK Stewardship Code and joining the Net Zero Asset Managers initiative (NZAM).

As we mark the end of our first year, we welcome any questions or feedback on our assessments as we look to the years ahead.

With best wishes

The Resolution Team

Strategy Overview

As at the end of September, the portfolio comprised 32 holdings, with an active share of 85%. The portfolio is focused on leading companies with strong underlying economics, with a weighted average consensus 12-month forward EBIT margin of 33% and five-year historic sales CAGR of 13.5%. The weighted average market capitalisation was \$838bn, with a median of \$76bn.

The table below provides a snapshot of the portfolio, including the top 10 holdings and sector, regional and currency exposures.

Top 10 Holdings		Sector Weights	
Company	Weight	Sector	Weight
TSMC	6.4%	Information Technology	31.3%
Becton Dickinson & Co.	5.2%	Financials	16.0%
Alphabet	4.7%	Industrials	15.8%
Microsoft	4.7%	Healthcare	12.2%
Thermo Fisher Scientific	4.2%	Communication Services	8.7%
Epiroc	4.1%	Consumer Discretionary	7.4%
ASML Holding	4.0%	Utilities	4.0%
Fortum Oyj	4.0%	Materials	3.0%
Informa	4.0%	Cash & Cash Equivalents	1.7%
Nvidia	3.8%	Total	100.0%
Total	45.2%		

Regional Weights		Currency Exposure	
Region	Weight	Currency	Weight
North America	52.8%	USD	75.0%
Europe	28.5%	EUR	10.2%
United Kingdom	10.5%	GBP	5.6%
Asia	6.4%	SEK	4.3%
Cash & Cash Equivalents	1.7%	DKK	3.0%
Total	100.0%	CHF	2.0%
		Total	100.0%

Source: HC Global Equity Fund, Northern Trust; portfolio holdings and characteristic data.

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Market in Q3: Rotation without clear conviction

The market made marginal progress in Q3, with the MSCI World returning +1.9%. Beneath this relatively uneventful headline, however, market leadership continued to rotate, and over half of the companies in the index saw negative returns.

Semiconductors and other areas directly supporting the AI buildout gave back some of their recent strong gains, amid growing discussion around slowing leading-edge training on safety grounds and the potential for greater compute efficiency.

Conversely, after a torrid few quarters, Software and IT Services staged a strong recovery as investors responded to more attractive valuations. This was supported by better-than-expected results from Salesforce and others, alongside reported private equity interest in Workday.

There were other pockets of strength. Oil & Gas rallied as renewed geopolitical tensions in the Middle East pushed energy prices higher. Within Healthcare, Life Sciences and Biotech recovered from their lows, as signs of improving activity emerged across parts of the sector, alongside some stabilisation in China.

In contrast, rising interest rates in the USA and in Europe, combined with weakening consumer confidence, pressured more rate-sensitive areas, most notably Utilities and Consumer Discretionary. The latter has now fallen -7% year-to-date, or -13% excluding Amazon, its largest constituent and arguably more a technology company.

Overall, we feel the market is in an unusual position. Long-dated government bond yields have risen to levels not seen for more than two decades, while consumer confidence in the USA and elsewhere has fallen to historically weak levels. At the same time, enthusiasm for AI remains high, but so too are questions around the scale of investment required and the eventual returns on that investment.

Against this backdrop, we have made some measured adjustments to the portfolio, reflecting both our assessment of individual investment opportunities and the need to manage overall portfolio risk. This has resulted in some reductions in more cyclical areas and a slightly more defensive positioning, as we discuss in the *Portfolio Activity* section below.

Strategy Performance in Q3: A mixed quarter

In calendar Q3 2026, the strategy returned -0.9% net of fees and fund costs, versus +1.9% for the MSCI World Total Return Net USD Index. Since inception on 30 September 2025, the strategy returned +10.2% net, versus +15.2% for the MSCI World Total Return Net USD Index.

Our performance in Q3 was also characterised by a degree of dispersion. There were a number of strong performers, notably within Software and Healthcare, alongside individual contributions elsewhere. These were offset by weakness in a number of holdings, particularly within Consumer Discretionary.

While some of the weaker moves reflected fundamentals, others appeared less well supported in our view, and our underlying investment theses fully intact. As usual, below we discuss selected top contributors and detractors in the period alongside our portfolio trading activity. In this letter, we also review the strategy's approach and performance in detail over its first 12 months in the *Thinking Aloud* section.

Select Contributors in Q3

ThermoFisher S C I E N T I F I C

Thermo Fisher Scientific is a leading provider of life-sciences tools and services, supporting customers from scientific research and drug development through to commercial manufacturing. We are attracted to its scale, breadth of capabilities and deep customer relationships, alongside a management team with a strong record of operational execution and disciplined capital allocation.

The holding contributed 82 bps of alpha in Q3. We held a 4.2% position at end September, having modestly added in the quarter.

Thermo Fisher's second-quarter results, released in July, strengthened our conviction that demand is recovering following a prolonged period of customer destocking and subdued investment. Organic revenue grew 5% and adjusted earnings per share rose 13%, with management raising its full-year earnings guidance.

Pharma and biotech customers, which account for around 60% of revenues, delivered mid-single-digit growth, supported by bioproduction and clinical research. Improving biotech activity is now beginning to translate into revenue growth.

Demand for instruments also improved, with 7% organic growth in Analytical Instruments supported by product innovation and strong electron microscopy demand. Academic and government customers returned to modest growth, although management remained cautious about the potential durability of this improvement. At the same time,

Thermo Fisher's productivity programme also continues to support profitability. Adjusted operating margins increased by almost one percent, and management increased its full-year margin expansion goal.

Looking ahead, we believe improving customer demand, continued outsourcing of drug development and manufacturing, and further productivity gains provide an attractive combination of revenue growth and margin expansion. Thermo Fisher's broad capabilities position it well to benefit as the recovery develops.



Fortum is a leading Nordic electricity producer, with a portfolio of nuclear and hydro assets that combines reliable generation with the flexibility to respond to changing power prices. We are attracted to the quality and longevity of these assets, their strong cash generation and the substantial cost of replacing them. We also see an increasingly attractive structural backdrop as electricity demand rises while the availability of reliable, low-

carbon generation remains constrained.

The holding contributed 43 bps of alpha in Q3. We held a 4.0% position at end September, having also modestly added in the quarter.

The main driver of the share-price performance in Q3 was September's contract agreement with Google, which provided a clear demonstration of the strategic value of Fortum's existing nuclear assets. The 22-year power purchase agreement covers up to half of Loviisa's capacity from 2030 and provides the economic certainty

required to extend the plant's operating life to 2050.

Importantly, Fortum expects the agreement to increase Group comparable return on net assets (RONA) by approximately 1.4 percentage points over time. With current RONA at around 11%, this is a material improvement in the returns generated by the existing asset base and takes Fortum meaningfully closer to its 14% long-term target.

The agreement also highlights the growing value of reliable, low-carbon power as data-centre investment, industrial electrification and green

technologies such as hydrogen and battery production drive higher electricity demand. As weather-dependent generation expands, we believe Fortum's combination of nuclear and flexible hydro generation should become increasingly valuable.

The Google agreement provides greater visibility on the returns from Loviisa and tangible evidence of how Fortum's existing assets can translate into improved financial performance. Combined with the prospect of rising Nordic electricity demand, we believe this reinforces the long-term investment case for the business.

Select Detractors in Q3



Adidas is a leading global sporting goods company. We are attracted to the strength of its brand, its continued market-share gains and the significant opportunity to improve profitability as the benefits of its recent progress progressively feed through to the financials.

The holding detracted -74 bps of alpha in Q3. We held a 2.6% position at end September.

The company has been delivering strong operational performance for some time, and this continued through the latest quarter. In Q2, Adidas reported 14% currency-neutral revenue growth alongside gross margin expansion. Adidas continued to take market share in most territories, as it capitalises on the opportunity created by Nike's current challenges, which do

not appear to have any quick fixes. Looking forward, currency hedging on its sourcing costs should also provide a meaningful gross margin benefit over the coming quarters.

So, we remain pleased with the operational delivery. However, we feel the company's communication has been snatching defeat from the jaws of victory for a little while now. This quarter, the scale of its World Cup marketing and investment surprised investors and contributed to share-price weakness, albeit following a stronger preceding period.



Rentokil Initial is a leading global pest control and hygiene services company. We are attracted to the defensive, needs-driven nature of the business, its recurring revenues and favourable structural demand trends, including the impact of changing weather patterns and rising temperatures on pest activity.

We reduced the position during Q3 on risk-management grounds and fully exited shortly after quarter-end,

This is frustrating as shareholders, and at a point we have raised directly with the company. In our view, communication missteps of this nature can create a temporary disconnect between share price and fundamental value.

Despite this frustration, we remain confident in management's operational execution and the underlying opportunity. We believe that continued financial delivery should ultimately translate into share-price progress over time.

crystallising a loss. In Q3, the holding detracted -59 bps from performance.

A key investment debate has been the integration of Terminix, which Rentokil acquired in late 2022. While the company had begun to make progress, the arrival of a new CEO has brought a more cautious assessment of the business and, in particular, the investment required to address what management sees as insufficient resourcing in what is fundamentally a people-driven business. We recognise that new leadership may be taking a deliberately conservative approach, but nevertheless this increased

investment will weigh on near-term earnings growth and potentially take time to generate returns.

At the same time, Google's shift towards AI-led search from mid-May has had an impact on lead generation.

We do not believe this is necessarily an intractable issue, but it is another unwelcome development at a time when the business is already dealing with the challenges around Terminix and increased investment.

Our view of the longer-term opportunity remains positive. However,

taken together, these issues have made the near-term outlook less clear and the risk/reward less attractive. We therefore chose to exit the position and watch developments from the sidelines for now.

Rentokil remains on our Target List universe, and we would be prepared to revisit the company in the future as the investment plan becomes better understood, the benefits of the additional investment become clearer and the impact of changes in search behaviour becomes more apparent.

Portfolio Activity in Q3

During Q3, we made several sizing adjustments, initiated new holdings in SAP and STMicroelectronics, discussed below, and fully exited our position in Rentokil Initial shortly after the period end. Annualised portfolio turnover in the quarter was 52%.

At a sector level, we increased our exposure to Healthcare, adding to Thermo Fisher, Becton Dickinson and Convatec, and to Software, adding to Microsoft and initiating in SAP. We lowered our holdings in Industrials and also in Semiconductors, trimming Applied Materials and ASML while initiating a position in STMicroelectronics.

Taken together, these changes reflect bottom-up investment decisions and portfolio-level risk management. We have reallocated capital towards attractive opportunities while moderating exposure to more cyclical areas. Against a backdrop of uncertainty around AI returns, higher long-term interest rates and weaker consumer confidence, the portfolio is now somewhat more defensive, while remaining conviction-led.

New positions in Q3



SAP is the world's largest provider of enterprise software, helping businesses manage core functions including finance, supply chains, procurement and human resources. We have long admired the business and initiated a position following its Q2 results.

Following the broad sell-off in software stocks, the so-called "SaaS apocalypse", we reviewed our software holdings and coverage to identify companies that we believed were well positioned to withstand the bear case: that AI will erode demand for seat-based software.

We looked for three characteristics: mission-critical products, accelerating organic growth, and a meaningful share of revenue that does not depend

on seat-based pricing. SAP met all three. Its cloud business, which accounts for roughly two-thirds of group revenue and is its fastest-growing segment, is itself about two-thirds seat-independent. The sell-off also created an attractive valuation and, in our view, a meaningful margin of safety.

As part of our risk-management discipline, we wanted evidence that AI disruption was not appearing in SAP's forward-looking indicators before investing. The valuation cushion meant we could afford to wait a quarter for that evidence. In Q2, growth in SAP's current cloud backlog, contracted cloud revenue for the next twelve months, accelerated. These results were consistent with our thesis and gave us greater confidence that AI was not yet disrupting demand for SAP's core software offering. We therefore initiated the position.



STMicroelectronics is a leading global semiconductor company, supplying

microcontrollers, power semiconductors and sensors to automotive, industrial and communications markets. We are attracted to its established product franchises, recovering end markets

and substantial scope to improve profitability. We initiated a position in Q3, following share-price weakness.

The microcontroller market is recovering after a prolonged inventory correction, with ST's Embedded Processing division, which includes microcontrollers, growing revenues by 35% year-on-year in Q2. We see increasing evidence of a sustained recovery, with distributor inventories below normal levels, a group book-to-bill ratio close to two in Q2 and more than half of bookings relating to 2027. Lead times for some industrial products had also reached 50 weeks by September. Taken together, these indicators give us increasing confidence that the recovery is not just an inventory restocking cycle.

Alongside the cyclical recovery, ST has substantial scope for margin improvement. Moving production to larger wafers and closing four legacy factories should reduce the cost per

chip, with management expecting these manufacturing changes alone to add more than four percentage points to gross margin as the closures take effect in late 2027 and early 2028. Higher factory utilisation and a more profitable product mix provide additional upside.

ST also has growing exposure to AI data centres through chips enabling high-speed optical connections. Management expects data-centre revenues to exceed \$2bn in 2027; we believe they could approach \$3bn. Further opportunities in power semiconductors could emerge as data-centre electrical architectures evolve.

We believe the combination of a cyclical recovery, significant manufacturing efficiencies and growth in new applications provides the potential for earnings and cash generation to grow materially faster than revenues.



Sustainability and Stewardship

At Resolution, climate alignment and engaged ownership is integral to how we select and hold companies – embedded in, not separate from the investment process. We recently published here our inaugural [Sustainability & Stewardship Report](#) which highlights how we have applied these principles into practice, as well as some of the work over the nine months to 30 June 2026. Here are a few highlights.

The portfolio at a glance

~1/5th Portfolio carbon footprint relative to MSCI World (Scope 1 & 2, per \$1m invested)	-18% Reduction in portfolio emissions intensity relative to revenue (the latest reporting year)
~85% Portfolio weight in companies that reduced Scope 1 and 2 emissions intensity (the latest reporting year)	12.7% Proxy votes cast against management recommendations.

The portfolio's carbon footprint is around one-fifth that of the MSCI World Index on a Scope 1 and 2 basis, with under half the footprint on a Scope 1–3 basis. We do not manage the portfolio to a carbon target; rather, this footprint is an outcome of our investment framework, which focuses on companies making progress on decarbonisation and those providing solutions to the climate challenge. This allows us to pursue climate alignment through a diversified global equity portfolio, rather than a narrow thematic strategy. The direction of travel is also encouraging. Around 84% of the portfolio, by weight, reduced its emissions intensity relative to revenue over the latest reporting year, while 83% was invested in companies with SBTi-validated short-term targets. These figures provide useful measures of progress, although, as the report discusses, performance is not uniform across all holdings.

Climate alignment and commercial opportunity

The report also profiles three holdings that illustrate how climate-alignment intersects with business performance.

- **John Deere's** AI-driven See & Spray system cut herbicide use by up to 50% across more than a million acres, helping farmers use inputs more efficiently and respond to increasingly challenging growing conditions.
- **Fortum**, whose generation is 99% renewable or nuclear, has signed a 22-year agreement to supply Google's Finnish data centres with carbon-free power, illustrating the strategic value of reliable, low-carbon electricity.
- **ASML** has reduced the energy used by its EUV machines per wafer pass by 57% since 2018, while remaining central to the semiconductor supply chain supporting AI and digitalisation.

These examples illustrate an important feature of our approach: climate progress and the investment case can be mutually reinforcing. In each of these businesses, it is closely connected to the products, assets or capabilities that underpin their commercial opportunity.

Active ownership in practice

The report also sets out how stewardship informs our investment decisions. Our analysts lead engagement with the companies they know best; stewardship is not delegated to a separate team.

At **John Deere** and **Aon**, direct engagement ahead of the AGM informed our voting decisions. In Deere's case, we changed our intended vote after the company set out a clear board succession plan. At **Fortinet**, we tested the rigour behind a revised climate target and at **Handelsbanken** our meetings led us to keep the company's eligibility under review.

Our voting record reflects a willingness to challenge management where we believe it is warranted. We voted against management on 13% of resolutions, most often on board tenure. We also voted against three of the four climate shareholder proposals, in each case for a specific reason set out in the report. This first report establishes a baseline against which we can assess progress and hold ourselves accountable in future years. We intend to keep learning, refining our approach and improving how we integrate climate analysis and stewardship into investment decisions.

Thinking Aloud: The one-year review

Our goal is to build for our clients a “machine” capable of compounding capital and generating alpha over multiple years.

Our approach is led by bottom-up stock selection: backing our highest-conviction ideas while remaining benchmark-aware and disciplined about risk. We focus on leading companies with attractive business characteristics and strong people and leadership, well placed to benefit from the transition to a more sustainable economy.

Having reached our first anniversary, we have undertaken a detailed review of our investment decisions, execution and outputs, in order to answer four questions:

1. Have we done what we said we would do?
2. Is the machine working as intended?
3. How should we assess and interpret our first year of performance?
4. Where can we improve?

Twelve months is too short a window upon which to draw firm conclusions about a long-term investment approach designed to deliver over a full market cycle. It is, however, long enough to examine hundreds of individual decisions across stock selection, portfolio construction, risk management and factor exposures, helping us assess whether the building blocks are in place and where we can improve.

1. Have we done what we said we would do?

We believe so.

- The portfolio has averaged 31 holdings over the year (range: 28–32). The top 10 positions have represented approximately 45% of the portfolio on average, while active share has averaged 89%. These measures are consistent with our intention to run a high-conviction and genuinely active portfolio.
- We have sought to differentiate the portfolio through company-level stock selection, while managing risk within our target tracking error range. Tracking error was 6.8% calculated on a daily basis and 7.8% calculated on a monthly basis. Beta over this period averaged c.0.92. Together, these measures reflect

our aim to combine meaningful differentiation from the benchmark with disciplined risk management.

- Our long-term investment mindset is reflected in our trading activity. Annual portfolio turnover of 54% and name turnover of 39% are consistent with our intention to invest in companies for the long term, with changes driven by developments in our investment cases and portfolio construction.
- The portfolio has also reflected our focus on leading businesses. Our holdings have traded, on average, at a moderate valuation premium to the market, ending the quarter at a forward P/E of 21.2x. All holdings have met our climate-alignment criteria, falling within one of our three categories: Transition Leaders, Carbon Reduction Solutions or Adaptation Solutions.

In short, the portfolio we manage today is recognisably the one we set out to build: conviction-led, genuinely active, disciplined about risk and consistently focused on leading businesses with clear climate alignment.

2. Is the machine working as intended?

We see encouraging early signs that it is, although the evidence from a single year is necessarily incomplete.

First, stock selection has added value, with positive alpha in six of the eleven GICS sectors. Eight holdings across Healthcare, Industrials and Technology each contributed more than 40bps of alpha over the year. This breadth suggests that our process is identifying attractive opportunities across different parts of the market, rather than relying on one or two isolated successes or a single dominant theme.

Second, our approach to risk management has helped limit the impact of unsuccessful investments. Position sizes have reflected our assessment of the risks associated with individual investments, alongside their potential contribution to the portfolio. This inevitably limits the contribution from successful investments but also reflects deliberate risk budgeting rather than a lack of conviction.

We have also generally been effective at recognising when investments are not working as expected and exiting before losses become more significant. Our formal stop-loss discipline provides an additional safeguard and, we estimate, has helped

us avoid nearly 80bps of further negative alpha over the period. These disciplines cannot eliminate mistakes, but they can help contain their consequences.

Finally, the machine depends on more than investment rules and portfolio decisions. The team and culture remain consistent with our original aim: a single, collaborative team with low ego, individual accountability and a shared focus on the strategy. We believe the willingness to challenge one another, examine our decisions objectively and learn from mistakes is an important part of what makes the process work.

Taken together, these are encouraging signs that the investment process is functioning broadly as intended. Ultimately, however, the test is whether it translates into the returns we seek to deliver for our clients. We begin by looking at our first-year performance, before examining the market environment and the contribution of our own decisions to the outcome.

3. How should we assess and interpret our first year of performance?

The strategy returned 10.2% net over the period. Gross of management fees and fund expenses the portfolio return was 10.9%. We regard these as healthy absolute returns, and the starting point for the long-term compounding we seek to deliver. Importantly, they were achieved alongside a measured risk profile, as described above.

However, MSCI World returned 15.2% over the same period, meaning our relative performance fell short of our ambition. We are disappointed by this outcome and recognise that relative returns need to improve to demonstrate our ability to deliver our objective of 300–400 basis points of annualised alpha, gross of fees, over a full market cycle.

A one-year return reflects several interacting forces: the strategy we pursue, the market environment in which it operates, the quality of our execution and an element of luck. Examining these factors helps us understand the context for our relative performance and identify where our own decisions could have been better. Our analysis reinforces our conviction in the underlying investment philosophy, the team and our long-term objectives, while highlighting areas where we can improve the implementation of our approach.

Putting the performance into context

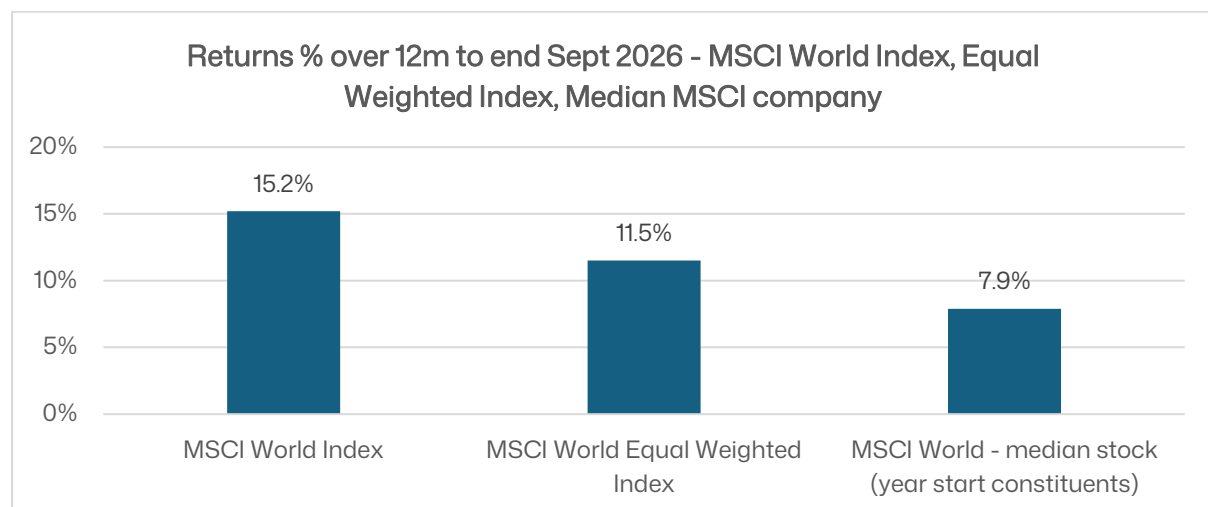
Five aspects of the market environment are especially relevant to understanding the relative performance of our strategy, and indeed of other strategies, over this period.

A. An unusually strong and narrow market

The market was unusually strong over the 12-month period to end September 2026, and also unusually narrow. A relatively small number of companies and sectors accounted for a disproportionate share of the headline return.

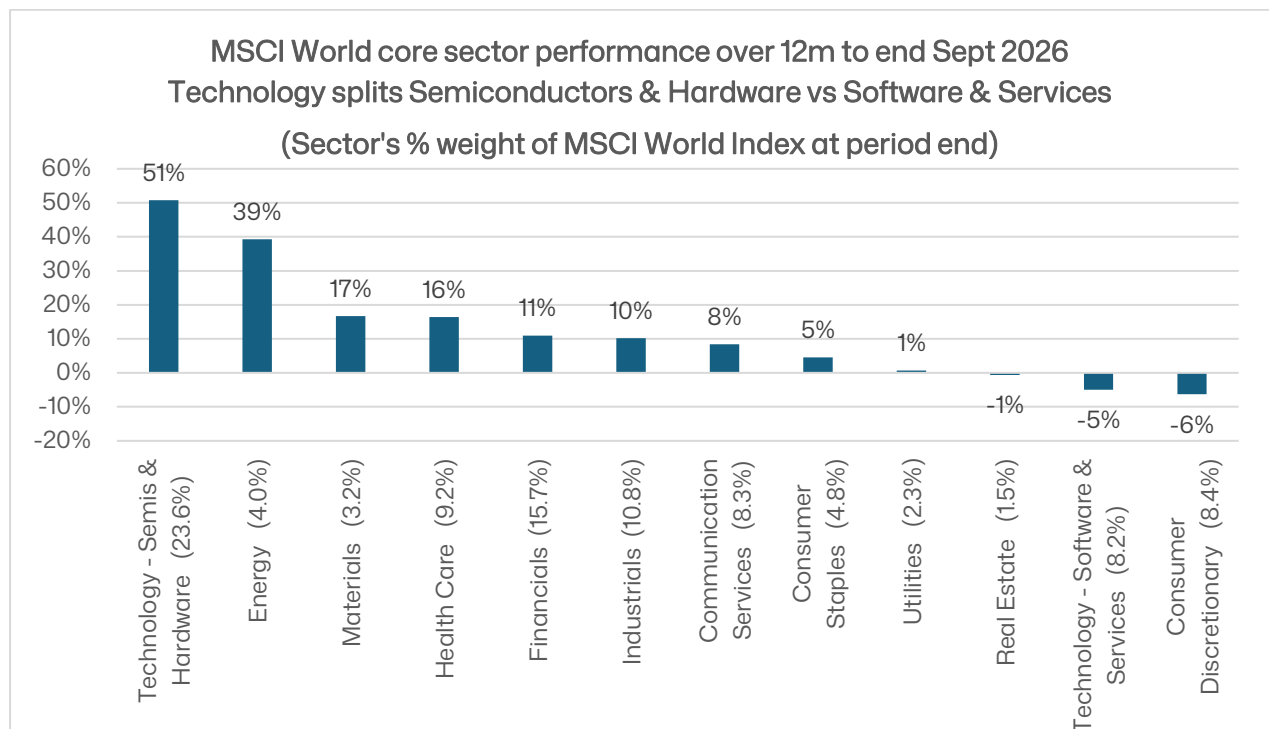
This is evident in the difference between market-cap-weighted and equal-weighted returns. The MSCI World Equal Weight Index underperformed the headline MSCI World Index by approx. 370 basis points. More strikingly, the median MSCI World company underperformed the headline index by approx. 730 basis points.

In short, the experience of the average stock was different from the headline index.



Source: MSCI

The same dynamic is evident across sectors. As the chart below shows, Semiconductors, Technology Hardware and Energy were particularly strong contributors to the headline return. Excluding these sectors, the remainder of the market returned only around 6% over the period.



Source: MSCI

B. Exclusion of Energy

Our exclusion of Energy is a deliberate feature of both our climate alignment and our focus on leading companies.

Oil & Gas can experience periods of exceptional performance, particularly when geopolitical events create significant supply concerns. We saw this following Russia's invasion of Ukraine in 2022, and again during the escalation of the conflict in Iran.

The strength of the sector was a tricky headwind for our relative performance over the period. However, the rapid retracement of some of its gains in the second quarter illustrated the volatility of these returns. We expect this headwind to reverse and become a tailwind over time, although the timing is uncertain.

C. The opportunity cost of not chasing the latest winners

Our investment approach is deliberately long term. We seek to own leading companies capable of compounding value over multiple years, supported by attractive and durable business characteristics and strong people and leadership. We do not seek to chase short-term winners where the underlying economics do not meet our investment criteria.

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That discipline came at a cost during this period. Parts of the AI build-out, particularly memory, storage and related hardware, experienced exceptional gains amid significant supply-demand imbalances. Historically, these have been volatile areas in which companies have struggled to sustain returns above their cost of capital over extended periods.

The scale of the move was significant. Just nine companies¹, representing only around 1% of the index at the start of the period, added approximately four percentage points to the overall market return. We had no exposure to this group.

As we discussed in our Q2 letter, we continue to question the sustainability of the returns currently being generated in these areas. They may continue to perform strongly in the near term, but we are unwilling to pursue companies whose underlying characteristics do not meet our investment criteria.

Compounding is as much about what you avoid as what you own. The challenge is to maintain that discipline without overlooking opportunities where attractive economics and strong market momentum coincide.

D. A factor perspective

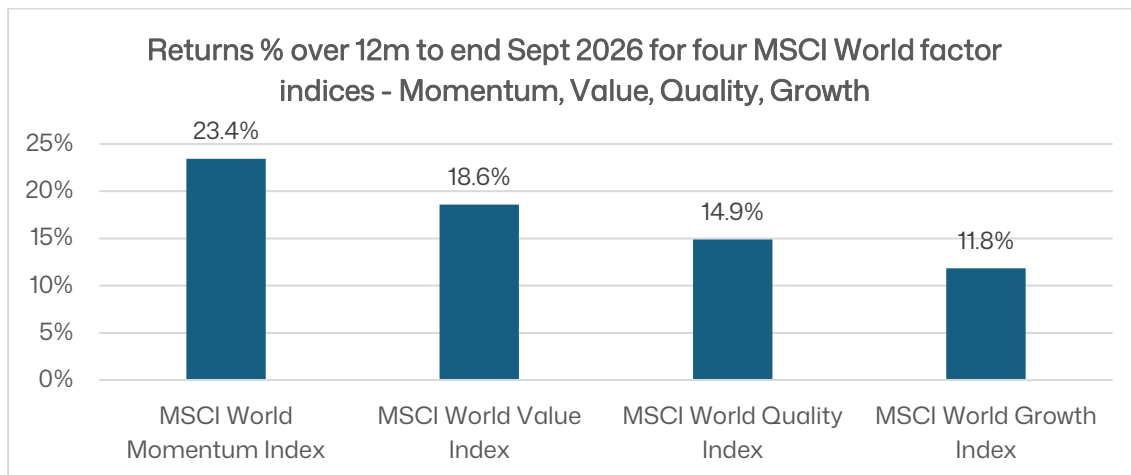
Factor performance provides a useful cross-check on the analysis above.

Momentum was exceptionally strong over the 12 months. The MSCI World Momentum Index returned 23.4%, significantly ahead of the headline market. This reflects the narrowness of the market and the substantial sector and sub-sector skews within the strongest-performing areas.

Our portfolio had a modestly negative exposure to momentum over the period. On average, on days when the momentum index outperformed, the portfolio underperformed by close to 10 basis points, with the reverse broadly true when momentum underperformed.

This helps explain part of the relative performance, but we do not see the strategy as structurally short momentum. Our factor exposures are an outcome of the companies that meet our investment criteria and the prevailing market environment. In different conditions, the same process could result in a positive exposure.

¹ Micron Technology, Advanced Micro Devices, Intel, Sandisk, Dell Technologies, Seagate, Marvell, Western Digital, Kioxia



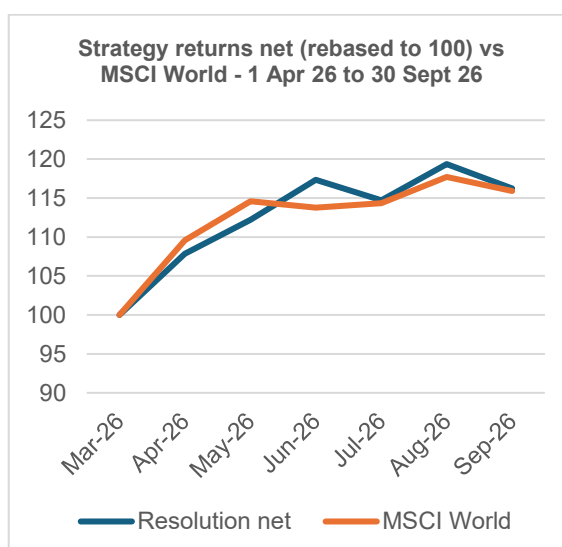
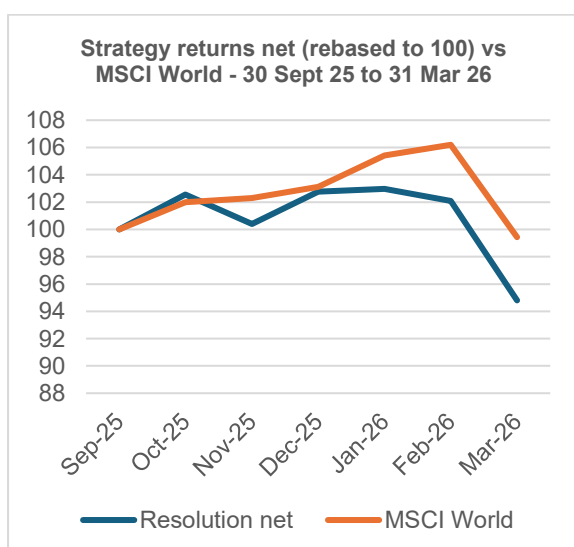
Source: MSCI

E. Two halves of the period

It is also useful to consider the period in two equal six-month segments: 30 September 2025 to 31 March 2026, and 1 April to 30 September 2026.

In the first half, the strategy underperformed the MSCI World. This reflected, in part, exposure to Software during the first quarter SaaS apocalypse, as well as our lack of Energy exposure as Oil & Gas rallied with the escalation of the conflict involving Iran.

The picture changed in the second half. From 1 April to 30 September, the strategy marginally outperformed MSCI World. We see this as encouraging, given the very strong performance of parts of the AI build-out in which we had no exposure.



Source: HC Global Equity Fund, MSCI

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We do not attach undue significance to any six-month period. Nevertheless, the improvement provides some evidence that stock selection was contributing positively even as the market continued to favour a relatively narrow group of momentum-driven companies.

What does this tell us about the first year?

Taken together, these factors provide important context for the strategy's performance. Comparing our gross return with a market return adjusted for some of the factors noted above produces a more favourable picture. To be clear, we do not regard this as an alternative benchmark, nor does it change the fact that our headline relative return fell short of our ambition, but it provides additional context for understanding the result.

Ultimately, our objective is not to maximise participation in every phase of the market. It is to build a portfolio of leading companies capable of compounding value over the long term, supported by high-conviction stock selection and disciplined risk management. We believe the experience of this first year is broadly consistent with that objective, and we see encouraging signs in the portfolio's underlying performance.

At the same time, better execution would have produced better results. Market conditions help explain the challenges we faced, but they do not remove our responsibility to examine our own decisions. We have therefore reviewed closely where different choices might have improved the outcome. This has reinforced our conviction in the underlying approach while identifying specific opportunities to refine its implementation.

4. Where can we improve?

A thorough review of our first year has reinforced our confidence in the underlying investment philosophy, while identifying opportunities to refine how we implement it. We have examined our company analysis, individual investment decisions and portfolio management in detail, with a particular focus on where the outcome might have been improved.

The clearest opportunities for improvement concern how we manage positions once we own them: applying valuation discipline in a way that reflects the evolving investment case, and ensuring that trading decisions add value. These findings have led to some targeted adjustments to our process. They do not change our investment philosophy, but reflect our belief that a good investment process should continually evolve as we learn from experience.

Portfolio management tweaks

Our review found no consistent weakness in stock selection. Instead, the more actionable findings concerned how we manage positions once we own them.

Looking at the impact of our decisions over the past 12 months, we have generally been effective at cutting unsuccessful investments. We also, though, identified occasions when we reduced positions despite the underlying investment case remaining intact and the businesses continuing to execute well.

In a number of cases, our valuation framework encouraged us to reduce positions before the full potential of the investment had played out. This highlighted an opportunity to refine how we assess valuation as a company evolves. Valuation remains an important discipline, but it needs to be considered alongside changes in a company's fundamentals, the delivery of its business objectives and the range of potential future returns. Strong share-price performance is not, in itself, a reason to hold a position for longer; equally, it should not automatically prompt us to take profits if the investment case continues to strengthen.

We have therefore made a small refinement to our process. Where strong share-price performance is supported by equally strong operational execution, we will allow greater valuation latitude, triggering a review when the share price begins to imply downside to our central fair value, rather than when the remaining upside is merely modest. Conversely, we will be less tolerant of share-price appreciation driven primarily by multiple expansion rather than improving fundamentals. This is not a relaxation of valuation discipline, but an effort to apply it more thoughtfully as businesses and their prospects evolve.

Our review also highlighted scope to be more deliberate in our trading. While overall portfolio turnover remains within our expected range, we have sometimes made incremental adjustments that, with hindsight, added limited value.

In response, we will continue to meet as a portfolio management team weekly, but move to a fortnightly portfolio review as standard. This is intended to create more space to reflect on proposed changes and reduce incremental adjustments, without making us less responsive when circumstances genuinely warrant action.

Adoption of AI

We have also made progress in how we work. We continually look for ways to make our analysis more efficient, broaden our research and improve the quality of our decisions. One area of meaningful progress has been our adoption of AI. We have adopted Claude as our internal AI tool, initially focusing on two applications.

First, it helps us spend less time on necessary but relatively routine tasks, including meeting notes, information capture and elements of report and letter preparation. We estimate that this has reduced the time spent on these activities by around 50%.

Second, AI allows us to cover considerably more ground in our research. We can source and process information from company reports, transcripts and other primary materials much more quickly, helping us build a broader information base across more companies. The breadth and depth of our data analytics has increased substantially, particularly in assessing the wider ecosystems in which companies operate, with AI enabling us to aggregate and statistically interpret diverse sources, including peer filings and macroeconomic data, far more rapidly and comprehensively. Accuracy remains paramount, so we focus our AI-assisted data sourcing principally on official company materials and other primary sources.

Together, we think these applications have created meaningful additional analytical capacity, comparable to adding several junior-to-mid-level analysts to the team.

Importantly, AI supports our work rather than replacing investment judgement. All AI generated output is overseen and verified by people. Decisions about investments and portfolio risk remain with the investment team, while our risk analysis and factor exposures continue to draw on established providers such as CapIQ and MSCI.

Looking ahead, we are exploring how to move beyond efficiency and breadth towards using AI to help identify new sources of investment insight and potential edge. We are still at an early stage here; our approach is to test new applications systematically, assess what genuinely adds value and change direction where it does not.

Continuing to improve

These are some of the more significant findings and changes to emerge from our first year. For us, the review is not simply an exercise in looking back, but part of an ongoing commitment to challenge our assumptions, learn from experience and continually improve. We believe the best investment processes preserve the principles that matter while evolving where the evidence suggests a better way of doing things.

Our review has reinforced our conviction in the underlying investment philosophy, while highlighting opportunities to refine its implementation. Building a machine capable of delivering long-term compounding requires consistency in our principles, but also a willingness to refine how we put them into practice. Our job is to keep building the evidence and refining the machine along the way.

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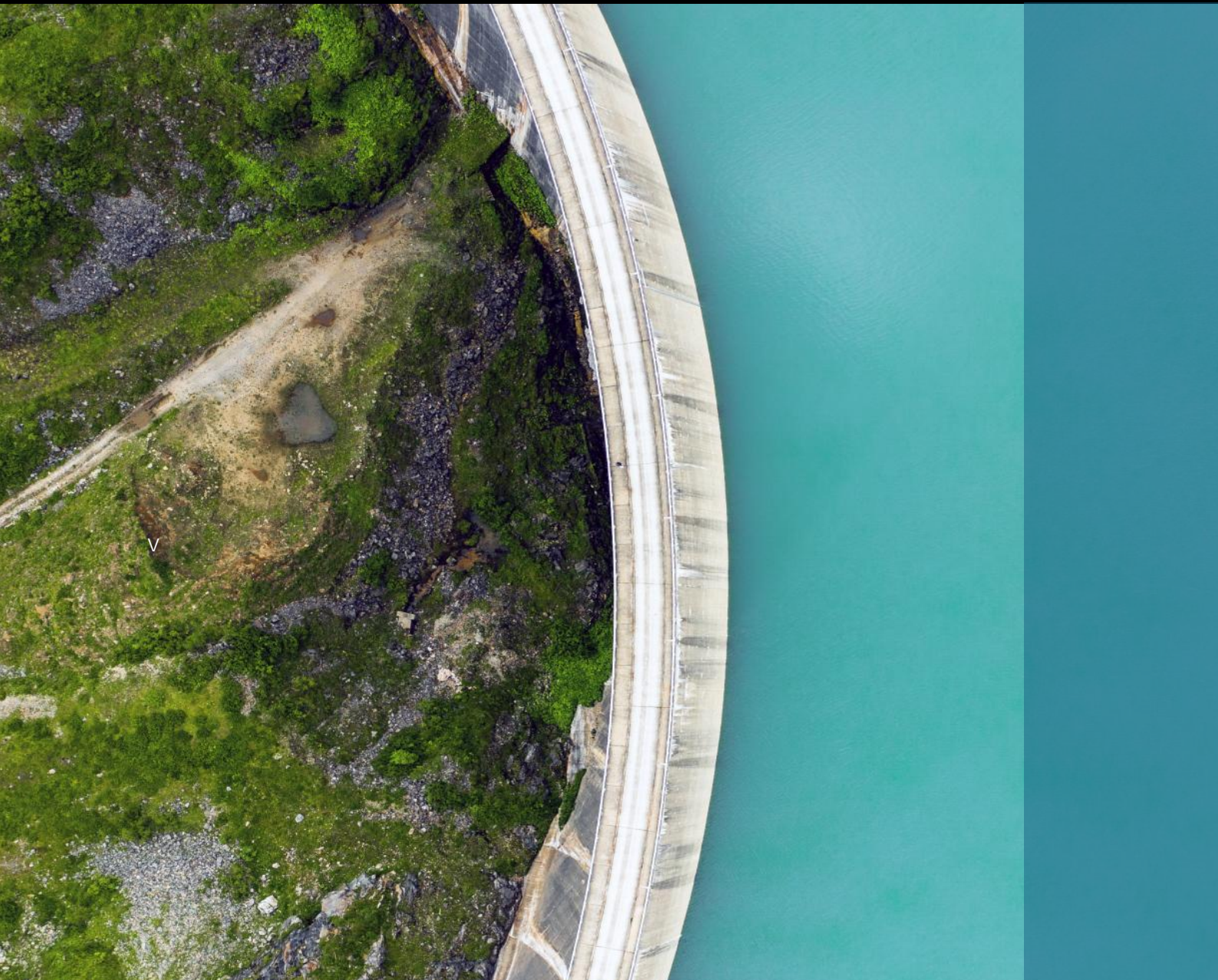
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