SOMERSTON
ASSET MANAGEMENT

SOMERSTON CORE EQUITY FUND

INVESTMENT LETTER AS AT 30 SEPTMEMBER 2024

Portfolio Objectives: To grow capital over the medium term by investing in a concentrated portfolio of high quality companies and to outperform global equities over the economic cycle.

Strategy: We use a fundamental bottom-up approach to identify attractive investment opportunities. We have a 5-year investment horizon. We focus our investments in 15 to 25 high quality companies. We invest in companies that demonstrate strong governance, high profitability, low capital intensity, strong economic moats, and low business risk. We invest globally, without sector/geographic restrictions.

Performance: The Core Equity Fund (US1 class) rose by +0.8% in the month and rose by +4.4% over the last three months. The reference index rose by +0.4% during the month and rose by +3.8% over the last three months.

Performance US1 (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017				1.2	5.4	-0.2	0.4	-0.1	1.9	1.8	-1.8	2.1	**10.9**
2018	6.2	-4.6	-1.9	0.4	1.2	1.2	4.3	1.3	0.4	-8.5	2.7	-9.0	**-7.2**
2019	6.2	4.2	3.3	3.8	-4.0	5.7	0.6	0.8	-1.6	1.3	5.1	2.5	**31.1**
2020	0.9	-7.3	-14.3	12.5	5.8	2.6	4.4	5.5	-3.4	-3.8	9.7	2.9	**13.0**
2021	-0.6	1.7	3.3	5.0	0.2	3.4	3.1	2.2	-5.1	6.3	-1.6	2.9	**22.2**
2022	-8.3	-4.8	4.4	-9.4	-0.2	-8.8	10.4	-4.5	-8.6	6.6	4.7	-4.8	**-23.1**
2023	2.2	-3.8	5.3	1.8	-1.6	4.7	3.7	-1.1	-5.5	-2.8	8.9	4.6	**17.0**
2024	2.6	3.3	1.6	-4.2	4.0	2.1	0.3	3.3	0.8				**14.5**

Total return since March 2017: 91.6%

Geographical Allocation

Region	**% Fund**
North America	62.5%
Europe	32.0%
Cash and Equivalents	5.5%

Sector Allocation

Sector	**% Fund**
Information Technology	24.5%
Health Care	16.7%
Communication Services	12.7%
Consumer Staples	11.8%
Financials	11.5%
Industrials	10.4%
Consumer Discretionary	10.2%
Cash and Equivalents	2.3%

Top Ten Holdings

Name	**% Fund**
Alphabet Inc	6.7%
Meta Platforms Inc	6.5%
LVMH	6.2%
Mastercard Inc	6.0%
Assa Abloy AB-B	5.4%
Microsoft Corp	4.7%
Visa	4.4%
Diageo PLC	4.3%
ASML Holding NV-NY Reg SHS	4.0%
EssilorLuxottica SA	3.8%
Total for Top Ten	**52.1%**

This factsheet shows the performance of Somerson's "Core Equity Strategy" from 31 March 2017 to 30 September 2023 then the Somerston Core Equity Fund from its launch on 02 October 2023.

Somerston Asset Management Limited
47 Esplanade, St. Helier, Jersey, JE1 0BD.

Commentary

The Core Equity Fund rose +4.4% in the third quarter.

Top contributors were Meta (+0.8%), Mastercard (+0.8%), and Assa Abloy (+0.7%). Top detractors were ASML (-0.6%), Alphabet (-0.6%) and Novo Nordisk (-0.5%)

Cash stands at 5.5%.

By simply looking at where global equity markets started and ended the quarter, one could be forgiven for thinking it was another steady quarter of gains. In reality, this has been one of the more volatile quarters in recent years. Initially, markets picked up where Q2 left off, but from mid-July to the beginning of August, equities experienced a sharp decline, with the S&P 500 falling 8.5% in fourteen days. The rebound was just as quick as the decline. This pattern repeated in early September, albeit with a smaller magnitude (falling 4.25% in four days). The S&P 500 recovered and finished the quarter at an all-time high, 5.5% above its Q3 starting point.

Though periods of short-term volatility are uncomfortable, they are ultimately opportunities for active managers to take advantage of overreactions. The Core Equity fund has been running a slightly higher cash position over the past few months looking for such opportunities to deploy capital into high conviction ideas. We took the late-July weakness as an opportunity to add to those companies that participated in the sell-off where we viewed the long-term story as fundamentally unchanged. We added to our positions in **Amazon**, **Microsoft**, **ASML**, **Nvidia** and **Alphabet**. While we did not expect markets to rebound as quickly as they did, we are pleased to have deployed this capital. By quarter end, all these actions were profitable trades and additive to overall fund performance.

Portfolio Leaders

Meta had a strong quarter with the stock price increasing 13.6% over the period. The market's enthusiasm for **Meta** has been on multiple fronts. Most importantly, the core advertising business has been operating extremely well. **Meta's** AI technologies have successfully been incorporated into its offering and we are seeing the benefits of higher returns on investment ('ROIs') through the demand for advertising space. Secondly, **Meta** has impressed the market with its GenAI and 'Wearables' ambitions. The Ray-Ban Meta glasses have seen a very strong reception since release and at the recent 'Connect' conference, Meta demonstrated an exciting pipeline of products that showed the company is leading innovation within the space. With AI Chatbots due for release outside the US in the coming months, we see lots of reasons to be positive about the pace of development at the business and the future paths for increase monetisation.

In our last quarterly letter **Mastercard** was highlighted as one of the largest detractors from portfolio performance. However, this quarter has seen the company return to being a top performer, gaining 12.1% over the period and erasing the loses of Q2. Ultimately, we do not believe anything has materially changed at the company over this 6-month period and see **Mastercard's** performance as reflecting the natural volatility of equity markets. Indeed, the core drivers of **Mastercard's** long-term business strategy, namely the growth of non-cash payments, remain intact. We continue to see the company as offering an attractive long-term investment and the stock remains a top 5 position in the portfolio.

Assa Abloy posted another quarter of solid growth despite a difficult operating environment, which caused the stock to gain 14.0% during the quarter. Organic growth declined year-over-year as the residential housing market in the US remains weak, dampening the demand for locking systems. That said, the quarter showed encouraging signs that the market is bottoming – providing support for management's view of a return to organic growth in the second half of the year. Perhaps the standout from the quarter was revenue added from acquisitions, which more than compensated for the weaker organic growth environment. **Assa Abloy's**

acquisition strategy has been impressive, with eight takeovers completed in the quarter. The combination of a still-fragmented industry and strong cash flow generation gives the company the opportunity and means to continue its acquisition strategy in earnest. While inorganic growth strategies can be risky for many businesses, **Assa Abloy** has a strong track record of undertaking return-on-capital-accretive acquisitions. We therefore take comfort in the strategy remaining a primary driver of revenue in the short term, while the underlying market environment improves.

Portfolio Laggards

Following a strong second-quarter performance, **ASML** experienced a period of price weakness. The earnings numbers reported in July were encouraging, with the company beating consensus estimates on both the top and bottom line. However, as seen with several technology companies this quarter, the report failed to live up to the strong price performance of the preceding months, and the shares reacted poorly to the print. We had viewed the stock as expensive heading into the report and had been taking profits on our position throughout the year. The price finished the quarter 24.2% down from the all-time high achieved in July. We view the price declines as reflecting a realignment of investor expectations rather than an underlying issue with the operating prospects of the company. At current prices, we now view the risk/reward trade-off as more balanced than back in Q2 and have incrementally added back to the position.

Alphabet had a weak quarter, losing 8.8% in the three months. Unlike the other Mag-7 companies, **Alphabet's** recovery following the early August sell off was more muted and the stock remains below its prior peak. The driver for this performance has been the overhang from the two ongoing DOJ cases against the company. Firstly, **Alphabet** was taken to court for its dominance in the search business. In a separate suit, the DOJ is also accusing Google of anticompetitive behaviour in the Advertising Technology ('AdTech') market. Please see this quarter's Technology Fund letter for a more detailed discussion of our view on the cases.

Novo Nordisk's leadership in the obesity drug market has led to strong outperformance since we initiated our position in January. However, the stock gave back some of these gains this quarter, falling 16.6% from the end of June to September. The primary concern for investors has been the emergence of new competition in the weight-loss drug category. Roche, Pfizer and Amgen are all developing or testing their own GLP-1 drugs to compete with the two dominant incumbents (**Novo Nordisk** and **Eli Lilly**). We remain aware to these risks, and the potential impact it could have to pricing, though we note that the industry remains supply constrained. Despite the recent price weakness, the stock is up 15.1% in the first 9 months of the year. We also hold **Eli Lilly** in the portfolio.

Activity

During the quarter, we sold the remainder of our holding in **Mettler Toledo**. As discussed in our previous letter, we continue to like the company's fundamental story, but could not justify the valuation.

Alongside the trades mentioned earlier, in the quarter we initiated a new position in **Otis**. **Otis** is a global leader in the manufacture, installation, and service of elevators, escalators, and moving walkways. **Otis** operates a so-called 'razorblade' model. While new equipment sales are cyclical with low margins, after-market services are high margin and recurring in nature. The business has been improving its recurring revenue through winning additional service contracts and we see positive signs that his momentum will continue. In addition, we believe **Otis** is well-positioned to capitalise on the growth of high-rise buildings globally, as well as the need for significant infrastructure spending in developed market economies. The position finished the quarter 10.2% up from our initial purchase price.

During the quarter we initiated a position in **Amazon**. **Amazon** is best known to many for its ecommerce website, however, from an investment perspective, we see **Amazon's** efforts in the technology space as the key driver of value at the company. For years, Amazon Web Services, **Amazon's** Cloud platform, has been the primary source of cash flow and growth. However, perhaps underappreciated is the recent strength of **Amazon's** advertising business. Not only does the advertising business expose the company to an attractive secular growth opportunity, but it also has a significant impact on **Amazon's** unit economics. Ads are a high margin and high return business for **Amazon**. The ad segment has only recently been separated from the 'Other' line item on the company's income statement, and we see a material runway for further growth. The position finished the quarter 12.6% up from our initial purchase price.

Somerston Investment Team

Nick.Wakefield@somerston.com

Arthur.Castle@somerston.com

Emily.Brown@somerston.com

Investor relations: ir@somerston.com

DISCLAIMER

Any information in this Document may not be suitable for all investors. Investors must make their own investment decisions using their own independent advisors and reviewing relevant offering material (including the Final Offering Document). Any investment decisions must be based upon an investor's specific financial situation and investment objectives and should be based solely on the information in the relevant offering material.

The Fund's manager, Somerston Asset Management Limited (the "Manager") believes the information contained in this Document to be reliable but does not warrant its accuracy or completeness. The information contained herein is preliminary in nature and is not and does not purport to be complete. Any estimates contained herein may be subject to change without notice. No guarantee or representation is made that the investment program set out in this Document, including, without limitation, any investment objectives, diversification strategies, or risk monitoring goals, will be successful, and investment results may vary substantially over time. Investment losses may occur from time to time. Nothing herein is intended to imply that the Manager's investment methodology may be considered "conservative", "safe", "risk free" or "risk averse".

No person, including (without limitation) any of the members, shareholders, directors, officers, partners, employees or advisers of the Manager or its associates, accepts any liability whatsoever (whether direct, indirect, incidental, special, consequential, punitive or otherwise) for any loss arising from any use of the information, opinions or other statements contained herein or otherwise arising in connection therewith (including in the case of negligence, but excluding any liability for fraud) and, accordingly, liability is disclaimed by all such persons to the maximum extent permitted by applicable law or regulation.

NO INVESTMENT ADVICE

The information contained herein does not constitute advice and should not be relied upon for any purpose. No approvals have been given by the Jersey Financial Services Commission in respect of the contents of this Document or the circulation of any offering document in relation thereto.

The information contained herein is not intended to influence you in making any investment decisions and should not be considered as advice or a recommendation to invest. This Document is for information only and provision of this Document does not in itself constitute any kind of service provided by the Manager. Furthermore, this Document does not purport to describe all of the risks associated with investment or the other matters described herein. Income from or the price or value of any financial instruments may rise or fall.

Somerston Asset Management Limited is regulated by the Jersey Financial Services Commission.

WARNING

Past performance is not indicative or a guarantee of future results. No assurance can be made that profits will be achieved or that substantial losses will not be incurred