Constantia Investment Partners

Quarterly Note

1st Quarter 2026

Dear Partners

For the quarter ending March 2026, the AIM Global High Conviction Fund delivered an absolute return (after all fees) of -17.2%, compared to a benchmark return of -6.1%. We estimate that AUD strength detracted roughly -3.5% from our absolute return over the period.

Performance to 31 March 2026

	GHCF	Benchmark
Financial Year to Date 2026	-22.2%	+2.1%
2026 (Calendar Year to Date)	-17.2%	-6.1%
2025	+4.9%	+12.4%
2024	+21.6%	+30.8%
2023	+22.7%	+23.0%
2022	-15.6%	-12.2%
2021	+31.1%	+29.3%
2020	+14.2%	+5.6%
2019 (Strategy Inception: 31 Aug. 2019)	+5.3%	+6.3%
Cumulative Since Strategy Inception	+72.8%	+116.2%
Annualized Since Strategy Inception	**+8.7%**	**+10.6%**

Total returns shown for the AIM Global High Conviction Fund have been calculated using exit prices after taking into account all the product's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry fees or taxation. Past performance is not indicative of future performance. The benchmark is a representative index of global equities listed in developed markets and is denominated in AUD, with dividends (net of withholding taxes) reinvested. Refer to our PDS for more detail.

The numbers for the financial and calendar year to date make for frustrating reading, and we will not pretend otherwise. A drawdown of this magnitude can test the patience of even the most committed long-term investor.

We have always said that our goal when reporting to partners is to place ourselves in your shoes and provide the information that we would like to know if our situations were reversed. To us, that means being specific about what is driving results: that is, to separate noise from reality, and to distinguish between short-term stock price volatility and the fundamental value of the businesses we own. In doing so, we believe we can best provide you with the data to make informed decisions.

With that in mind, we believe directly addressing some questions that we have received over the last month is likely to be helpful to all partners.

Are the businesses we own seeing their fundamentals deteriorate?

While we await results from our holdings for the first quarter of 2026, the businesses in the Fund are performing well as of their most recent results. For the Fund as a whole, the weighted average margins and returns on capital are near or at all-time highs, while it has never been cheaper. (See Annexure A for details).

With one exception (Judges Scientific, a business we have now sold), none of our holdings have seen sales growth drop off, margins erode meaningfully, or cash generation deteriorate. Additionally – and equally important to the long-term investment case for several of our serial acquirers – capital allocated to new acquisitions has been robust in the first quarter. At present, all the pain has come from how much the market is willing to pay for each dollar of earnings our businesses generate – in other words, a lower valuation multiple – and not because the businesses themselves have reported any headwinds.

Is the drawdown a market-wide phenomenon, or is it limited to our holdings?

Given that broad market indices have not sold off much, this is a fair question that has a two-part answer.

First: since August 2025, capital-light business models – companies underpinned by intangible assets, such as intellectual property or network effects – have been out of favour. The market has become increasingly convinced that artificial intelligence (AI) will permanently impair the competitive positions and prospects of such businesses.

Software companies were the first to see sentiment deteriorate. However, as we discussed in Part One of our Annual Letter to you in February, improvements in AI model capabilities broadened the negative AI rhetoric to other sectors. The result has been indiscriminate selling in businesses as varied as credit rating agencies, payment networks, data providers, exchanges, real estate platforms, IT services, and music labels, to name but a few.

We have long preferred owning capital-light businesses for their compounding characteristics. Consequently, several of our holdings were caught up in this broader capital-light sell-off. The selling and poor sentiment seemed to peak in the week of 16 to 23 February, after which these names began a modest recovery.

Second: the outbreak of war in the Middle East on 28 February and the resulting physical shortage of several key energy commodities drove up prices. Because energy costs are a fundamental input for all segments of the consumer and industrial economies, this triggered a broad-based sell-off in March; the energy sector was the only one to post a positive return for the month. Sentiment was further dampened by fears that higher inflation (caused by energy costs spiking) might necessitate higher interest rates.

In summary: from August 2025 to February 2026, the type of capital-light business favoured by our investment process came under share price pressure, despite fundamental growth continuing to come through in reported results. While this was reflected in the decline of our software names, the sell-off in capital-light businesses was much broader than our portfolio alone. In March, fears of the follow-on impact of higher energy prices caused a broader market sell-off. Ironically, our capital-light businesses – which have less direct exposure to increased energy prices in their costs – performed relatively well in March, whereas our businesses that manufacture physical products were among the laggards.

Considering the current drawdown, why not change your strategy to what is currently working?

Regarding the volatility caused by the conflict in the Middle East, it is important to note that as a long-only equity fund, we do not engage in shorting; nor do we trade in options, currencies, commodities or complex derivatives. (We also do not claim to be experts in any of these activities and see them as outside our circle of competence.)

Could we then change our strategy to own different *types* of businesses?

Our investment philosophy remains anchored in finding businesses with superior long-term compounding characteristics and durable moats, with the intent of owning them for the long term. In our view, our preference for holding 'capital-light' businesses for their superior compounding characteristics remains the most rational approach given our goals. The alternative would be to either look at more capital-intensive or defensive businesses (which, with rare exceptions, typically offer much less growth), or to attempt trading in and out of whatever is the flavour of the month to chase what is working. We believe the former is antithetical to our goal and the latter is not something we believe can repeatedly be done successfully.

We have not treated the current environment as something to sit through passively and have reviewed the durability of our holdings. In some cases, that process has reinforced our conviction and led us to add to positions at prices we consider attractive. In others, it has led us to exit or reduce holdings where the analysis has changed our perception of risk and reward relative to the opportunities being presented by the market in this current drawdown.

Durable moats are as essential as ever to a quality investment strategy. Our definition of quality has not changed, but the bar for what qualifies as a durable moat in an AI world has risen.

The valuations of businesses squarely within our wheelhouse have become significantly more attractive. Given this view, we believe now is the time to take advantage of the current drawdown and increase our position in these businesses.

Why buy more of the stocks that have been materially affected by the drawdown?

The answer is threefold:

1. From a risk perspective, we believe we understand the businesses and the company-specific risks they may face.
2. We believe the market has incorrectly priced some of these capital-light businesses as AI losers over the short-term.
3. Current valuations are assuming a considerably worse outcome than we believe will play out.

While the first two points are qualitative, we can briefly illustrate the last point by performing some very simplified math, using Constellation Software's current valuation as an example.

Constellation Software and price-implied growth expectations

Constellation has compounded cash flow at around 17.4% over the past five years. Even if we allow that size eventually becomes an inhibitor to its growth (which we do), we believe growth over the medium term will be somewhere between 10% and 15%.

Share prices can provide investors with a lot of information. Having stated what we believe Constellation's prospects look like, we can invert the analysis by asking the question 'what do we need to believe to justify the current share price in the market?'

As at the end of March 2026, Constellation has a market value of USD37.1bn. In 2025, Constellation generated free cash flow of USD2.7bn, meaning that the stock was trading at a price to free cash flow multiple of 13.9x. Looking at the market consensus as of early April 2026, this number is expected to grow to USD3.6bn by December 2027, translating to growth of around 15.5% per year, and implying a forward valuation multiple of 10.4x by the end of 2027.

Using these inputs, we estimate that the market is pricing Constellation's perpetual growth rate – the rate at which it will grow 'forever' after 2027 – at somewhere between -1.6% and +2.4% (depending on how demanding a discount rate we use).

To translate that into something less abstract: the market is currently pricing Constellation as if it will either go into perpetual decline or grow below the pace of GDP forever. Any outcome better than this is not remotely priced into today's valuation, providing the basis for the opportunity increase our position.

In addition to the valuation, we also place a high degree of emphasis on the actions of management during periods of market volatility. In this regard, the pace of capital deployment by Constellation has picked up during the quarter, consistent with how we would expect management to act when valuations for software assets decline. In addition, management themselves have been voting with their wallet by purchasing shares in the market.

How much worse can the current drawdown get, and how long could it last?

The short and honest answer to both questions is 'we do not and cannot know.'

The longer answer is that we look to business fundamentals when considering future returns. At present, the Fund trades at a valuation level (a price to cash earnings multiple of around 21x out to December 2026) that we consider very attractive for the financial characteristics it exhibits. (See Annexure A for the usual quality scorecard.)

We expect the Fund to trade on a higher valuation in time, but we cannot know when this might happen. As such, we do not rely on that assumption to generate returns. In the meantime, the fundamental value of the businesses we own continues to grow, and we expect share prices to reflect this growth at a minimum. Should the multiples of our businesses expand alongside this expected growth, we believe investors will be rewarded with outsized returns.

With that context in mind, we want to share how we think about – and act during – drawdowns. This is the subject of our quarterly piece, entitled *Easy to Say, Harder to Do*.

Conclusion

We are acutely aware that drawdowns like this one are difficult, and that our repeated calls to focus on the fundamentals must sound repetitive – and yet, focusing on the fundamentals as opposed to the narratives is what we do, and who we are.

We do not believe we would be doing right by our partners if we were to suddenly veer off script in how we manage your wealth. On the contrary, we are taking advantage of the opportunities currently presented in the market.

We look forward with optimism. The businesses owned in the Fund are of the highest quality they have ever been, at the most attractive valuation level since we started managing the strategy. That combination has historically produced strong returns for our partners.

We appreciate the trust you continue to place in us during this period. Please do not hesitate to reach out to us if you have questions.

Kind regards,

Etienne, Les, Dan & Andrew

Easy to Say, Harder to Do

by Andrew Strasser

Everyone wants to be a long-term investor until the time comes to do what long-term investors must unfortunately do: weather drawdowns. It is the loss-averse nature of human behaviour that challenges us to stay the course.

When asked in a 2009 interview how worried he was about the then-recent decline in the share price of Berkshire Hathaway, Charlie Munger's response was unemotional:

> *Zero. This is the third time that Warren and I have seen our holdings in Berkshire go down, top tick to bottom tick, by 50%. I think it's in the nature of long-term shareholding that the normal vicissitudes in markets mean that the long-term holder has the quoted value of his stock go down by say, 50%.*

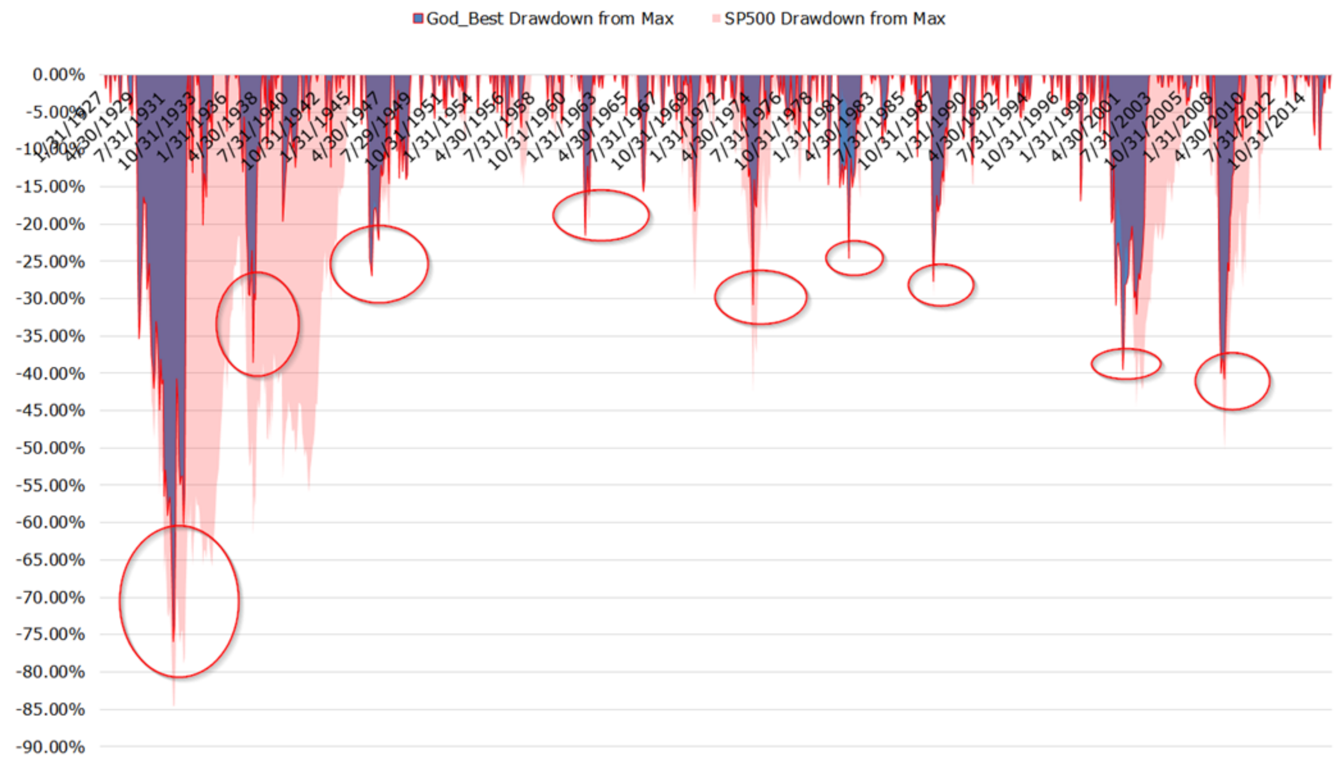
While not making light of the impact a drawdown of such a magnitude can have on one's psychology, Munger's point is backed by empirical evidence. In a 2017 study (titled *Even God Would Get Fired as an Active Investor*), Wes Gray, CEO of Alpha Architect, demonstrated that not even perfect foresight allows an investor to escape painful drawdowns.

Using data from 1 January 1927 to 31 December 2016, Gray constructed a hypothetical long-only portfolio of the best-performing stocks over each subsequent five-year period, with the portfolio rebalanced on 1 January of every fifth year.

Clearly, this is an impossible portfolio, as it requires perfectly knowing in advance which stocks will be the top performers over the next five years – a look-ahead bias that Gray explicitly acknowledges. However, the purpose of the study was not to build an investable portfolio, but rather to answer a simple question: if an investor had absolutely *perfect* foresight about which stocks would be the real long-term winners, what would that experience look – and importantly, *feel* – like?

Unsurprisingly, the result of such divine stock picking is extraordinary: 29% per year over 90 years. However, the more striking finding is the journey along the way: even with perfect foresight, this portfolio suffered 10 drawdowns of more than -20%, with the largest (a drawdown of -76%) occurring during the Great Depression and the second largest (-41%) happening during the Global Financial Crisis in 2008/2009.

In short, an investor who knew exactly what stocks to own to maximise their long-term returns would still have watched their paper wealth decline more than 30% of on five separate occasions, as can be seen in the chart below. (Note that the purple drawdowns of the 'perfect' portfolio and the pink drawdowns of the S&P500 have in recent decades been similar in magnitude.)



Source: "Even God Would Get Fired as an Active Investor" by Wes Gray, Ph. D (Alpha Architect)

Gray went further still, showing that a portfolio combining perfect long picks with perfect short picks – which compounded at 46% per year – would still have experienced numerous drawdowns and underperformed the S&P 500 by more than 20% on seven separate occasions.

The conclusion is that drawdowns are an unavoidable feature of long-term investing. As Gray shows, not even perfect foresight can escape drawdowns, and the willingness to endure them is a large part of the behavioural edge required for successful long-term investing.

The natural question, of course, is whether anything can be done *during* a drawdown to maximise future returns (other than to avoid selling in a panic at the bottom). Whilst we cannot cite studies on this topic, we can provide some observations from our experience. In the next section, we examine our own history of drawdowns and the decisions we made during them.

Drawdowns in our track record

Let's not beat around the bush: at present, the Fund is experiencing one of its worst drawdowns. As of the 31st of March, the Fund is down -17.2% calendar year to date. From the peak in July 2025, the Fund is down -23.0%. Though the Fund has recovered slightly from the bottom in March, the year-to-date performance is the third largest intra-year drawdown since strategy inception, and the Fund's performance since July 2025 is now the second largest overall drawdown (being exceeded only by the -25.2% drawdown from January to June 2022).

Calendar Year	Drawdown Period	Intra-Year Drawdown from Peak	Performance 1yr after Drawdown
2019 (since 31 Aug. 2019)	Sept. to Oct. 2019	-3.5%	+19.9%
2020	Feb. to March 2020	-20.2%	+28.7%
2021	Feb. to March 2021	-6.4%	+18.0%
2022	Jan. to June 2022	-25.2%	+24.5%
2023	Sept. to Oct. 2023	-5.9%	+25.0%
2024	July to Aug. 2024	-5.2%	+23.5%
2025	July to Oct. 2025	-9.7%	N/A
2026 (YTD)	Jan. to March 2026	-19.7%	N/A

While each drawdown had different causes, we think the two other most extreme ones are worth highlighting:

- In 2020, the lockdowns put in place globally to combat the COVID-19 pandemic resulted in a very sharp -20.2% drawdown of the Fund from mid-February to mid-March. The sudden stop of the global economy drove market fears of indefinite economic paralysis. It was only when a concerted effort from global governments and central banks provided (arguably too much) liquidity and fiscal support that markets recovered.
- In 2022, the combination of rapidly rising interest rates to combat the highest rate of inflation since 1980 – exacerbated by Russia's invasion of Ukraine, which drove oil prices to over $100/barrel – saw the Fund decline by -25.2% over the course of six months from the first day of January until late June.

Although each drawdown had different causes and durations, they all shared one feature: each proved to be a buying opportunity for anyone who could look out even one year. The main challenge to doing so is behavioural: when it seems like the world is on fire, moments such as these never *feel* like buying opportunities because the headlines are uniformly terrible. However, to borrow a phrase from the legendary investor Barton Biggs: "*the hard reality of investment life is that it is almost impossible to have both cheap valuations and good news.*"

While the natural reaction is to sell out or do nothing, the objectively rational action when faced with lower prices is to lean in and take advantage.

What we have done during prior drawdowns

Moments when markets do not discern between businesses of high and average quality due to a macro-driven sell-off are generally good opportunities to take advantage of, and it is what we have done during past drawdowns of this nature.

Practically, what does 'taking advantage of a drawdown' look like?

- We sell or trim businesses whose fundamentals look to be adversely affected by whatever event is concerning markets.
- We trim (or – in rare cases – sell) positions in businesses whose stock prices have held up well during the volatility, particularly when the share price now implies overly optimistic fundamental performance.

- We buy (or add to) businesses that have been caught up in the sell-off despite no meaningful change to their fundamentals.

In each case, our actions are driven by the gap between price and fundamental value that the macro event has created, not by the price movement itself.

The Fund's turnover will increase during periods such as these as we reposition the portfolio to take advantage of the opportunities offered by the market. When we have done so in the past, it has left us with a higher-quality portfolio of businesses and what we believe are better prospects than the portfolio had going into the event.

This may sometimes require selling businesses at recent lows or even at a loss. In most cases, this decision is primarily driven by the fact that we see better opportunities elsewhere.

Below are some examples of actions taken in the Fund during the height of the COVID crash.

- We sold Disney in March 2020, around 30% below our average cost basis. Given that the range of outcomes for Disney had widened appreciably at that point, we thought we could earn better returns at lower risk in other names and deployed the proceeds into Keyence and Intuitive Surgical. 18 months later, Intuitive Surgical had rallied by 144%, Keyence by 110%, and Disney by 90%.
- In March 2020, we purchased a position in online travel platform Booking.com; when it became apparent to us that its fortunes would largely be dependent on when governments reopened international travel – an event we did not feel we had an edge in forecasting – we sold it in May 2020 at a 4% loss, and redeployed the cash into Nike. 18 months later, Nike had rallied by 91% compared to 51% for Booking.com.
- In April 2020, we sold Visa and consolidated the position into Mastercard. 18 months later, Mastercard was up by +29% compared to Visa’s +25%.
- Also in April 2020, we used excess cash to purchase our initial stake in Berkshire Hathaway on the belief that it had been sold down to extremely attractive levels; 18 months later, it was up 57%.

To be clear, we don't get all our sales correct. There are some businesses we've let go of that have done very well after the fact – selling Intuitive Surgical in mid-2022 comes to mind. However, the hit rate on what we’ve purchased has been high enough to offset our selling mistakes: from the lows in mid-March 2020, the Fund compounded at +16.4% p.a. over the following five years.

We consider the actions taken during February to June 2020 – and again during the 2022 drawdown, when we first purchased Games Workshop– to have contributed to strong subsequent results.

We recognise that the current drawdown has a structural dimension – questions about AI and its impact on the durability of certain business moats – that previous macro-driven drawdowns did not share. We have addressed those questions throughout our communications and will continue to do so. However, the underlying discipline remains the same: focus on the gap between price and value, and act when that gap becomes attractive.

What we have done in 2026

What *is* different this time around is that we entered March already experiencing a drawdown in many of our capital-light businesses, particularly our software businesses. However, as during previous drawdowns, we are now seeing similar opportunities in the sorts of businesses we seek to own. We believe this is a target-rich environment and have been making changes to the portfolio consistent with our approach during past drawdowns.

First, we have sold positions that we think have near-term headwinds to their fundamental performance – in certain cases crystallising losses – and trimmed positions that have held up well.

Second, we have purchased four new positions in 2026 and upweighted two existing positions.

Detail on these position changes are reserved for Constantia Investors

In aggregate, these changes have reduced the Fund’s cash balance. As at the end of 2025, the Fund held 9.1% in cash. As of 31 March 2026, this has reduced to 5.4%.

In addition, these changes have seen the Fund’s quality scorecard metrics improve meaningfully since December 2025, even as the portfolio has become cheaper. (See the abbreviated table below, and the full table in Annexure A).

Portfolio Characteristic	31-Dec-25	31-Mar-26
Profitability		
Gross Margin	44.9%	48.7%
Free Cash Flow Margin	17.9%	23.0%
Returns on Capital		
Return on Invested Capital (ROIC)	21.8%	26.5%
Balance Sheet		
Net Debt/EBITDA	1.0x	0.6x
Valuation		
Free Cash Flow Yield	4.0%	4.4%

In combination, we believe this means the prospects for future returns have improved notably.

Conclusion

We cannot tell you when this current drawdown will end – the events in the Middle East are clearly outside of our control, and when the market's perception of AI winners and losers shifts is also unknowable. That said, during the final week of February, prior to the events unfolding in the Middle East, a semblance of rationality was returning to share prices in the sectors most directly affected by the sell-off in capital-light businesses.

What we can control is our behaviour – that is, adhering to our investment process. This has served us well over time, and based on our experience, we expect that the odds of earning attractive returns on capital deployed now are high.

Additionally, we can tell you that the businesses we own in the Fund are of high quality – what is on the tin is in the tin. Even more importantly, they are continuing to grow their intrinsic value, despite the near-term drawdown in their stock prices.

The path forward will require some patience. We believe – and the historical record supports – that patience is rewarded when it is paired with discipline and a focus on quality. We intend to continue providing both.

As Seth Klarman noted when reflecting on his greatest lessons from the 2008 GFC, "*having clients with a long-term orientation is crucial. Nothing else is as important to the success of an investment firm.*"

We agree, and we are deeply grateful for the long-term commitment of our partners.

ANNEXURE A: FUND METRICS

Quality Scorecard

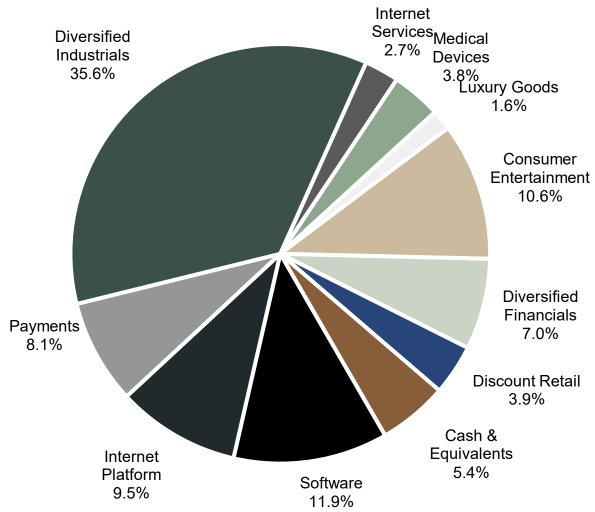
Portfolio Characteristic	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024	Dec. 2025	Mar. 2026
Profitability								
Gross Margin	55.7%	49.8%	52.3%	48.1%	43.3%	42.3%	44.4%	48.7%
Operating Margin	23.5%	20.1%	24.3%	22.8%	21.2%	20.4%	22.9%	27.7%
Free Cash Flow Margin	18.9%	17.0%	17.6%	16.8%	15.7%	17.6%	19.6%	23.0%
Returns on Capital								
Return on Assets (ROA)	13.0%	11.9%	13.7%	13.9%	13.0%	12.1%	13.2%	16.1%
Return on Equity (ROE)	28.3%	24.9%	30.4%	29.8%	26.0%	23.7%	27.6%	36.3%
Return on Invested Capital (ROIC)	24.0%	16.5%	20.7%	19.5%	21.2%	26.9%	23.2%	26.5%
Debt Ratios								
Debt/Equity	87.2%	68.6%	78.3%	57.9%	77.3%	64.6%	52.6%	79.3%
Net Debt/Equity	19.3%	22.1%	27.3%	8.6%	47.2%	33.4%	25.7%	41.2%
Debt/EBITDA	1.5x	1.6x	1.2x	1.4x	1.7x	1.4x	1.7x	1.6x
Net Debt/EBITDA	0.4x	-0.2x	0.1x	0.1x	0.9x	0.5x	0.9x	0.6x
EBITDA/Interest Expense	46.0x	60.5x	56.3x	59.7x	50.3x	31.4x	46.7x	44.5x
Valuation								
Free Cash Flow Yield	2.8%	3.2%	2.8%	3.8%	3.7%	3.6%	4.0%	4.4%
12m Forward Free Cash Flow Yield	3.3%	3.6%	3.2%	4.4%	3.8%	3.9%	4.2%	4.8%
24m Forward Free Cash Flow Yield	3.8%	4.0%	3.6%	5.0%	4.3%	4.4%	4.7%	5.5%
Holdings								
Number of positions	19	21	21	24	21	19	23	24
Active Share	86.5%	87.8%	89.0%	89.7%	89.0%	91.2%	90.9%	90.6%

Top Five Holdings (alphabetical)

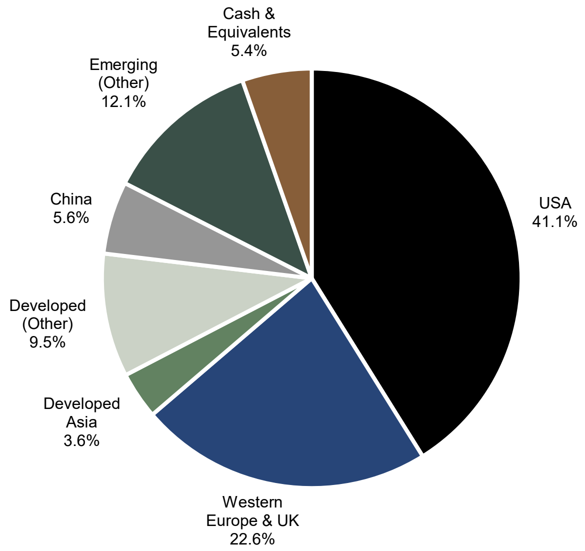
Business	End Market
AMETEK	Electrical Components
CONSTELLATION SOFTWARE INC.	Niche Vertical Market Software
DIPLOMA PLC	Diversified Industrial Distribution
GAMES WORKSHOP	Niche Hobbyists & IP
MARKEL	Diversified Financials

Internal Sector & Geographic Revenue Allocation

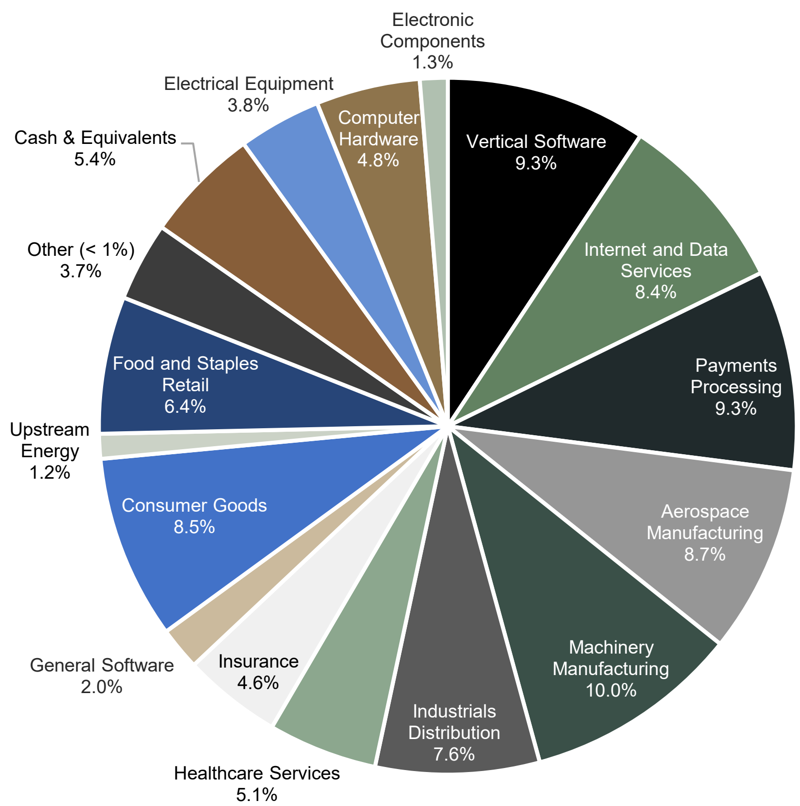
Constantia Sector Allocation
31 March 2026



Geographic Revenue Breakdown
31 March 2026



End-Market Revenue Breakdown
31 March 2026



Source: FactSet, Constantia analysis.

ANNEXURE B: OUR INVESTMENT PHILOSOPHY

We are ‘business-first’ rather than ‘security-first’ investors, and approach each holding as part-owners of the underlying business. This ownership mindset leads us to focus on the quality of the businesses we own, which we summarise simply as:

‘Exceptional businesses, run by exceptional people, purchased at the right price.’

We define the three key terms as follows:

Exceptional Businesses:

- offer a product or service that is hard to disrupt.
- have strong competitive advantages.
- are highly and sustainably profitable.
- convert the majority of their accounting earnings into cash.
- generate more cash than they need to meet the day-to-day needs of operations.
- have a long runway of opportunities to reinvest the excess cash generated.
- have low debt levels to mitigate the risk of failure.

Exceptional People:

- think and behave like owners.
- are appropriately aligned with minority shareholders through share ownership and fair incentives.
- display a degree of trusteeship or moral responsibility to their shareholders.
- have a demonstrable history of value-creating capital allocation.

Right Price:

The right price is one that allows us to meet or exceed our net return target of 12% per annum over a cycle.

We do not seek to generate returns by constantly having to trade in and out of businesses. Instead, we believe our long-term return will reflect the fundamentals of the businesses we own. As a result, we seek to own businesses for long periods of time – generally, between three and five years, or longer if warranted by fundamentals.

We manage a concentrated portfolio and own between 15 and 25 businesses at any given point.

We are bottom-up, fundamental investors. While we are cognisant of macro-economic risks, we do not construct the Fund to take advantage of such events.

We are an equity fund and intend to be between 90% and 100% invested in this asset class. We operate under the belief that if you entrust us with your capital, you want it managed in line with the process and philosophy we follow; you do not expect us to make an asset allocation decision.

We believe in time in the market, rather than timing the market.

We do not engage in shorting, nor do we use leverage to enhance our returns.

Our investable universe is global, and we are agnostic when it comes to market capitalisation.