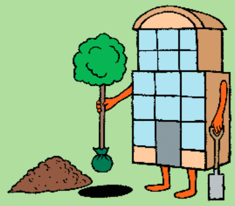
MONTANARO
ASSET MANAGEMENT

The Better World Strategy

- Montanaro Better World Fund (Dublin)
- WS Montanaro Better World Fund (UK)

Quarterly Review – Q4 2025



2025: Risk-on year – most asset classes saw gains:

- Equities delivered strong returns (MSCI ACWI +13.9%), led by non-US markets
- Europe was a standout (MSCI Europe ex-UK +26%), driven by Value and Cyclicals
- MSCI World SmallCap posted positive returns but lagged LargeCaps over the year

Quality has underperformed across regions during the year:

- Quality lagged by c.11% in Europe, c.14% in the UK and c.7% in the US over 12 months

Note: All returns are Total Returns in GBP.

The final quarter of 2025 marked a subtle but important shift in market conditions, even if the legacy effects of the year's dominant style trends remained evident. Equity market leadership broadened modestly beyond the most speculative corners of the market and volatility subsided into year-end. Inflation continued to ease across major economies, bond yields stabilised at elevated levels and the US dollar weakened further, creating a more balanced macro backdrop than earlier in the year.

It is important to acknowledge that 2025 was a difficult year for the Fund. The combination of extreme style dispersion, narrow market leadership and a prolonged preference for cyclical and lower-quality exposures created a challenging backdrop for portfolios built around durable growth, balance-sheet strength and long-term impact. While performance was disappointing over the period, the underlying businesses we own continued to execute against their strategies and deliver on their sustainability objectives. **To illustrate this, of our companies that reported during Q4, roughly 85% beat consensus expectations.**

Nevertheless, the style headwinds facing our "Quality Growth" approach did not fully abate in Q4. The defining features of 2025 — extreme rotations toward cyclical, lower-quality and value-oriented assets, particularly in Europe and the UK — continued to weigh on portfolios focused on profitability, balance-sheet strength and durable growth. SmallCap equities delivered positive returns in absolute terms, but performance remained selective, and higher-quality businesses lagged areas of the market geared to operating leverage and macro sensitivity.

Against this backdrop, investor behaviour remained shaped by momentum and positioning rather than fundamentals. Although some of the more speculative excesses seen earlier in the year began to cool, the gap between price action and underlying business quality remained wide. For disciplined, long-term investors, Q4 was therefore less about immediate validation and more about positioning — as valuations, leadership and macro conditions slowly began to lay the foundations for a more supportive environment ahead.

Performance & Portfolio

During the quarter, the NAV of the sterling share class of the Dublin domiciled Fund declined by 4.8%, an underperformance of 7.0% versus the MSCI World SMidCap Index.

The NAV of the sterling accumulation share class of the UK domiciled Fund declined by 4.8%, an underperformance of 7.0% versus the same benchmark.

The **strongest contributors** during the quarter were:

- **Sartorius Stedim Biotech** – the provider of equipment and consumables used in the production of biologic drugs continued to deliver strong growth across its core markets.
- **Asahi Intecc** – the Japanese global leader in guidewires for minimally invasive surgeries performed well as it demonstrated strong growth in Europe, China and the US.
- **ALK-Abelló** – the Danish allergy drugs company contributed positively as growth remained solid, supported in particular by its oral tablets portfolio.

The **weakest contributors** during the quarter were:

- **Stride** – the US provider of online education services for school-aged students was the weakest contributor after encountering substantial issues upgrading its learning platform, leading to higher-than-expected withdrawals and slower enrolment growth.

- **Bentley Systems** – the software company specialising in infrastructure engineering underperformed as part of a broader sell-off in software stocks, driven by concerns around the perceived threat from AI.

- **Veeva Systems** – the US pharmaceutical software company sold off alongside software peers, with weakness exacerbated by the loss of a customer to a competitor.

Impact & Engagement

CSW Industrials – US industrial products company with HVAC and safety solutions

We met with CSW Industrials to deepen our understanding of its ESG strategy and to discuss the environmental benefits associated with its products. Management reaffirmed its commitment to responsible business practices, supported by Board oversight and improving sustainability disclosure. CSW highlighted the role of its HVAC solutions in preventing refrigerant leakage, improving system efficiency and supporting the transition to lower-impact refrigerants, alongside the contribution of its fire and smoke protection systems to building safety. While product-level impact measurement remains challenging, the company is working to enhance data quality and transparency. Engagement will continue as reporting evolves.

EastGroup Properties – US owner and developer of industrial real estate

We engaged with EastGroup Properties to discuss its ESG strategy, environmental initiatives and progress in improving data coverage and disclosure. Given the multi-tenant nature of its industrial portfolio, the company has limited direct control over tenant energy consumption and therefore focuses on areas within its influence, including sustainable development standards, efficient lighting, drought-resilient irrigation and the promotion of greener leasing practices. EastGroup has made solid progress on ESG disclosure and data coverage, reflected in improvements to its GRESB score, while maintaining a pragmatic approach to target setting. ESG considerations are also incorporated into executive incentive structures. We will continue to monitor developments, particularly around data coverage, certifications and the climate strategy.

Sartorius Stedim Biotech – global supplier to the biopharmaceutical industry

We engaged with Sartorius to understand recent trends in reported carbon intensity and progress on its climate strategy. The company explained that while absolute Scope 1 and 2 emissions have declined modestly, intensity metrics increased primarily due to lower revenues and expanded emissions boundary coverage. Sartorius confirmed it is refining its climate targets, working towards SBTi validation and strengthening supplier engagement to address Scope 3 emissions, which represent the majority of its footprint. We will continue to monitor progress as commitments are further developed.

Spirax – UK engineering group focused on thermal energy and fluid technologies & Volution – UK manufacturer of ventilation and indoor air quality solutions

We engaged with Spirax and Volution to better understand their approaches to fair pay and alignment with recognised living wage standards. Discussions covered UK Living Wage accreditation, wage-setting practices and broader pay frameworks. Spirax confirmed that all UK employees who have completed their education are paid at or above the Real Living Wage under a formal UK Living Wage policy, although the Group is not seeking external accreditation, instead emphasising competitive benchmarking and supplier expectations through its Sustainability Code. Volution outlined its "mind the gap" approach, which aims to preserve pay differentials above statutory minimum wage levels, alongside the development of a pay-for-skills framework to further strengthen alignment between pay and capability. We will continue to engage across the group as disclosures and practices evolve.

Outlook

As we look ahead to 2026, we are increasingly constructive on the opportunity set for the Better World Fund. While 2025 was dominated by macro narratives, style rotations and speculative excess, the underlying fundamentals of many of the businesses we own remain intact — and in many cases have strengthened. Earnings visibility, balance-sheet resilience and long-term growth drivers tied to sustainability have not disappeared; they have simply been overlooked.

The Better World portfolio is deliberately positioned towards companies addressing structural challenges rather than cyclical fluctuations. Our impact themes — including resource efficiency, healthcare innovation, digital infrastructure, safety and environmental protection — are aligned with enduring societal needs that continue to attract capital investment and policy support. Whether through water management, energy efficiency, automation, diagnostics or mission-critical software, demand for the products and services our holdings provide remains robust, even if short-term share price performance has lagged.

Importantly, the disconnect between fundamentals and valuations has widened. In several areas of the portfolio, high-quality businesses with proven growth trajectories now trade at levels that more than compensate for near-term uncertainty. This has allowed us to be more active in portfolio construction, adding selectively to conviction positions and initiating new holdings where we see attractive long-term returns alongside clear, measurable impact. We believe this combination — quality, valuation discipline and impact alignment — positions the Fund well for a change in market leadership.

Looking ahead, we expect the drivers that dominated 2025 to gradually lose influence. We believe investors will increasingly differentiate between businesses with durable economics and those reliant on favourable sentiment. History suggests that periods of extreme style divergence tend to be followed by sharp reversals.

We remain disciplined in our approach. Risk management, diversification and active engagement with management teams remain central to how we steward capital on behalf of our clients. At the same time, we continue to refine the portfolio to ensure that impact is not only intentional but also delivered through commercially robust business models. Our conviction in the Better World strategy is unchanged: investing in high-quality companies solving real-world problems remains, in our view, one of the most compelling ways to compound capital and generate positive environmental and social outcomes over the long term.

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