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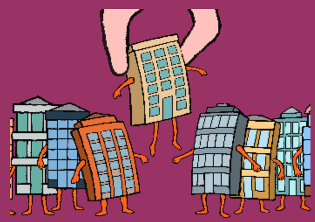
ASSET MANAGEMENT

European Smaller Companies Fund

Quarterly review – Q4 2025



2025 Highlights

Europe back in the lead:

- European equities were among the strongest global performers in 2025 **as leadership shifted decisively away from the US**
- Gains were broad-based and cyclical in nature, led by Financials, Industrials and other sectors benefiting from higher-for-longer interest rates

An extreme Growth–Value reversal:

- In European SmallCaps, Growth lagged Value by 16.3%, marking **one of the most severe style rotations since the Global Financial Crisis**

Quality heavily de-rated:

- Quality underperformed the broader European market by 10.8%, **the worst relative outcome since at least 1999**

A tale of two UK markets:

- The UK FTSE All-Share rose 24% in 2025, driven by LargeCaps, Financials and Value-led sectors
- By contrast, UK SmallCaps continued to struggle, with AIM falling 6.4% and profitable SmallCaps underperforming by 2.6%, **the worst such outcome in at least 25 years**

2025 proved a difficult year for the Fund, driven primarily by powerful style and sector headwinds rather than a deterioration in underlying fundamentals. European equity markets experienced an extreme reversal in factor leadership, with Growth and Quality significantly out of favour. The MSCI Europe ex-UK Growth index underperformed Value by 24.6% — the largest gap since records began in 2001 — while in European SmallCaps, Growth lagged Value by 16.3%, one of the most severe relative outcomes since at least 2008. Similar, though less pronounced, headwinds were evident in the UK. Against this backdrop, style effects were a significant detractor for the Fund over the year, accounting for the majority of relative underperformance.

Sector allocation compounded these pressures. The Fund's structural underweight to Materials (notably mining), Financials (particularly banks), Energy/Utilities and Industrial Value stocks detracted meaningfully from performance, as these areas were among the strongest beneficiaries of higher interest rates, rising commodity prices and increased geopolitical and defence-related spending. Quality itself was heavily de-rated, with the MSCI Europe Quality index underperforming the broader market by 10.8% — the weakest relative outcome since at least 1999 — as investors favoured operating leverage, valuation catch-up and macro sensitivity over balance-sheet resilience.

Stock selection was a secondary factor. While there was only modest positive contribution from selection overall, this reflected stock-specific developments rather than a systematic issue with the portfolio's Quality bias. Outside the portfolio, the pattern was clear: leadership was concentrated in sectors where the Fund is deliberately underweight — commodities, defence and financials — and the sharp re-rating of these areas amplified relative underperformance. This outcome was a direct consequence of maintaining a disciplined focus on durable growth, strong balance sheets and long-term compounding.

Performance & Portfolio

During the quarter, the NAV of the Euro distribution share class **rose by 0.6%, an underperformance of 2.9%** versus the MSCI Europe Small Cap benchmark index (in total return terms).

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

- **Technoprobe** – the Italian developer of semiconductor testing equipment rose after securing qualification with a customer for high-bandwidth memory testing, which could open a larger potential addressable market.

- **Games Workshop** – the UK creator of tabletop miniature games and fantasy products advanced on better-than-expected trading updates, with core revenues growing by over 15 percent despite weaker licensing income in a year without a major video game release.

- **Interpump** – the specialist manufacturer of hydraulic systems delivered reassuring Q3 results, including a surprise improvement in its core division.

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

- **Baltic Classifieds** – the operator of online classified portals in the Baltic region declined amid industry-wide concerns that generative AI could prove disruptive to classifieds business models.

- **Plejd** – the Swedish developer of smart lighting and home automation solutions lagged as the shares de-rated despite continued solid underlying performance, following a period of strong gains earlier in the year.

- **Schott Pharma** – the German pharmaceutical packaging provider weakened after lowering its mid-term targets due to reduced demand forecasts from a key customer.

Engagement / ESG

Brembo – Italian manufacturer of braking systems for automotive applications

We engaged with Brembo to discuss progress on its decarbonisation strategy and Net Zero ambition. The company confirmed that it has set a Net Zero target aligned with SBTi standards and is awaiting updated guidance ahead of formal submission. While Scope 1 and 2 performance remains on track, Scope 3 emissions continue to present challenges due to sector characteristics and supply chain complexity. Brembo is strengthening supplier engagement, increasing the use of recycled materials and encouraging renewable energy uptake. We will continue to monitor emissions trends and target validation.

ChemoMetec – Danish provider of cell counting and analysis instruments

We engaged with ChemoMetec regarding a shareholder proposal to appoint an additional director to the Board. Following discussions, we supported the company's position, noting considerations around board balance and compliance with Danish gender representation requirements. The engagement is now closed.

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 understand their approaches to fair pay and alignment with recognised living wage standards. Spirax confirmed that all eligible UK employees are paid at or above the Real Living Wage under a formal policy, while not seeking external accreditation, instead emphasising competitive pay benchmarking and supplier expectations. Volution outlined its "mind the gap" approach to maintaining pay differentials above statutory minimum wage levels and is developing a pay-for-skills framework to further strengthen alignment between pay and capability. We will continue to engage as practices and disclosures evolve.

Outlook

We believe the conditions that made 2025 so challenging are unlikely to persist indefinitely. Periods of extreme style divergence — particularly those driven by narrow leadership, valuation catch-up and macro sensitivity — have historically been followed by reversals as fundamentals reassert themselves. After one of the most pronounced Growth-Value and Quality-Value rotations on record, it would be no surprise to see a more balanced market environment emerge.

Importantly, the underlying fundamentals of the portfolio remain intact. Across our holdings, balance sheets are strong, competitive positions are defensible and long-term growth drivers remain in place. The valuation adjustment experienced over the past year has improved prospective returns, with many high-quality businesses now trading at levels that reflect a far more pessimistic outlook than current fundamentals suggest.

We are not standing still. Alongside maintaining discipline around quality and valuation, we have continued to refine elements of our investment process — strengthening risk awareness, challenging assumptions and sharpening portfolio construction. Our focus remains on improving outcomes for investors while staying true to the core principles of the strategy. While market conditions may remain uneven in the near term, we believe the portfolio is well positioned to benefit as style headwinds abate and fundamentals once again play a more central role in driving returns.

Alex Magni ***Stefan Fisherfeier***

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