Q2 2025 Investment Letter

Stenham Equity UCITS Fund

Performance Review

Fund vs. Benchmark[1]	Q2 2025	YTD 2025	Since Inception
Stenham Equity Fund (A1)	**8.4%**	**9.2%**	**241.2%**
MSCI World Index	11.0%	9.5%	216.2%
Relative	-2.6%	-0.3%	25.0%

Portfolio Attribution

Top Contributors – Q2 2025	Portfolio Weight	Attribution
Microsoft	6.6%	2.1%
Taiwan Semiconductor	5.8%	1.6%
Safran	5.0%	1.2%

Top Detractors – Q2 2025	Portfolio Weight	Attribution
Thermo Fisher Scientific	0.0%	-1.1%
American Financial Group	4.7%	-0.2%
Union Pacific	3.1%	-0.1%

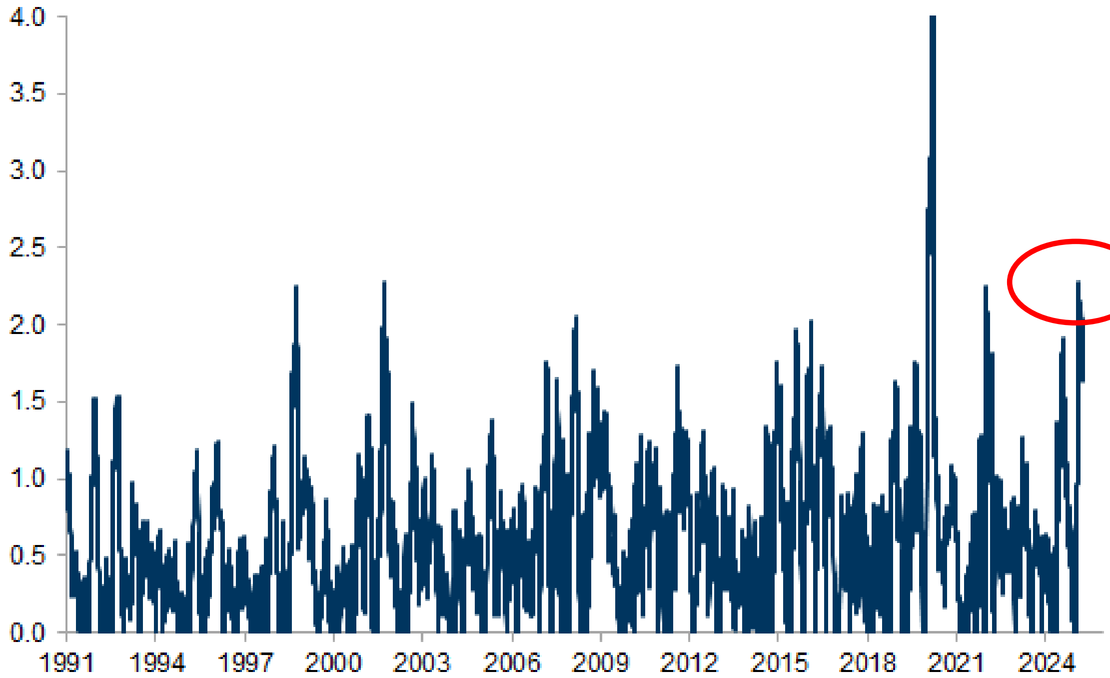
Market Commentary

Amid the dizzying back and forth on tariffs, escalating geopolitical tensions in the Middle East, and growing concerns over the ballooning US deficit following the One Big Beautiful Bill Act, one could be forgiven for triple-checking that equity markets were indeed hovering near all-time highs. The speed of the rebound from the Liberation Day lows marks one of the sharpest recoveries in risk appetite on record. We are aware that markets can often overshoot in the short term and, while the pivot in the tariff stance and rising prospect of US interest rate cuts are likely to have helped sentiment near term, we are mindful of market valuations. The USD weakness is another consideration for investors, as it generated its worst first half performance since 1973. From a fundamental perspective, this should prove a tailwind for the US multinationals in the portfolio,

[1] *Data as of 17 Jul 2025. Performance is presented net of fees. Stenham Equity Fund Class A1 reactivation date 18 Nov 2020. Stenham Equity Long Only Strategy inception date 13 Apr 2012.* ***Past performance does not predict future returns.*** *Source: Stenham, Bloomberg. This is a marketing communication. Please refer to the Fund prospectus and KIID before making any final investment decisions.*

but from a fund perspective, the FX hedges of our non-US holdings detracted 3.1% from performance this year. Said differently, fund performance on a YTD basis would be 12.3% excluding this factor and looking solely at stock picking.

One of the sharpest recoveries in Goldman Sachs' Risk Appetite Indicator on record[1]



Portfolio Discussion

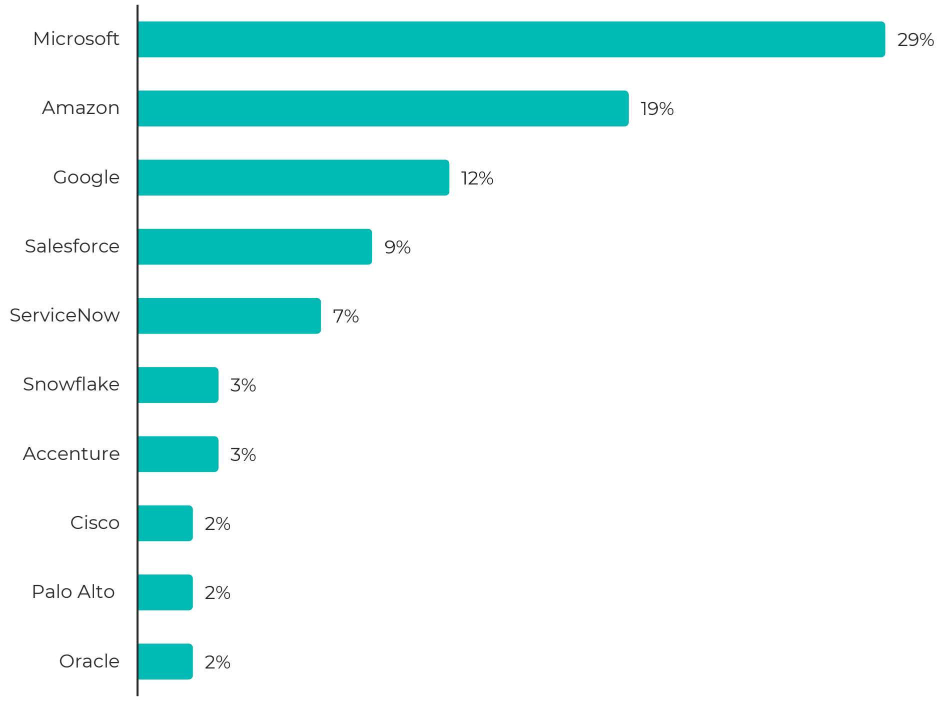
Cloud & Software (Microsoft, Amazon)

Cloud computing stood out as a bright spot during the quarter, with continued optimism around the impact and adoption of AI serving as a key driver of strength across leading hyperscalers. Microsoft rallied ~32% in Q2 and ~8% following their earnings results as growth in their Azure cloud business came in significantly ahead of expectations. We saw several positive datapoints regarding AI demand from the company's earnings call as they highlighted Azure AI revenues growing 175% year on year and an exponential 5x increase in the number of tokens[2] processed by the company. Importantly, however, this is providing an uplift to the entire cloud business, as enterprises are increasingly shifting their workloads to the cloud to be able to leverage the benefits of AI as most AI tools today are cloud native and require significant computing power, which enterprises typically do not have in house and can only access via the cloud. There has been significant market debate on the amount of capital expenditure being deployed by the large cloud computing providers and the returns these companies will be able to generate on this investment. However, we saw a similar debate play out when Microsoft began aggressively expanding their cloud computing business in the mid-2010s, a business which now generates an estimated $95bn per annum in revenues, growing 30%+ and has estimated operating profit margins of 25-30%. Their AI business is already significantly below the peak capital intensity observed during the cloud build out meanwhile revenues are already close to $14bn on an annualised run

[1] *Source: Datastream, Haver Analytics, Goldman Sachs Global Investment Research*
[2] *Tokens are used by AI large language models, such as those powering ChatGPT, to handle user queries*

rate basis after only 2 years. The same revenue milestone for the cloud business took approximately 8 years to achieve. We remain optimistic on both Microsoft and Amazon's cloud businesses as the infrastructure layer underpinning AI and see them as well positioned to generate attractive rates of return by capitalising on this secular growth trend.

Vendors gaining largest incremental share of Gen AI spend over the next 3 years (Q1–25)[1]



Payments (Mastercard, Visa)

Visa and MasterCard underperformed the broader market during the quarter as concerns surrounding the adoption of stablecoins prompted a market sell off for both names. As a reminder, stablecoins are digital currencies backed by traditional fiat currencies, such as the USD, and provide a less volatile alternative to mainstream cryptocurrencies, such as Bitcoin. There were several headlines during the quarter on stablecoins, including the regulatory framework passing the US senate, the IPO of a leading stablecoin provider Circle and retailers rumoured to be considering stablecoin acceptance that prompted the negative market reaction. Although still early days, our view is that stablecoins may in theory have a positive value proposition for cross-border money flows, such as remittances, but offer a limited value proposition in consumer payments where the card networks operate. Changes in consumer payments behaviour often face a chicken-and-egg problem in that merchants would only invest in the acceptance of new payment methods if enough consumers are using it and consumers are unlikely to adopt something drastically new unless enough merchants are accepting it, forcing a stalemate.

One of the biggest reasons consumers choose to use credit cards is the ability to earn rewards whereas stablecoins function more like digital cash. For debit card transactions, the costs for merchants are already incredibly low at ~0.5% and include various merchant and consumer protections that alternative propositions would likely struggle to compete with from a cost perspective. In fact, the founders of the payments processor Stripe, who have been an early proponent of stablecoin adoption, highlighted the main value proposition

[1] *Source: Morgan Stanley, AlphaWise Survey*

being cross-border money flows and not consumer payments. That said, Visa and MasterCard have not been idle either, announcing several stablecoin partnerships that reflect the fact that innovation is most commonly built on top of the card network rails rather than in place of it as this is the easiest and fastest way to gain global acceptance and ubiquity. While we continue to monitor the ongoing developments around stablecoins, at this stage we see Visa and MasterCard's dominant position in the payments ecosystem remaining intact.

Aerospace (Airbus, Safran, GE Aerospace)

Aerospace was the largest contributor to portfolio performance over the quarter. We spent several days at the Paris Air Show in June where we engaged with a broad range of industry participants and the insights gained supported our conviction around continued strength in aftermarket (benefitting the engine-makers Safran and GE Aerospace) and an improving outlook for Original Equipment (OE, benefitting Airbus).

The strength in aftermarket is underpinned by two key factors: (1) An aging and heavily utilised fleet driven by delayed aircraft deliveries combined with sustained air traffic growth; and (2) A sizable and growing aftermarket backlog, driven by service demand consistently outpacing capacity. These views were reinforced in our meetings at the Paris Air Show, with Boeing noting that the share of aircrafts over 20 years old within the global fleet has risen by 5 percentage points since 2019, while StandardAero highlighted that wait times for engine maintenance currently range from several months to years. As a result, we anticipate above-average growth to persist near term and we continue to track the broader aftermarket cycle closely.

The improving outlook for OE is facilitated by ongoing supply chain improvements that should enable Airbus to accelerate deliveries and address its large orderbook extending well into the next decade. While engine availability remains a key constraint, we anticipate an acceleration in deliveries as supply constraints gradually subside. We view pricing as a potentially underappreciated long-term tailwind, with the company currently leveraging the supply-demand imbalance to raise prices, which we expect to transpire into earnings longer term as orders are fulfilled through the late 2020s and early 2030s. These views were validated in our meetings at the Paris Air Show as Airbus highlighted a 40% year-to-date reduction in missing parts and a return to peak production levels on key sections, while a leading global lessor told us new aircrafts are currently being sold at 30-40% premiums compared to pre-pandemic levels.

Portfolio Company Overview

The futures exchange industry, as we know it today, is an essential, highly sophisticated, and technologically advanced market where participants across the globe can manage or speculate on a wide variety of risks. This is achieved through the instantaneous execution of futures contracts on underlying assets ranging from commodities to financial instruments.

The origins of futures trading trace back to ancient Greek and Phoenician merchants, who used simple forward agreements to manage risks associated with transporting and trading goods. Modern futures exchanges, however, were established in 19th-century America in response to extreme seasonal fluctuations and price volatility in agricultural markets. The development of canals and railroads around Chicago in 1848 turned the city into a crucial hub for agricultural trade, leading to the creation of the Chicago Board of Trade (CBOT), which standardised contracts and facilitated more efficient and transparent trading.

In 1898, the Chicago Mercantile Exchange (CME) was founded, expanding on existing institutions to cover a wider range of commodities. Both exchanges grew in prominence throughout the 20th century, becoming central components of US and global financial markets. The CME demutualised in 2000, went public in 2002, and later merged with CBOT in 2007, forming the CME Group - now the largest futures exchange in the world.

CME Group: The World's Risk Bookmaker

From its beginnings as a small agricultural exchange in Chicago, CME Group has grown into the global risk management backbone - effectively becoming the world's "risk bookmaker." Today, CME's product offering spans across multiple asset classes, with major futures and options contracts in interest rates, equity indices, energy, agricultural commodities, metals, and foreign exchange.

Across all these markets, CME facilitates seamless and transparent trading, providing price discovery while eliminating counterparty risk through its central clearinghouse. Clients range from businesses seeking to hedge operational exposures (e.g. commodity prices, interest rates, currency risk) to professional speculators, such as hedge funds, market makers, trading firms and sophisticated retail traders.

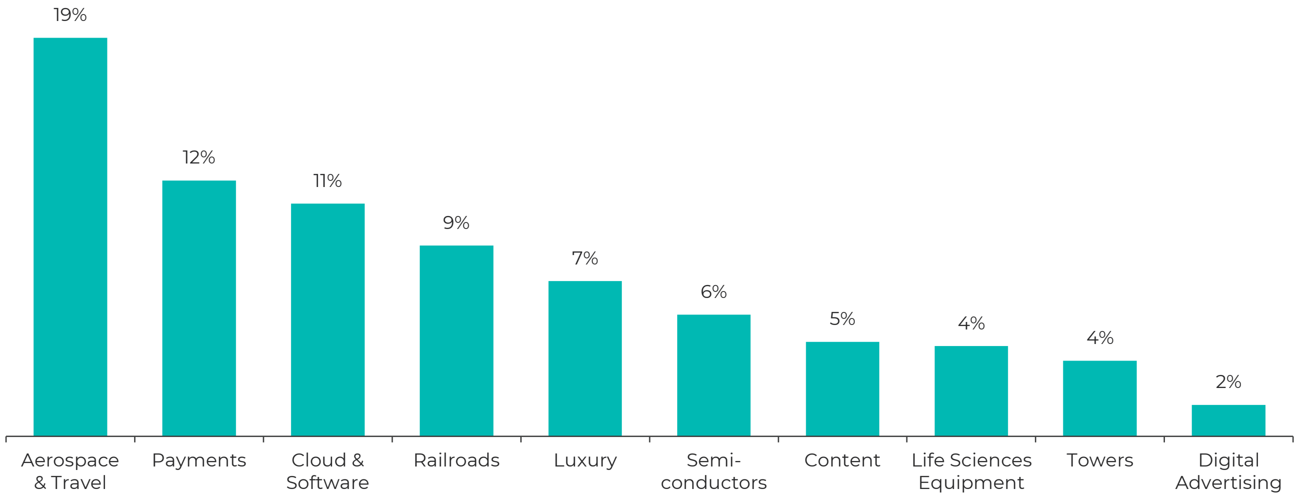
Clients are incentivised to trade on an exchange that has a strong reputation, offers the specific product they require, and - most importantly - has the lowest cost of execution. Cost to transact is a function of liquidity, bid-ask spreads, margin requirements, and contract fees. These dynamics create a "winner-takes-all" effect: contracts with higher volumes become more attractive, which draws in more participants, leading to even greater liquidity and lower costs. This positive feedback loop entrenches CME's dominance in key contracts. Moreover, since futures contracts are non-interchangeable and cannot be settled across different exchanges, a successful contract typically enjoys near-monopoly status within its risk category. The vertical integration of execution and clearing further reinforces CME's closed-loop system and deepens its network effect - a cornerstone of its long-term competitive advantage.

Beyond its strong business model and competitive position, CME Group is also well-positioned to benefit from significant secular growth drivers. The company holds a near-monopoly on trading in US government interest rate futures. Given the expected long-term growth of US government debt markets, CME stands to gain from sustained increases in trading volumes and revenue - at high incremental margins. In parallel, improvements in retail brokerage technology and the introduction of smaller-sized futures contracts have expanded CME's addressable market. A growing class of individual traders, once excluded due to high trading costs, limited platform access, and poor data availability, can now actively participate in futures markets. This emerging segment - the pro-retail trader - represents a meaningful source of future growth.

Capitalising on the Opportunity

We believe the combination of strong network effects, favourable long-term tailwinds, disciplined capital allocation, and experienced leadership will continue to generate significant shareholder value. Historically, CME has performed exceptionally well during periods of heightened uncertainty; when volatility drives increased trading activity. This positions CME not only as a structural compounder but also as a hedge in periods of market and geopolitical uncertainty, which are seemingly appearing more and more frequently.

Portfolio Themes[1]



As always, we appreciate your continued support and investment. Should you have any questions, please do not hesitate to reach out.

Kind regards,

Kevin Arenson, CIO, Co-Portfolio Manager
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Thibault Decré, Associate
Gabriel Moraes, Analyst

[1] *Data as of 30 Jun 2025. Source: Stenham Asset Management.*