

Aecus Europe Equity Fund

Commentary | December 2025

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Note on Performance Information

In accordance with Article (4) of Commission Regulation (EU) No 583/2010, implementing Directive 2009/65/EC (the UCITS Directive), Fund performance data may only be shown after 12 months of performance history

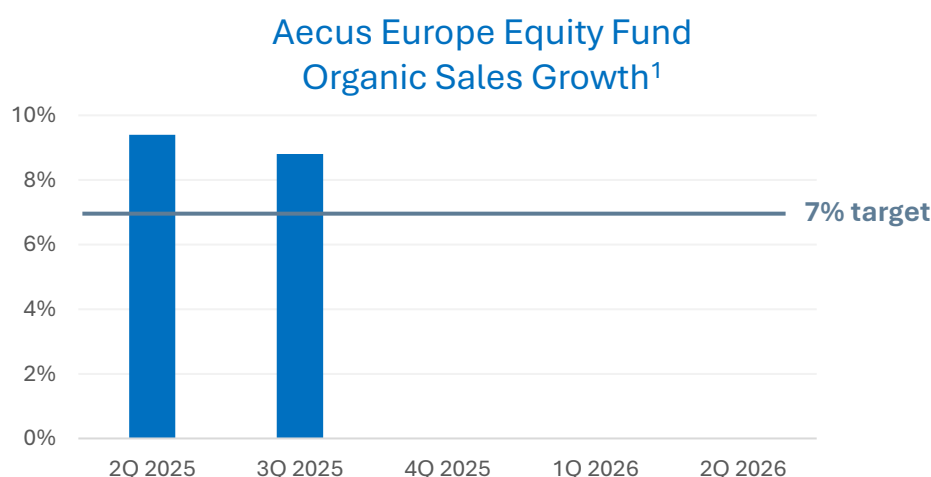
Dear Investors,

Welcome to the Aecus Europe Equity Fund's first annual commentary, summarising the period since the Fund launched on 30 June 2025 to 31 December 2025.

In this report, we outline our view of the portfolio fundamentals, the share price performance of our companies, the topics that have preoccupied the investment team, the portfolio moves we have made over the period and our outlook for the road ahead. Please note that as we are still within the first 12 months of the Fund, we are unable to provide fund performance statistics, in accordance with European regulation.

Portfolio Fundamentals

Portfolio fundamentals over H2 2025 were solid. Organic sales growth, our preferred measure, rose +9% year-over-year¹ in the third quarter, continuing the strong dynamic witnessed in the second quarter. This is above our target level of circa 7%.



¹ 30 September, latest available quarterly data

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Among the companies that impressed most:

- **Galderma**, the Swiss cosmetic dermatology leader, accelerated considerably, delivering +21% organic sales growth. Strong innovation across their portfolio of biostimulators, neuromodulators and therapeutic dermatology products is driving the growth.
- **Games Workshop**, the UK makers of Warhammer figurine games, reported >15% core revenue growth, a remarkable feat considering this is an “off” year in their 3-year product cycle rollouts.
- **Adyen**, the global payments leader, delivered another solid set of results (+23% organic growth) and provided strong medium term growth guidance at their most recent capital markets day.
- **Seagate Technologies**, the hard disk drive manufacturer, delivered strong Q2 and Q3 results with +21% organic growth in Q3 alone, driven by continued strong datacentre demand for long term memory capacity.

There were also some disappointments:

- **Construction** names suffered over H2 2025 from the morose new build environment. Organic growth was stunted for **Assa Abloy**, **Kingspan** and **Sika**, however, headline total growth was overall higher, supported by M&A activity (typically our least-preferred form of growth) and efficiency measures implemented (otherwise known as cost cutting). With a combined exposure of a little over 5%, this bucket constitutes the most cyclical part of the portfolio, and we continue to monitor this closely.
- Our **Beverages** exposure also suffered over the period, with negative organic sales growth for **Rémy Cointreau** and low single digit growth for **Campari**. We continue to believe that most of the weakness is due to short term cyclical factors and await signs of a recovery in order for us to become more constructive with position sizing. The combined portfolio exposure has remained less than 3% over the period.

Since the Fund launched in June 2025, the **weak US Dollar has generally weighed** on growth, taking a full 3-points off reported Q3 growth. Around **40% of the portfolio’s revenue is derived in US Dollars** or Dollar-linked currencies.

We await the full year results which will be reported in February and March 2026 but expect 2025 to have been a strong year for our portfolio companies, with overall high-single digit organic growth, double-digit earnings growth and strong free cashflow conversion.

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Portfolio Performance Update

Following the first 12 months of the Fund, we will be providing Fund performance data and performance attribution information regarding key contributors and detractors.

The Fund launched with an opening NAV of 100.0000² on 30 June 2025, which fell to 94.4384² by 31 December. The **Fund's decline in value was predominantly driven by an overall compression** in the portfolio's valuation multiple, from 25.6x³ at launch to 23.9x³ by year end. In contrast, over the same period the **earnings per share of the Fund, our "north star", continued to rise.**

The Fund's reference index, MSCI Europe Net TR rose +10.4%⁴ over the period, driven largely by the sustained strength of the banking sector, with large constituents such as HSBC, Santander and BBVA all up over 30%. Energy companies also performed strongly, notably BP, Shell and TotalEnergies. **The Fund has no exposure to these sectors as a result of our investment style.**

Among the contributors:

- **ASML** performed strongly as customer investment plans to equip new AI datacenters point to growth accelerating in the coming years.
- **Galderma, Games Workshop and Seagate Technologies** all rose strongly on the back of stellar results, as discussed above.

Among the greatest detractors to performance:

- Data businesses **RELX and Experian** fell due to fears they may be disrupted by AI. On the contrary, we believe that such businesses owning clean, proprietary datasets will thrive in the age of AI. The intelligence tool is only as powerful as the quality of the dataset it is analysing. We added to both.
- **Carl Zeiss and Rémy Cointreau** both fell as earnings estimates were significantly cut. In both cases we believe they own exceptional franchises and are fundamentally undervalued but acknowledge we were too early in our positioning. **Carl Zeiss** is showing tentative signs that earnings are bottoming, while Rémy remains challenged by weak end markets.

What have we been thinking about?

Artificial Intelligence (AI)

Over the past two years the remarkable ramp up of hyperscaler capex has driven both equity markets and the US economy. Attention is now turning to the applications of this remarkable technology, in an attempt to establish who the winners and losers will be. Share price moves suggest the market prefers to shoot first and ask questions later, as evidenced by indiscriminatory declines in most software and data businesses.

In our view **AI will, in aggregate, be more of an opportunity than a threat.** There will no doubt be a lot of disruption, but for most it will be a remarkable productivity tool and, provided there is pricing power, companies

² NAV of the Aecus Europe Equity Fund A EUR Acc Share Class. For regulatory reasons we are unable to disclose portfolio returns until 12 months have lapsed. Past performance may not be a reliable guide to future performance.

³ Next Twelve Months Price to Earnings ratio (NTM P/E)

⁴ Source: MSCI in EUR as of 31/12/2025

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should be able to hold onto those savings. Around 65% of the portfolio companies sell “things” (e.g. **Lindt, L’Oréal, Games Workshop, Coloplast**) where we see limited AI disruption risk and, instead, see productivity opportunities.

For the remaining 35%, we have circa 13% exposure to companies involved in the AI infrastructure buildout (**ASML, VAT, Seagate Technologies and Schneider Electric**) and 10% exposure to data businesses where we see AI as an opportunity (**RELX and Experian**). We took advantage of recent share price weaknesses to top up.

Where we see the **greatest risk is in services companies**, where we have little exposure and which led us to divest our holding in Accenture.

Our “Wiggly Worms” – quality companies have been on a covid-induced rollercoaster, but there are signs of stabilisation

Since Covid hit in March 2020, we have witnessed an earnings wave for many “quality” companies, the effects of which are still being felt. Below we show the aggregate of portfolio companies’ “Wiggly Worms”, a representation of how the earnings estimates have changed over time⁵. Each “worm” represents the evolution of a given year’s estimated earnings per share, ending in each case with the actual earnings outcome. It allows us to track how expectations change through time and whether businesses are surprising positively or negatively.

There are broadly **four phases**:

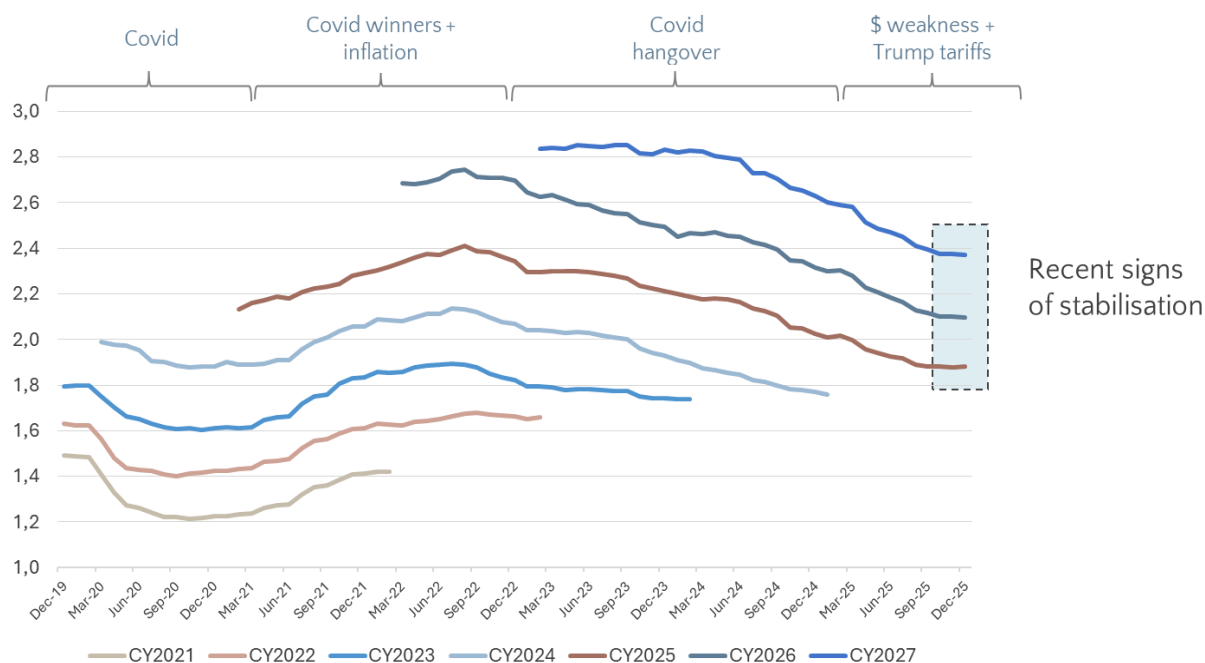
- In the first phase, earnings estimates fell as **Covid hit**.
- In the second phase those estimates not only recovered but went on to surpass the levels first forecast. Far from suffering, many well-established **quality businesses came out of Covid with even stronger earnings** than expected before the pandemic. Consumers, who had stayed indoors and saved in 2020 and 2021, went out to buy L’Oréal’s beauty products and socialise with friends over an Aperol Spritz. Dental practices reopened and construction projects resumed in full swing. Much of the pent-up demand induced by Covid returned at once, and the quality businesses generally benefitted the most through accelerated market share gains.
- What followed, however, was an **earnings hangover** as these companies’ estimates were consistently cut between mid-2022 and October 2025. In essence, quality companies had over-earned in 2021 and 2022 and the rate of market share gains, which had been forecast to continue, normalised. Earnings still grew, but at a slower rate than expected.
- This phenomenon was **compounded in 2025 by the weakening of the US Dollar and Trump’s tariffs**, both of which broadly hurt international businesses the most and led to another wave of downgrades.
- Over the final months of 2025 we have seen signs that earnings estimates are stabilising. While it is too early to call this a trend, we view this as encouraging. And, in our view, a necessary condition for valuations of the portfolio’s companies to stabilise.

⁵ We have simulated the portfolio’s earnings backwards using 30/11/2025 weights of the Aecus Europe Equity Fund.

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Wiggly Worms: earnings estimates showing signs of stabilisation⁶



Healthcare

The portfolio's largest exposure is to the **Healthcare** sector (30%), which is currently trading on decade low valuations. With a broad range of companies and drivers of returns in this sector, our bottom-up stock selection leads us to companies such as medical device businesses rather than pharmaceutical companies, as we view the franchises to be more defensible and less at risk from price controls. Despite being out of favour, we continue to like the structural growth backdrop: US annual healthcare spending has never fallen since records began. Furthermore, we see innovation as a key driver of growth. For example, Carl Zeiss' new laser eye surgery tool cuts an operation down from up to a minute to a few seconds, removing an important deterrent for potential new patients.

Tariffs and pricing power

From our interactions with portfolio companies, we note that many withheld from initially pushing through price increases in 2025 to offset US tariffs, waiting instead for the tariff levels to stabilise. From H2 2025, price increases started to be implemented by those with significant pricing power and we expect this to continue and to provide a pricing tailwind to growth across the portfolio in the coming year.

⁶ Source: LSEG Workspace/Aecus Partners as of 31/12/2025. Aecus Europe Equity Fund portfolio EPS based on LSEG Workspace market consensus. Portfolio as of 31 December 2025, rebalanced quarterly back in time. Where a position was not yet listed, the portfolio was rebalanced excluding that stock. "CY": Calendar Year

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Portfolio Moves

Since launch, we have built **two new positions** in the portfolio and **exited one**:

- We added **Rémy Cointreau**, the owner of one of the world's most prestigious Cognac brands.
- We built a position in **Seagate Technologies**, a Hard Disk Drive (HDD) producer in the consolidated and structurally growing memory market. Artificial intelligence has created a burgeoning need for low-cost memory, and we believe Seagate is well-placed to benefit.
- We divested from **Accenture** as we see it as most at risk from potential AI disruption.

We also made a number of **valuation-driven moves**, trimming on strength (**L'Oréal, Halma, Assa Abloy, Galderma**) and reinvesting on weakness (**RELX, Straumann, Novonosis**). Since inception, the fund's turnover is tracking at an annualised rate of around 20%, which is within our expected long-term range of 20-30%.

Outlook

Stock markets have been highly polarised of late. AI has created huge share price winners (semiconductors) and losers (software). In Europe, global uncertainty, higher interest rates and protectionism have benefitted domestic businesses, and especially banks and defence companies. International businesses, outside of the semiconductor sector, are no longer as attractive, at least in the eyes of investors.

We take a different view. The organic sales growth of the handful of international companies that constitute your portfolio has rarely been so strong, and it is not just because of AI. The pace of innovation continues to impress us, whether it be **Alcon's** latest generation of cataract machines, or **Straumann's** iExcel product range. **EssilorLuxottica**, in partnership with Meta, is seeing strong take-up of its latest smart glasses while **Galderma's** numerous product launches have surpassed all expectations. Demand for what these international businesses are selling is strong, and it is being driven by innovation. They see AI as an enabler to do even more, both on innovation and to streamline their operations.

Masking this strong underlying dynamic has been the weakness of the US dollar and tariffs, which resulted in earnings downgrades, in turn depressing valuation multiples. We see signs of stabilisation and, notwithstanding further currency headwinds, expect reported earnings growth to accelerate in 2026. Even assuming a further compression of valuation multiples, we see the prospect for double digit annualised returns in the coming years, driven by strong earnings growth and cash returns.

We warmly welcome your questions and comments.

Until next quarter,

Alistair, Arnaud & Sébastien



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