Aecus Europe Equity Fund

Investment Team Commentary | Q2 2026

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Fund Portfolio Management Team:

Arnaud Cosserat

Alistair Wittet

Sébastien Thévoux-Chabuel

Dear investor,

Welcome to the Aecus Europe Equity Fund's Q2 2026 commentary.

This quarter was again marked by the war in Iran, with share prices oscillating in reaction to each apparent resumption and resolution of the conflict. Meanwhile, Artificial Intelligence continued to divide the market between the so-called "winners" (semiconductor and datacenter exposed names) and the perceived "losers" (software and data businesses). Your portfolio has a balanced exposure to growth across multiple sectors, including a 20% exposure to AI-related stocks. With a significant portion of the portfolio now trading at multi-decade low valuations, we remain optimistic, particularly in light of continued strong fundamentals.

As usual, in this report, we outline our view of the portfolio fundamentals, portfolio performance, what we have been thinking about, the portfolio moves we have made over the period and our outlook.

Portfolio Fundamentals

During the second quarter, our companies released 1Q results which were strong overall. The **portfolio's organic growth rate is running at over 10%** (average, constant currency), **above our long-term expectations**.

Aecus Europe Organic Sales Growth*

**Weighted average organic growth year-over-year (constant currency, excluding M&A)*
Source: Aecus Partners and LSEG.

Data source: Aecus Partners / LSEG Workspace. Past performance may not be a reliable guide to future performance.
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Pleasingly, organic sales growth **strength has been broad based**:

- **Datacenter** exposed names reported **strong growth**, supported by the infrastructure buildout: Schneider Electric +11% organic sales growth, Halma +16%, ASML +13%, Seagate Technology +41%, Mycronic +32%. The physical buildout is driving strong order books and revenues for all businesses exposed to these investments. Only VAT Group recorded negative sales, related to timing effects.
- **Consumer** companies Galderma (+25% organic growth), L'Oréal (+8%), EssilorLuxottica (+11%) and Richemont (+13%) all **grew strongly**.
- **Perceived AI losers** (software and data-related businesses) also **delivered good growth** such as Wise (+27%), Adyen (+20%), Experian (+9%) and Amadeus (+8%).
- In healthcare, **Straumann** delivered good organic growth and two months later issued a **positive profit warning**, upgrading margin and profit guidance for the year.

There were also **disappointments**:

- **bioMérieux's** organic sales contracted -4% due to a **weak flu season**.
- **Carl Zeiss Meditec** reported -4% organic growth due to **continued end-market weakness**. The company announced a comprehensive restructuring program, and a month later **Carl Zeiss AG** (the parent company) announced the intention to **increase its stake to circa 66%,** underscoring its confidence in the recovery under new management.
- **Construction and Beverages companies continue to face market challenges**. Organic growth for Sika, Kingspan and Campari were all relatively flat.
- Finally, **Coloplast reduced its full year organic revenue growth** expectation from +7% to +5 to 6% following a major reimbursement disruption for the recently acquired biologic grafts business.

Portfolio Performance Update

- **Market polarisation was marked in the period**. Businesses linked to the **AI datacenter buildout** performed strongly while **AI "losers"** and defensive sectors (e.g. healthcare, consumer) underperformed the broader market.
- The Fund was up 11.7%[1] in Q2 2026 and +2.2%[1] YTD, masking a very contrasted picture beneath the surface.
  - The **portfolio's datacenter exposure** (circa 20%) continues to perform strongly, **constituting 3 of the top 5 contributors to performance for the quarter** (Seagate Technology, ASML and Schneider Electric). Fundamentals remain strong and valuations are expanding (more on this later)
  - **Meanwhile, many of our non-AI related companies,** experienced ongoing **valuation multiple contraction**, in particular data-related businesses.

[1] Aecus Europe Equity Fund A EUR ACC Class net performance to 30 June 2026

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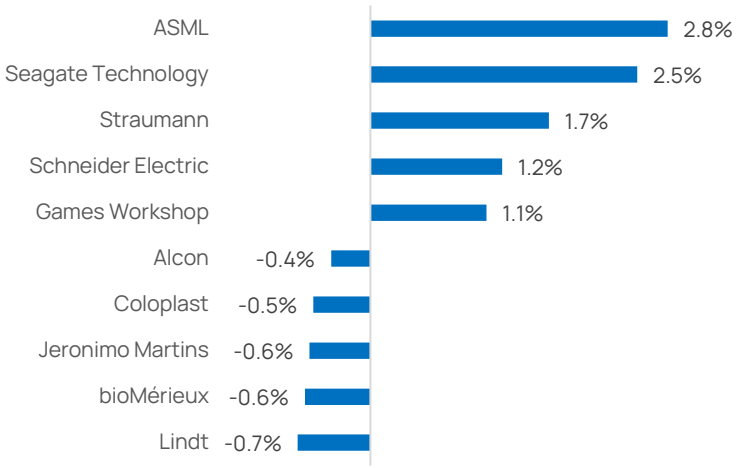
Top 5 contributors / detractors to performance over the period



Average weight	Q2 return
5.9%	54.1%
2.6%	148.4%
5.7%	31.2%
5.1%	26.0%
4.7%	24.5%
4.6%	-7.2%
3.4%	-13.9%
3.1%	-16.4%
2.4%	-24.4%
4.2%	-15.0%

Source: Aecus Partners and LSEG Workspace as of 30/06/2026

What have we been thinking about?

On the ground research

In the second quarter we continued to **travel to see companies**. We visited Robertet in Grasse (France), Richemont in Geneva and met more than 30 companies at conferences. We have further trips planned for the third quarter and continue to value these interactions as an important input to our decision-making process, providing important qualitative insight in a world where company data is increasingly commoditised.

Earnings estimates are improving

In our experience, the best companies manage the tension that exists between maintaining a long-term strategy and delivering short-term results. They are **patient with their vision** but **impatient when they are not delivering to plan along the way**. We manage our portfolios in much the same way. Beyond organic growth, one metric we track closely is **earnings estimates** as a measure of whether companies are beating or disappointing expectations. We've noticed since the start of the year that these have been overwhelmingly **improving for our portfolio's companies**, turning positive in aggregate for the first time in 4 years. Headwinds from post-covid normalisation, the weak US Dollar and US tariffs have abated and in some cases are becoming tailwinds. Straumann's positive profit warning is a case-in-point, but we've seen estimates improve across the board.

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Updated AI thoughts

We are bullish on AI. We believe it is a transformatory technology and that we are embarking on a decade-long investment in datacenters. We think this investment is structural as the technology is real and in demand.

However, we are cautious on investing broadly in AI. We prefer to concentrate our exposure to the volume of datacenters, rather than the bottlenecks where pricing, margins and returns are, in our opinion, running at unsustainable levels. Our exposure is to AI winners with more visible trajectories:

- Manufacturers of semiconductor tools used to make chips and circuit boards (ASML, VAT Group, Mycronic)
- Electrical infrastructure of the datacenter (Schneider Electric)
- Cooling needs (Belimo) and;
- Advanced photonics for data transmission (Halma)

All of these companies are high quality businesses, with sustainable moats and benefit from pricing that comes through innovation rather than supply/demand bottlenecks. However, we still look at this exposure with caution. Most businesses sell equipment meaning they are exposed to the second derivative of datacenter capacity: the pace of capacity additions. This makes these businesses inherently more cyclical than our typical company. We manage this risk in two ways. Firstly, we limit our exposure to this bucket, currently 20% of the portfolio. And secondly, we are disciplined on valuation, which means prudently trimming when we see excess optimism embedded in share prices.

Managing very different "buckets" within the portfolio

About TSR

We use a "TSR" (total shareholder return) to assess three drivers of total shareholder return for each company over 5 years:

- Growth in net income (CAGR)
- Growth in shareholder available cash (free cash flow post M&A)
- P/E appreciation / compression: comparing the P/E multiple today versus 5Y estimate

The sum of the three components provides an estimated total shareholder return for each security over our 5-year investment horizon. We typically seek to invest in securities with a double-digit TSR. We monitor TSR at security and portfolio level.

What our TSR models are telling us today

Today, unusually, we see 40% of the portfolio is forecast to benefit from an expanding valuation multiple over our 5-year horizon. We say unusually as we are cautious in our estimates of future P/E multiples, often forecasting deratings for our high-quality growth names, which historically, have tended to trade on relatively healthy multiples. Today, this bucket is overwhelmingly concentrated in healthcare and data-related businesses (perceived AI losers) and constitutes our "value" bucket, a concept we are not accustomed to talking about in our world of quality growth investing!

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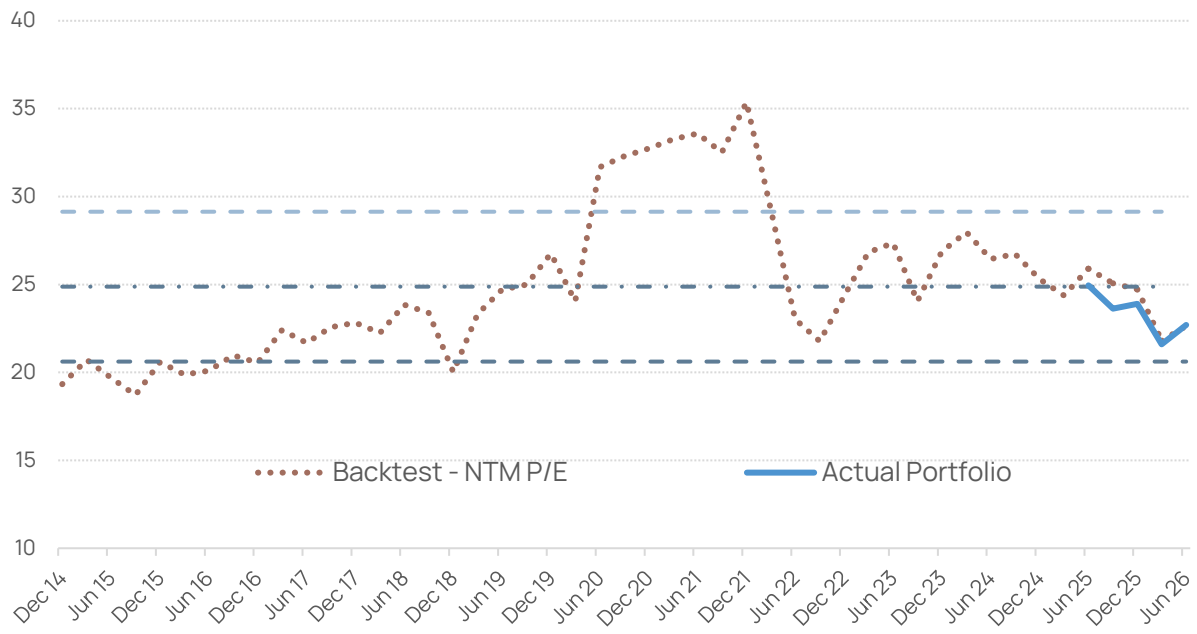
On the flipside, our AI-exposed names are seeing their valuation multiples expand on the back of strong fundamentals. This AI bucket constitutes circa 20% of the portfolio, a weight we maintain by trimming on constant strength.

The remainder of the portfolio, mostly consumer names, is broadly trading in line with historic valuation multiples.

At the portfolio level, this translates into an average valuation multiple that has declined by close to 15% since the fund launched one year ago, while earnings have grown by more than 10%. Valuations are now at the lower end of their historic range, excluding the Great Financial Crisis.

Valuations at lower end of historic range
Simulated portfolio: valuation back-test of current portfolio (NTM P/E)[2]



[2] *Source: LSEG Workspace/Aecus Partners as of 30/06/2026.*
Note for the back-test: simulated Price to Earnings for the next twelve months (NTM P/E) using the portfolio of the Aecus Europe Equity Fund portfolio as of 30/06/2026. Portfolio weights as of 30 June 2026, rebalanced quarterly back in time. For any date of the simulation when a position was not yet listed, the portfolio was rebalanced excluding that stock. This does not reflect the actual portfolio P/E since launch, but a simulated calculation of a static portfolio measure for illustration purpose. The actual NTM P/E (ex-Cash) of the Aecus Europe Equity Fund since launch on 30/06/2025 is shown separately with the blue line.

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Portfolio Moves

In Q2 2026, we built new positions in Belimo, Mycronic and Rational whilst exiting Rémy Cointreau to allocate capital to better opportunities. We continued to trim ASML, VAT Group and Seagate Technology on share price strength and topped up Richemont, Kingspan and Lindt.

- **Belimo** is a leading Swiss provider of actuators and control valves for heating and cooling systems, with fast growing exposure to liquid cooling in datacenters. We like the core business and see the AI exposure as an added bonus.
- **Mycronic** is a Swedish manufacturer of high-precision electronics systems which has successfully built and bought leading positions in Printed Circuit Boards and Advanced Packaging, two areas where we see structural demand.
- **Rational** is a high-quality manufacturer of professional thermal cooking appliances. We have long admired this German leader but have held off for valuation reasons. With multiples having now normalised in our view, we built an initial position.

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Outlook

The current financial commitments to datacenters will make AI one of the largest capital deployments in human history. The speed of deployment has created bottlenecks along the supply chain, which in turn have triggered strong price increases and earnings growth. This acceleration, or momentum, has been a major performance driver of global equity markets over the past 12 months. As long-term investors, we place more emphasis on the sustainability of growth rather than its acceleration, which is short term by nature.

In the meantime, market dynamics are creating inefficiencies which, as active managers, we are looking to exploit. Our style discipline may hurt the fund's relative performance over certain short-term periods, but we believe it will pay off longer term.

We are pleased with the portfolio's fundamentals. The average organic sales growth has beaten our expectations in this first year of the fund's history, and, as headwinds abate, earnings are following. The portfolio's valuation has come down, weighing on performance. The market's volatility has created buying and selling opportunities, leading us to trade at slightly higher levels more recently. Overall, year 1 portfolio turnover was 25.0%[3], within our 20-30% anticipated range. At a time of such fast moving change, it is important we stay nimble.

Looking forward, we see secular growth coming from multiple sources, including outside of AI. Ferrari's new model launches (Luce and 12 Cilindri Manuale), at premium prices, will help drive value growth even as the company holds back volumes. Games Workshop's Warhammer franchise continues to see remarkable success with queues around the block on new store openings in the Czech Republic and South Korea. Galderma is seeing unabated demand for its latest fillers and biostimulators while Rational continues dominating the market with their combi-cookers. For the portfolio, we forecast 12% earnings growth over the coming 5 years underpinned by solid organic sales growth and accompanied by an attractive 3.5% free cash flow yield.

We thank you again for your interest in the Fund and warmly welcome you questions and comments.

Until next quarter,

Alistair, Arnaud & Sébastien

[3] Calculated using UCITS method for portfolio turnover rate (PTR) defined as the lesser of total purchases and total sales over the period, divided by average net assets.

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Contacts Aecus Partners: bonjour@aecuspartners.com – +33 (0)1 84 80 81 82 – 128 rue du Faubourg Saint-Honoré – 75008 Paris

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