Q1 2025 Investment Letter

Stenham Equity UCITS Fund

Performance Review

Fund vs. Benchmark[1]	Q1 2025	YTD 2025	Since Inception
Stenham Equity Fund (A1)	**-0.8%**	**-0.6%**	**210.6%**
MSCI World Index	-2.1%	-1.2%	185.3%
Relative	1.3%	0.6%	25.3%

Portfolio Attribution

Top Contributors – Q1 2025	Portfolio Weight	Attribution
Safran	2.9%	0.7%
Airbus	5.8%	0.6%
GE Aerospace	3.1%	0.6%

Top Detractors – Q1 2025	Portfolio Weight	Attribution
Microsoft	6.4%	-0.7%
Amazon	4.3%	-0.7%
Taiwan Semiconductor	4.0%	-0.6%

Market Commentary

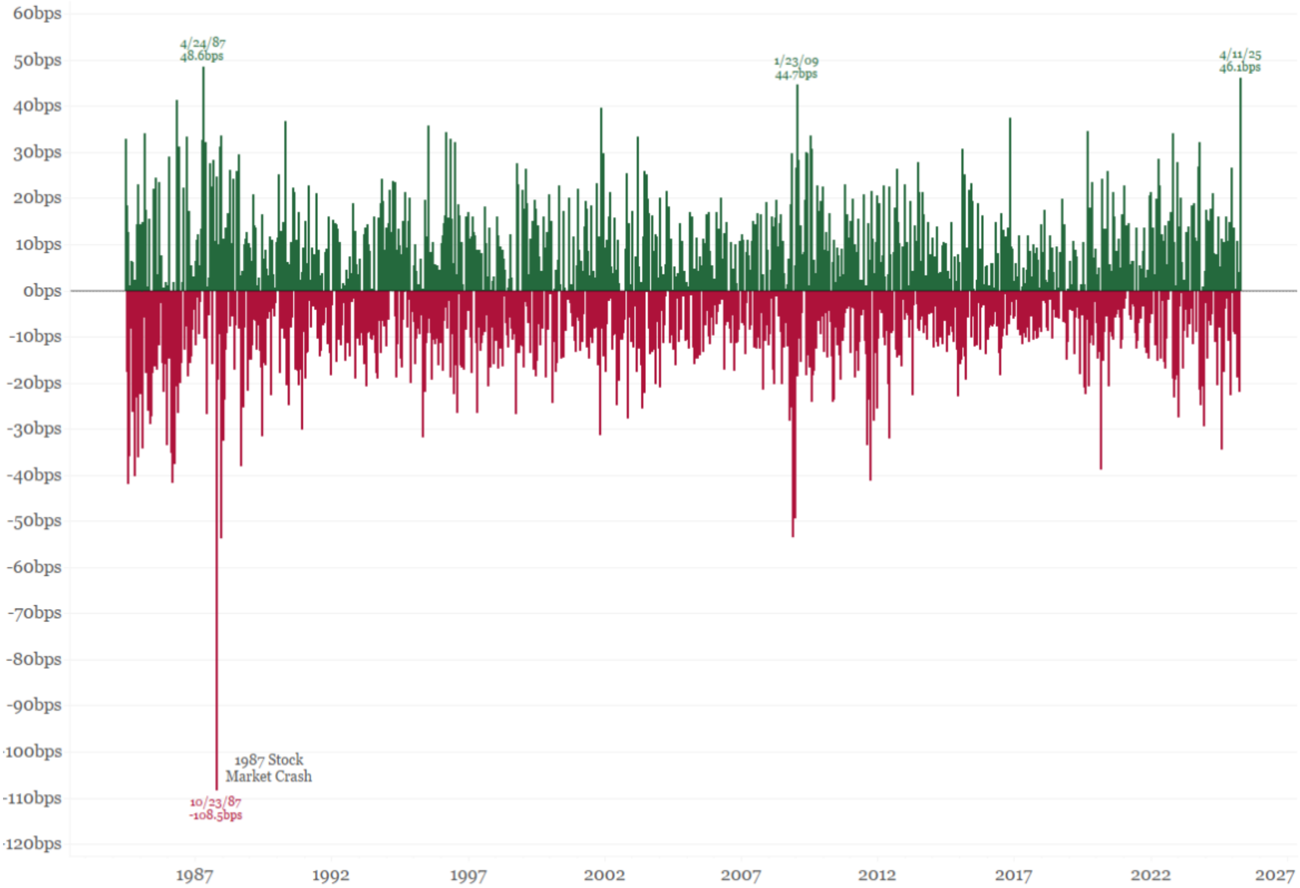
> "There are decades where nothing happens; and there are weeks where decades happen."
>
> *- Vladimir Lenin*

We would typically start by recapping the market environment over the previous quarter, but much of that has arguably been overshadowed by the events following 2 April, or "Liberation Day". Equity markets capitulated as higher-than-expected reciprocal tariffs by the US resulted in the S&P 500 declining over 10% in 4 trading days, one of the sharpest declines we have seen in such a brief period since the pandemic driven sell-off in March 2020. Underneath the surface, however, volatility was even higher than

[1] *Data as of 01 May 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.*

the headline moves suggest. On 7 April, the S&P 500 recorded one of its largest intra-day moves of 8.5% with several banks reporting their highest ever trading volumes in history, only then to be surpassed by further market whipsawing the next day. And the following day, market records were broken as President Trump announced a 90-day pause in reciprocal tariffs barring China, boosting the S&P 500 to its third highest 1-day gain (9.5%) and the Nasdaq to its highest ever 1-day gain (12.0%). Whilst the Trump administration claim that the pause in tariffs was driven by the inbounds they had received from other countries to engage in deal talks, signs also point to stressed financial conditions, particularly in the bond market, helping drive the decision. We are reminded of the quote from Democratic political strategist James Carville, "I used to think that if there was reincarnation, I wanted to come back as the President, or the Pope, or as a .400 baseball hitter, but now I would want to come back as the bond market. You can intimidate everybody."

30-Year Yield Weekly Changes[1]

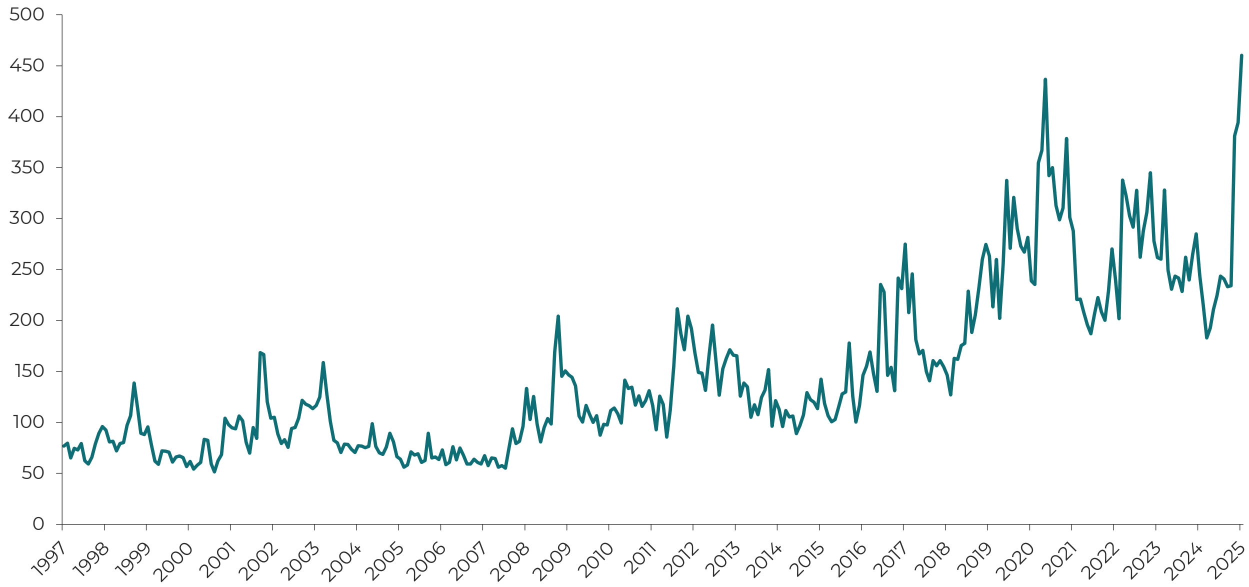


The dizzying back and forth on tariffs has resulted in the time horizons being compressed from years to days and fundamentals being trumped by macro and politics. With the effective US tariff rate potentially rising to the highest level in over a century, the ramifications for the economy and how businesses operate are significant and hard to ignore. Whilst the markets saw some reprieve from the 90-day pause in reciprocal tariffs, concerns still remain about an overhang in terms of the negative reverberations to the economy and financial markets. The trade war between the US and China continues to escalate, concerns around stagflation from tariffs are mounting, both consumer and business confidence has dropped precipitously, and recessionary probabilities have risen. Uncertainty is the enemy of financial markets and so the longer that tariff issues remain unresolved, the greater the potential impacts. Vice versa, the quicker the issues are

[1] *Source: Bloomberg, Bianco Research.*

resolved, markets could instead look positively towards potential US tax cuts, deregulation and interest rate declines. If those closest to, or even within, the current administration cannot determine how the tariff situation will unfold, we are under no illusion that we can predict which way the coin will land.

Economic Policy Uncertainty Index[1]



Portfolio Discussion

Instead, we have already focused firstly on evaluating the risks of a structural change in the tariff regime to the businesses that we own. Some of the key characteristics we look for in the businesses we invest in are a strong competitive position and predictable revenues. So, while most companies in some way or another are directly or indirectly impacted, we believe that the businesses we own are well placed to navigate this period of uncertainty. We have already seen early signs of this with Ferrari (RACE US), a company that has recently re-entered the portfolio and we have been further building our position during the market sell-off driven by the proposed tariffs on US automotive imports. We viewed the decline as an attractive opportunity to increase our position, anticipating Ferrari would pass through the majority of the added costs. Shortly after the tariff announcement, Ferrari declared a 10% price increase on most US-bound models, which we estimate offsets the majority of the tariff-related earnings impact. Despite this price increase, we expect demand to remain resilient given (1) a high-net-worth and loyal US customer base; (2) many US potential clients already owning Ferraris and therefore benefitting from rising residual values of existing vehicles post tariffs; (3) a lack of viable domestic alternatives; and (4) a 2-year sold-out order book deterring cancellations.

We also initiated and further built a new position in Zoetis (ZTS US). As the global leader in animal health, Zoetis focuses on the discovery, development, manufacturing, and commercialisation of pharmaceuticals for animals, especially pets. Importantly, Zoetis offers a defensive earnings profile in the current environment, underpinned by (1) non-discretionary products with limited substitutes and elevated cost of failure; (2) recurring revenues from repeat prescriptions and loyalty programs; and (3) strong pricing power. This

[1] *Source: Economic Policy Uncertainty, Stenham Asset Management.*

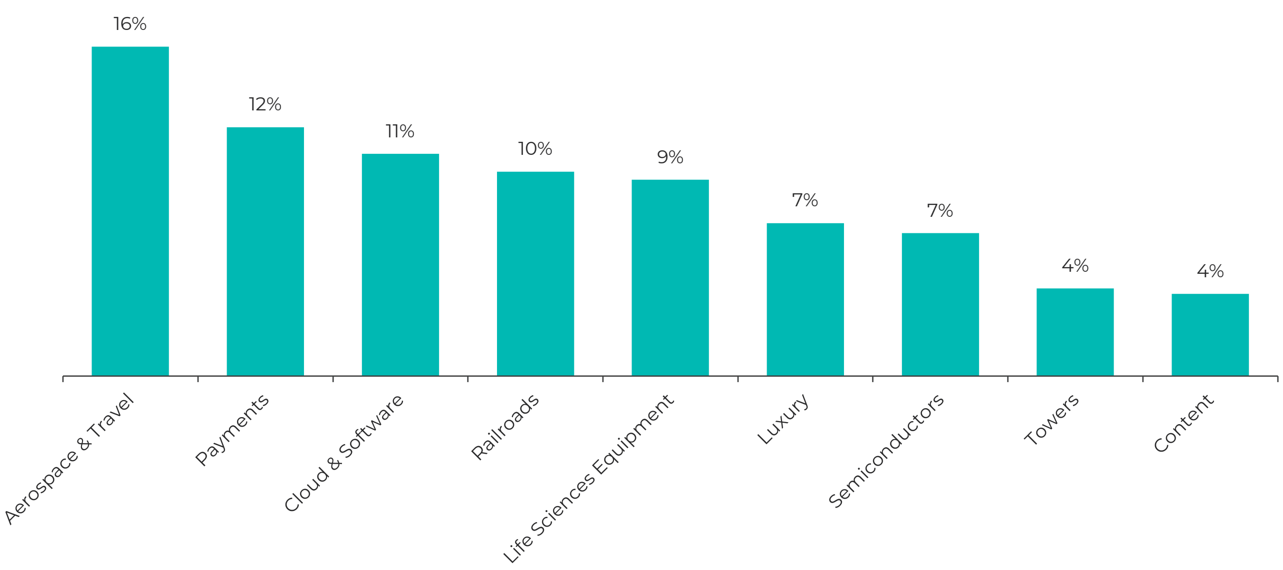
resilience has been evident in prior downturns, including the global financial crisis, during which the industry continued to deliver positive growth.

Amid the recent market pull-back, we also added to our positions in aircraft engine-makers Safran (SAF FP) and GE Aerospace (GE US). While these stocks came under pressure from tariff concerns and softer travel indicators, we believe they remain fundamentally well positioned. Regarding tariffs, we expect most of the added costs to be passed through, supported by the prevailing supply-demand imbalance. Furthermore, any incremental supply-chain disruptions due to tariffs could delay aircraft deliveries, providing a tailwind for aftermarket demand in the existing fleet of engines, an underappreciated benefit for these businesses.

Outlook

Our best guess is that markets remain somewhat turbulent near term as they digest the second and third order impacts from the proposed tariffs. In the short term, we typically see correlations spike and de-risking impact stocks almost uniformly. Longer term, however, fundamentals matter and those businesses that are resilient and able to emerge in a stronger competitive position should outperform. In fact, the MSCI World Quality has outperformed the MSCI World by over 200%, or over 2 percentage points per annum, since the global financial crisis in 2008/9. Even during the uncertainty of the pandemic in March 2020, the MSCI World Quality went on to outperform the MSCI World. We are actively evaluating our watchlist to identify extraordinary businesses, which have sold off but remain well positioned longer term and where their predictability allows us to have a high degree of conviction in their future revenues and free cashflows. Often, these are difficult to add at attractive valuation multiples given the inherent quality of the business, but market conditions such as these present opportunities for longer-term investors. Overall, we are taking a measured rather than hurried approach to deploying capital in this environment as the facts are rapidly changing, but remain active in our search for extraordinary businesses to add to our portfolio.

Portfolio Themes[1]



[1] *Data as of 31 Mar 2025. Source: Stenham Asset Management.*

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

Kind regards,

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