ASHBURTON
INVESTMENTS

March 2026

Global Leaders Equity Fund

Quarterly Investment Commentary

Fund review

In March, the Portfolio returned -7.71% while the MSCI World Net Index returned -7.18%. For the first quarter (Q1), the Portfolio returned -12.01% versus -3.20% for the index.

The underperformance during the quarter was mainly driven by two factors. Firstly, core software and data-rich holdings continued to derate as artificial intelligence (AI) disruption concerns intensified, despite many names continuing to deliver solid underlying fundamentals. Secondly, the portfolio has yet to show its normal defensiveness as the current crisis has not yet behaved like a typical broad growth scare. It is natural that Energy, which we don't hold, was the only sector to deliver positive returns in March, rising +12%, but less intuitive that defensive sectors, such as Consumer Staples and Health Care, down -9% and -8% respectively, underperformed the overall index likely due to the market focus on inflation, supply chain disruption and the reduced likelihood of near-term rate cuts. This was the worst relative performance for Consumer Staples (and the second worst for Health Care) among the 32 months this century in which the MSCI World Index fell more than 5%.

We believe recent performance reflects an unusually extreme and sentiment-driven market, with many quality names oversold. We have remained active, adjusting position sizes and reallocating capital as risk-reward has evolved. Elevated dispersion has also created opportunities for us as active, fundamental stock pickers. The portfolio continues to exhibit strong quality characteristics, such as high returns on capital and earnings resilience, along with higher top-line growth than the index, yet it now trades at a free cash flow discount to the broader market not seen in over a decade, suggesting that quality is currently on sale.

In Q1, the largest **contributors*** to absolute performance were recent purchase **Netflix**, as investors responded positively to its withdrawal from the US$82 billion bid for Warner Bros. Discovery, securing a US$2.8 billion breakup fee and avoiding a potentially overleveraged transaction; Coca Cola, supported by strong fourth quarter and full year results released in February, with broad-based growth across regions and continued expansion of its brand portfolio; and derivatives exchange **CME Group**, which benefited from heightened market volatility driving increased trading activity, delivering its second-highest quarterly revenue in history and its highest fourth quarter volume on record. The rotation into defensive names earlier in the quarter supported smaller positive contributions from staples companies **Philip Morris International** and **Procter & Gamble**.

Performance (%)

	Fund	Index*	Excess return
Month	-7.71	-7.18	-0.53
Last three months	-12.10	-3.20	-8.81
Year to date	-12.01	-3.20	-8.81
1 year	-13.90	20.01	-33.91
Since inception**	-10.68	11.75	-22.43

* Index: MSCI ACWI TR USD (R Class)
** Since inception: 3 September 2013

The largest **detractors*** from absolute performance in Q1 were **SAP** and **Microsoft**. SAP saw a sharp derating as AI disruption concerns weighed on software and data-related businesses, aggravated by the current cloud backlog "only" growing by 25% in the fourth quarter, as against the expected 26%. Microsoft was also hit as Azure "only" grew 38%, alongside investor concerns around elevated AI capital expenditure and the challenge posed by the very fast growing Anthropic to the Office business. We reduced both positions during the quarter to manage overall software exposure: in SAP to reflect evolving AI-related competitive dynamics, and in Microsoft to reallocate capital to Amazon to diversify our hyperscaler exposure. **RELX** and **S&P Global** also detracted amid similar concerns around the long-term implications of AI for information services businesses. We continue to see their proprietary data assets and industry-leading offerings as key sources of resilience, with AI more likely to be layered onto their platforms than to displace them. Finally, Visa faced a more challenging regulatory backdrop early in the quarter, including proposals for a potential cap on U.S. credit card interest rates, which have since been abandoned, alongside negative headlines around stablecoins. We continue to see Visa as well positioned to act as a partner for stablecoins, supported by its vast acceptance network and established fraud prevention and dispute resolution capabilities.

In terms of relative performance in Q1, sector allocation benefited from the Industrials and Consumer Staples overweights and Information Technology (IT) underweight, although this was offset by the Portfolio's lack of exposure to Energy and Materials. The main issue was stock selection in IT and Industrials, reflecting the derating of Software and data-skewed sub-sectors. Within IT, our significant skew to the Software (-24%) subsector hurt as it meaningfully lagged Semis (-1%) and Hardware (-3%). Within Industrials, Capital Goods, where we have limited exposure, rose 5%, while Professional Services, where we are meaningfully overweight, fell 20%. Health Care was also softer as Life Sciences and Equipment names were weaker over the period.

Market review

Global equity markets were weak in March, more than wiping out the modest gains in the first two months of the year. The MSCI World Net Index declined -6.4% in U.S. dollars (USD) over the month, leaving it down -3.6% for Q1. Sector and subsector performance was highly dispersed. Energy was the standout, rising +12% in March and +37% in Q1, supported by the sharp increase in oil prices. By contrast, more cyclical areas with direct exposure to energy input costs such as airlines, energy-sensitive capital goods and luxury goods were down double digits in the month. Despite subsector-specific weakness in March, cyclical sectors such as Materials (-10% March; +8% Q1) and Industrials (-10% March; +3% Q1) outperformed the overall index in Q1. Elsewhere, Information Technology (-5% March; -9% Q1) and Financials (-6% March; -7% Q1) lagged in the quarter as investors continued to assess the impact of AI on business models and the sustainability of returns. Notably, Consumer Staples and Health Care did not provide their usual degree of defensiveness, with both sectors actually underperforming the index in the month (-9% and -8% respectively). Consumer Staples was, however, positive for the quarter overall (+4%).

From a geographic perspective, Q1 performance was mixed. Markets with greater exposure to oil outperformed, with Norway, Australia, and Canada all in positive territory. The U.S. (-5%) marginally underperformed the overall index, which meant most other major markets delivered stronger returns. France (-11% March; -5% Q1) and Germany (-12% March; -8% Q1) were notable exceptions, reflecting their greater sensitivity to higher energy costs. On balance, Asia markets held up better than Europe over the quarter, with both Japan (+1%) and Hong Kong (+6%) actually up in USD terms.

Fund activity

In March, we made one new purchase and one final sale.
We initiated a position in **Cencora**, an attractive quality opportunity within the U.S. drug distribution sector. The company benefits from its essential infrastructure role, structural growth in pharmaceutical volumes and limited exposure to AI disruption risk. As the second-largest distributor, Cencora has been increasingly focusing on higher quality areas such as specialty drugs, while exiting lower-return businesses. Recent share price weakness, partly linked to the announced CFO departure, appears idiosyncratic, with the stock trading at around 18x forward earnings for approximately 10% EPS growth.[1] Overall, we view Cencora as a defensive business, improving in quality and with an attractive risk-reward profile.

We exited the position in **Broadridge Financial Solutions**. Recent share price weakness reflects growing concerns around AI disruption and the potential impact on parts of its business model. While Broadridge operates in mission-critical areas such as investor communications and post-trade processing, we believe the range of potential outcomes has widened, particularly in segments where automation and AI could alter service delivery and pricing dynamics. This increased uncertainty led us to reallocate capital to opportunities with greater visibility.

As covered in our February commentary, in the first two months of 2026 we made three new purchases and two final sales.

In January, we initiated a position in **Netflix**, a high quality global entertainment franchise with durable pricing power and expanding monetisation levers. The company benefits from a powerful flywheel, with subscription growth supporting greater content investment, low monthly churn of 2% and an emerging advertising tier that is already contributing meaningfully to incremental growth.[2] AI-enabled production efficiencies may help moderate content costs over time. Recent share price weakness linked to noise around the Warner Brothers bid provided an attractive entry point, given our view (later confirmed) that the company was unlikely to pursue a value destructive acquisition.

Also in January, we initiated a position in **Amazon**, anchored on two structural growth engines: AWS (Amazon web services) cloud computing and global e-commerce. In our view AWS remains well positioned for the next phase of AI-driven compute demand, while retail economics have inflected positively following prior overinvestment, with operating leverage and advertising monetisation driving improved margins and returns.[3] We believe that management will be more prudent in adding capacity going forward, and Amazon's unmatched customer value proposition is reflected in its dominant position in the U.S. Despite continued earnings compounding, valuation compression over recent years created a more compelling entry point into a franchise with significant consumer advantage and long-term scale benefits.

In February, we initiated a position in Taiwan Semiconductor Manufacturing Corp (**TSMC**), which functions as a core "bottleneck" in advanced semiconductor production. Robust demand for advanced nodes, expanding gross margins and elevated capital spending guidance[4] underscore its structural edge in leading-edge manufacturing, particularly for hyperscaler customers. With dominant global foundry share in both CPUs (central processing units) and GPUs (graphics processing units) as well as other semiconductors, strong long-term visibility and capable management, we view TSMC as one of the more insulated ways to gain exposure to durable AI infrastructure growth. In our view, its pivotal role producing a huge range of chips upon which very large parts of the world economy depend, strengthened pricing power and returns, and the longer cycle of its end markets support a position in Global Brands/Franchise.

In February, we exited our position in **ADP** following a reassessment of its relative quality profile amid the accelerating AI narrative. While payroll processing remains durable, elements of the broader human capital management software stack face rising automation and workflow orchestration risk, introducing greater uncertainty around long-term pricing power. With its valuation still reflecting high durability assumptions, we viewed the risk-reward as less favourable and redeployed capital into areas with clearer long-term defensibility.

We also sold our position in **Roper Technologies** after a modest organic growth miss and slightly softer forward guidance highlighted limited room for execution missteps at a premium valuation. Although the embedded, domain-specific nature of its assets remain attractive, sustained organic growth is critical to supporting its multiple. In the context of broader market sensitivity to AI disruption risk, we elected to reallocate capital toward opportunities with more compelling relative risk-reward.

During the quarter, in addition to building positions in recent purchases, we added to **Aon** and **Experian**, where we believe the AI-driven sell-off has been overdone, along with defensive franchises **L'Oréal**, **Ferrari** and **Steris**, where we saw relative valuation opportunities in companies demonstrating resilient execution and strong quality characteristics. We also increased our position in **Otis** following a share price decline of circa 20% – which we believe does not reflect the stability of its earnings profile.

On the other side, we reduced exposure to several holdings where either valuation had become too demanding or the range of potential outcomes had widened. We reduced **Thermo Fisher** and **Procter & Gamble** on strong share price performance in the first half of Q1, and reallocated capital from Abbott Laboratories into Cencora where we see a more attractive risk-reward. Visa was also clipped early in the quarter in light of regulatory uncertainty. On the AI front, in addition to the final sales described above, we reduced **SAP** to reflect evolving competitive dynamics and Microsoft to reallocate capital towards Amazon and diversify our hyperscaler exposure. We also trimmed **Booking** as we reassessed the durability of its competitive position in an AI-driven environment, where direct interaction between users and suppliers could reduce reliance on aggregation platforms over time, and **A J Gallagher**, our view being its focus on mid-market clients and acquisition-led growth model may leave it exposed to AI-driven changes over time.

Outlook

The first quarter of 2026 started in positive territory for broad global equity markets, but sentiment reversed following the U.S. and Israel strikes on Iran at the end of February. By March end, the MSCI World Index had fallen 6.4% in the month, leaving it down 4% for the quarter. Investors are now assessing the implications of a potential severe energy shock, which could lead to rising inflation expectations and even an increasing risk of stagflation.

Brent crude rose 63% in March – the largest monthly increase on record.[5] The Strait of Hormuz carries around a fifth[6] of global oil supply, alongside critical flows of liquefied natural gas, helium, petrochemicals and fertilisers. The disruption is widely considered the largest supply shock since the 1970s.

Equity market volatility increased, with daily index moves often dictated by escalation or de-escalation news from the White House. Despite this, overall index levels suggest a fairly complacent reaction so far, with The Economist[7] calling out "staggering optimism about a bad situation that could get an awful lot worse" and warning that equity investors are the ones that will end up looking "flat-footed". However, the current crisis has not yet behaved like a typical growth scare with typically defensive sectors underperforming the market in March. As at the time of writing (10th April), markets have recovered the bulk of the March losses on the back of the ceasefire, but the outlook remains very uncertain.

Intangibles out of favour

The quarter brought more than war. Anthropic's milestone launch in early February of its Claude productivity tools reinforced a narrative that has built over nine months: that AI may accelerate disruption in software and data-related business models. With fears amplified by speculative commentary[8] around the future of white-collar work, we have seen a sharp rotation in equity markets. Investors have sought shelter in "HALO"[9] stocks, companies with heavy physical assets and perceived lower risk of technological obsolescence.

Here, we would voice caution: while intangible business models may be under scrutiny, reallocating towards more capital-intensive and cyclical sectors introduces a different set of risks. These businesses are often more exposed to economic volatility, input cost pressures and supply chain disruption – factors that are becoming increasingly relevant in the current environment. As ever, we believe a selective approach is key.

Adaptability and dispassion

The market rotation has created a challenging backdrop for our long-standing focus on capital-light compounders with durable competitive advantages. Importantly, the earnings growth of our portfolio companies has generally remained robust. However, many stocks have faced sharp de-rating.

Our response has been disciplined and analytical. We have assessed AI-related risks at both company and industry level, and engaged with management teams. For key holdings, we have supplemented this work by bringing a fresh perspective to the debate through bull and bear analysis conducted by independent team members, not the primary research coverage, ensuring a balanced and unsentimental evaluation of potential scenarios. Where we judge visibility and predictability of earnings – core components of our investment framework – to have weakened, we have taken action, adjusting position sizes or selling positions accordingly. The broad-brushed sell-off has also created opportunities to add to oversold names, where we think the moat is more durable.

Throughout our team's quality history, we have been open-minded where we find reliable compounders. The evolution of the portfolio over the past nine months reflects this. We have reduced exposure to software and data exposed stocks in the IT and Financials sectors while increasing allocations to high quality businesses in Communication Services, Consumer Discretionary and Industrials. Businesses can themselves also evolve. Amazon's transformation of its retail business is an example of a company that now meets our quality criteria, supported by improved economics and a more compelling valuation. At a time when elevated stock dispersion creates a richer opportunity set for stock pickers, we are also alert to idea generation beyond our traditional hunting grounds, while of course retaining our quality focus.

Looking ahead

We face two unfolding narratives which are arguably not reflected in current high valuations: a fast-paced, unpredictable technological revolution that is reshaping entire industries, and a fast-paced, unpredictable conflict that is reshaping a world already reeling from the decline of the rules-based order.

- In AI, so far the market has targeted the more obvious areas, but disruption is likely to extend elsewhere – bringing potential deflation risk to a broader set of industries. Meanwhile, Anthropic and OpenAI's partnership announcements in late February with some of the world's major companies have given credence to Nvidia CEO Jensen Huang's view that hedge funds may have been overzealous in their SAAS short.
- In terms of the war in the Gulf, markets are currently uncertain about its duration. Scenarios range from de-escalation and oil price normalisation to a prolonged disruption and regional escalation driving stratospheric energy prices and economic pain.

The latter might be the trigger that finally tips expensive markets into a broad market drawdown, where quality typically prevails. The portfolio's low cyclicality and stronger top-line growth expectations than the index should provide a degree of resilience. Its valuation, measured on a price to free cash flow basis, is now at an unusual discount to the index, which we believe does not reflect the underlying quality and healthy expected top-line growth of the businesses we own.

Commentary disclosures

Source for data cited, unless otherwise stated: MSIM, FactSet, as of March 31, 2026.

[1] Source: Cencora company reports; International Equity Team analysis

[2] Source: Netflix company reports; International Equity Team analysis

[3] Source: Amazon company reports; International Equity Team analysis

[4] Source: TSMC company reports; International Equity Team analysis

[5] Source: Wall Street Journal. Brent Crude Price Notches Record Monthly Jump

[6] Source: U.S. Energy Information Administration (EIA) estimates, total global oil supply. The Strait is also estimated to carry 25% of global seaborne oil.

[7] Source: The Economist: 'Markets are gripped by an alarming cognitive dissonance', 24 March 2025

[8] Reports including Citrini Research's The Global Intelligence Crisis, 22 February 2026

[9] Heavy assets, low obsolescence: acronym attributed to Ritzhotz Wealth Management CEO Josh Brown

Fund at a glance

Market value* USD 116,467,651.13

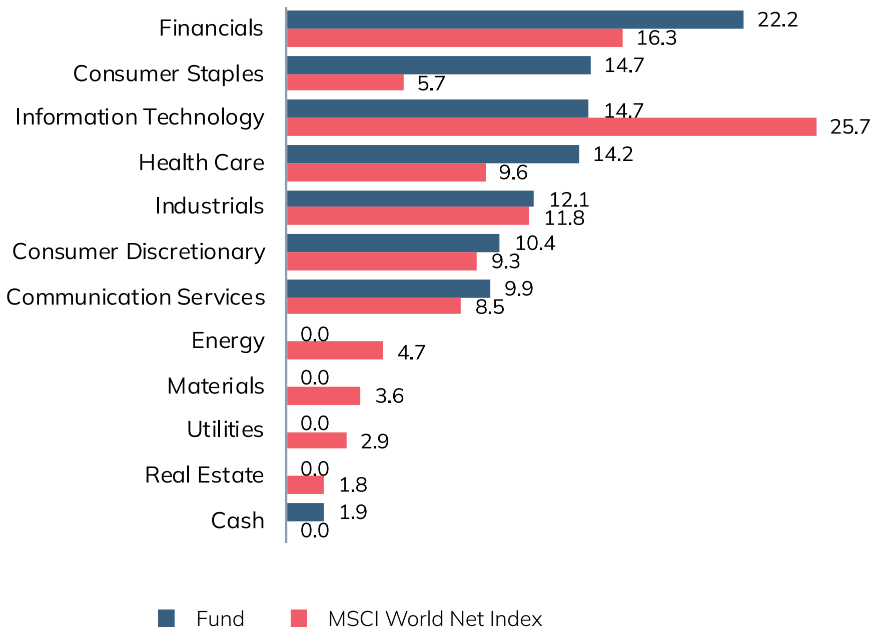
Country weights (%)

Region	Fund	Index
North America	74.4	74.8
United States	74.4	71.3
Europe Developed	19.6	16.5
U.K.	9.5	3.8
France	4.3	2.6
Italy	3.1	0.8
Germany	2.7	2.3
Emerging Markets	4.1	0.0
Taiwan	4.1	0.0
Cash	1.9	0.0

Top ten holdings (%)

Security	Sector	Fund	Index
Microsoft	Information Technology	5.3	3.3
Alphabet	Communication Services	5.2	3.9
Coca-Cola	Consumer Staples	5.2	0.4
Netflix	Communication Services	4.7	0.5
Visa	Financials	4.6	0.6
L'Oréal	Consumer Staples	4.3	0.1
TSMC	Information Technology	4.1	0.0
Aon	Financials	4.0	0.1
Intercontinental Exchange	Financials	4.0	0.1
RELX	Industrials	3.4	0.1
Total		**44.8**	**9.1**

Sector weightings (%)



Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown.

*Preliminary.

www.ashburtoninvestments.com

Fully Invested

A part of the FirstRand Group