

Gresham House Global Equity Fund

Quarterly Report
1 July 2025 to 30 September 2025



Gresham House
Specialist investment

Highlights

The Gresham House Global Equity Fund is an actively managed, concentrated global equity fund that invests in large cap value companies with strong quality characteristics.

This unaudited quarterly update provides an overview of Gresham House Global Equity Fund (the Fund) performance between 1 July 2025 to 30 September 2025.

The Fund launched in 2010 with a target return of 6% to 8% per annum.

Unit Price
(NAV per Unit)

€321.2169

Year to date performance*

10.12%

**Long-term ten-year
annualised return**

7.60%

The Gresham House Global Equity Fund gained 3.67% over the quarter.

The Fund is focused on cash generative, value creating companies trading on a valuation with a margin of safety with the expectation for them to deliver superior returns over the longer-term.

*All performance figures stated in this report are 'Net Performance' (i.e. net of fees and charges).

The Investment Manager, Gresham House Asset Management Ireland Limited (Gresham House Ireland, Investment Manager or the Manager), is a leading Irish based asset manager, managing a range of funds, which invest globally, to grow and protect our clients' assets while generating sustainable income.

For more information visit

www.greshamhouse.ie

Investment Manager's Report

Market Commentary

The third quarter saw the market rebound continue, with equities powering ahead despite an increasingly complex macro backdrop. Hard economic data, including industrial production, consumer spending, and real GDP, remains robust and continues to trend upward. These indicators, which form the foundation of recession assessments, are providing the comfort investors need to look past a growing list of concerns: geopolitical tensions, renewed tariff threats, persistent inflation pressures, policy uncertainty, questions over central bank independence, and weakness in the housing market.

Markets currently find themselves in a "Goldilocks" environment, one where central banks are cutting rates while most governments are maintaining or expanding fiscal deficits. This combination has created a supportive backdrop for risk assets. However, this equilibrium is fragile, and there are three main risks that could disrupt it, though none appear imminent.

The first risk is a U.S. recession. For now, this seems unlikely. Real wage growth remains positive, household balance sheets are in good shape, and layoffs remain historically low, all of which point to continued consumer resilience. The second risk would be a renewed phase of central bank tightening, but the opposite is occurring today, with policymakers broadly moving toward easing.

The third, and potentially most material, risk is that the ongoing AI-driven equity boom proves to be a bubble. A sharp reversal here could have wide-reaching effects, not only for the technology sector but also for the broader economy through the wealth effect. We believe the hallmarks of a speculative bubble are clearly visible, enormous capital expenditure commitments with little visibility of future returns, rising trade receivables at major players such as Nvidia, and valuations that assume universal success despite limited evidence of large-scale, profitable applications. Our response to this has been consistent: we put valuation discipline first. Accordingly, we have maintained no direct exposure to the AI leaders driving the mania, though we remain alert to the broader economic implications should valuations revert toward historical norms.

The good news for investors is that opportunities remain abundant elsewhere. Emerging markets stand out as attractively valued and are benefiting from a weaker U.S. dollar and improving corporate governance trends. Europe, too, is showing encouraging signs of structural reform while offering compelling relative valuations. We have increased allocations to both regions to capture these favourable dynamics.



Derek Heffernan
Chief Investment Officer

Following gold's strong performance year-to-date, we have reduced our position, reallocating some capital toward gold miners and silver, where valuations are more appealing. Meanwhile, in an environment where fiscal discipline has eroded and government deficits appear entrenched, we remain cautious on long-duration sovereign bonds, which are unlikely to deliver attractive returns over the cycle.

Looking ahead, we continue to favour valuation discipline, diversification, and balance as the cornerstones of our approach. Markets may well continue to climb a wall of worry, but we believe prudence will be rewarded. In a world awash with liquidity and policy experimentation, the ability to distinguish enduring value from transient narrative is more critical than ever. Our focus remains on identifying assets with durable cash flows, sensible valuations, and strong balance sheets — the timeless foundations of compounding wealth through uncertainty.

Fund Performance

The third quarter saw the market rebound continue. The current "Goldilocks" environment with growth rates that are not so cold as to indicate a recession and not so hot as to warrant a central bank intervention encouraged valuations to rise more than earnings.

Certain parts of the market expanded into what we believe to be a bubble. AI related stocks now have valuations that look completely unanchored to anything fundamental such as earnings, cash flow or even the prospect of earnings or cash flows. The hallmarks of bubbles – be it the railroad bubble, the East India bubble, or the Technology, Media and Telecom bubble of the late 1990's have been sky-high valuations combined with enormous capital expenditures with little visibility of future returns. This is exactly what we have today.

Those saying that AI is not a bubble will hit back with the fact that the players involved in today's AI race are cash generative and not using leverage. This is true and gives us some comfort that the potential fallout will be less severe than what otherwise could be the case, but the facts remain that this looks like a massive misallocation of capital.

Around 35% of the S&P market cap trades at more than ten times sales. The Big Tech companies are diverting their high-quality cash flows into speculative investments. The current surge in profitability that has been generated by the AI investments is unlikely to last, and at some stage the positive feedback loop will be broken. Active fund managers are in the same position as those in the TMT boom 25 years ago. If they do not participate in the bubble, they risk extreme underperformance and a possible loss of business. If they run with the herd, they face potentially large losses at some uncertain future date. Our advantage as a benchmark agnostic boutique is that we can put risk first when the herd are greedy. This is allowing us to stay away from the AI bubble and focus on those companies growing their cash flows sustainably while not undertaking capital expenditure that will likely have to be written off.

CRH advanced over 30% in the quarter. Their Capital Market Day surprised investors to the upside with more bullish 2030 targets than had been expected. The company announced 7-9% revenue growth p.a. and an adjusted EBITDA margin of 22-24%. At the mid-point, the targets are >20% above current consensus. The ability to execute on the growth opportunities is well supported with \$40bn of financial capacity available over the next five years.

Banco Santander advanced 26%. In July they reported Q2 net profit of €3,431mn with costs coming in as expected and loan loss provisions slightly better. CET1 capital is in-line at 13.0%. The share price has done very well but remains attractively valued especially when we consider the implied cost of equity. Santander is trading on 9.1/8.4x 2025E/26E and 1.22x TBV for 14.2% RoTE in 2026E.

Barratt Development disappointed in the quarter. The UK housing sector remains in a tough spot with rates coming down very slowly and the government providing little support. The recovery has been delayed but not cancelled. We maintain a small position.

Looking ahead, we continue to favour strong balance sheets, strong free cash flow generation, combined with low market expectations. The next quarter or two could see the AI bubble continue to expand before its inevitable demise. We continue to focus on fundamentals.

Cumulative performance	YTD	3 months	6 months	1 year	3 years	5 years	10 years	Since launch
	10.12%	3.67%	6.22%	7.15%	46.72%	94.66%	108.04%	221.22%

Annualised performance	3 years PA	5 years PA	10 years PA	Since launch
	13.63%	14.25%	7.60%	7.86%

Regional split	%	Top holdings	%	Sector weighting	%
Europe	49.45	Irish banks	4.96	Industrials	25.17
UK	31.03	Technology, and healthcare	4.75	Financials	15.91
US	19.52	Airlines	4.71	Materials	15.74
		Cement and aggregates	4.71	Health care	11.46
		Health care facilities	4.48	Energy	10.65

Five Year Fund Performance



The Team

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