Gresham House
Specialist investment

WS Gresham House UK Multi Cap Income Fund

Quarterly commentary – Q4 2025

Past performance is not necessarily a guide to future performance. Portfolio investments in smaller companies typically involve a higher degree of risk. Capital at risk. Extracted portfolio performance is not necessarily indicative of the performance of the fund. Not to be construed as investment advice or recommendation. Views expressed by the investment team are correct at the time of writing but are subject to change.

Overview – Q4 2025

UK equity market performance was mixed in the fourth quarter of 2025 as smaller company stocks generally underperformed their larger peers. The Deutsche Numis Smaller Companies plus AIM ex-Investment Trusts Index, FTSE 100 Index, and FTSE 250 Index rose by **1.6%**, **6.8%** and **2.9%** respectively, while the FTSE AIM All Share fell by **1.7%** in comparison.

During the fourth quarter, the FTSE 100 continued to outperform, largely driven by 'mega cap' banks, pharma, and energy stocks. We view this dynamic as further evidence of shifting tides in global asset allocation. The 'US diversification trade' has diverted global money flow into the top-end of the UK and other international equity markets, particularly over the second half of 2025, as fears of US stock market concentration and an AI valuation 'bubble' become increasingly salient. Combined with the uncertain direction of US economic and foreign policy under the Trump administration, we believe overweight US allocations will continue to unwind and that the backdrop for marginal buying of UK equities looks more supportive than at any point over the last three years.

The widening jaw between UK large cap and small cap valuations was another key feature of the fourth quarter, with companies below £500 million market cap trading at a 23% median price-to-earnings discount to companies with over £4 billion market cap at period-end.[1] While UK-based investors remained risk-off domestic equities – withdrawing £2.6 billion from UK-focused equity funds over the period – [2] the large-to-small relative value trade provides an attractive incentive for money to trickle down into the UK smaller companies space. Historically, when investors have capitalised on this opportunity, they have been rewarded handsomely – over each peak-to-trough and trough-to-peak UK equity market cycle since 1998, UK small caps have rebounded over 70% higher than the FTSE All Share on average, with that recovery often coming within a six-month window.[3] Moreover, private equity and strategic buyers have materially capitalised on this relative value dynamic over the last two years and public-to-private transaction activity continued apace during the fourth quarter with £2.6 billion-worth of takeovers of UK-listed companies.

We believe our high-conviction stock selection and portfolio management style provides investors with a source of potential outperformance driven by earnings growth, cash generation and organic re-rating. Our focus is on businesses with high-quality fundamentals such as structural market drivers, solid and defensible market positions, high-quality earnings streams such as recurring revenues, high margins, resilient balance sheets, and capable and aligned management teams. These fundamentals translated into resilient operational delivery during the period, whereby 94% of trading updates or financial results across the portfolio were either

[1] Bloomberg data, December 2025
[2] Calastone Fund Flow Data, 6 January 2026
[3] Bloomberg data, December 2025

positive or in-line relative to market expectations.

Performance – Q4 2025

Performance in the WS Gresham House UK Multi Cap Income Fund decreased by **3.0%** during the quarter, underperforming the IA UK Equity Income sector which increased by **5.7%**.

Key positive contributions over the period came from: **GSK (+0.5% CTR)**, which delivered a strong third-quarter 2025 trading update in which full-year guidance was upgraded, signaling robust momentum across its specialty medicines, vaccines, and general medicines divisions; **Gresham House Energy Storage Fund (+0.4% CTR),** following the announced acquisition of a 100 megawatt battery project in Elland and a 7.4% increase in net asset value over the third quarter; and **Quilter (+0.3% CTR)** whose positive third-quarter trading update underscored continued net flow momentum underpinned by ongoing market share gains and high client retention on-platform.

The largest detractors to performance were: **B&M (-0.8% CTR)**, following two profit warnings. The first was driven by reduced UK like-for-like sales growth and gross margin outlook, and the second by an accounting error in relation to freight cost recognition within cost of goods sold, amplifying to an incremental full-year downgrade of £40 million to gross profit; **Telecom Plus (-0.7% CTR)**, following interim results which showed services per customer and profit growth lagging the headline customer organic growth rate of 11% during the period; and **Brooks Macdonald (-0.5% CTR)** despite no specific company news flow during the period.

Portfolio activity

The team made one new investment during the period, into **GlobalData**, a global data analytics provider with a leading position across key verticals, high-quality financial characteristics, and a clear organic growth strategy underpinned by self-help levers, led by a highly driven entrepreneur, and trading at a discount versus precedent transactions in the sector.

The Fund made two full exits during the period: from **Ricardo**, following the agreed all-cash takeover by WSP Global at a 28% premium to the undisturbed share price, or approximately 70% versus the 90-day volume-weighted average price; and **Domino's Pizza**, following the immediate departure of its CEO, Andrew Rennie. The team believes the CEO exit elevates the risk profile of the company, given the high degree of operational complexity required to execute successfully and the strategic uncertainty a new chief executive may bring.

We made several selective follow-on investments during the period, including into: **XPS Pensions**, a UK pensions consultancy and administration provider, which we see as a structural winner from increasing regulatory complexity and scheme consolidation, with strong market share gains, high revenue visibility, margin expansion and a robust pipeline underpinning continued earnings momentum, all reinforced by robust structural tailwinds in the pensions market; **Everplay**, a leading publisher of independent video games with a valuable IP base and back-book, which is well known to the Manager; and **Bloomsbury**, an independent global publishing business that, in our view, offers compelling long-term value prospects underpinned by high-quality and re-formattable IP, leading market positions, and attractive financial characteristics, trading at a compelling valuation.

Outlook – Q1 2026

Entering 2026, the fund is well positioned to benefit from a small and mid-cap recovery. We have a high-quality portfolio of companies with quality long-term fundamental characteristics: earnings growth with high visibility of revenues in less cyclical segments of the economy; high margins reflecting strong market positions; low or no financial leverage providing resilience in an uncertain macro environment; good cash generation underpinning financial returns; high quality and agile management teams aligned with creating long-term shareholder value. These are companies that should command premium ratings on the public markets. Instead, many trade at historically low valuations. If the market fails to rate these businesses appropriately then it is likely we will continue to see an elevated level of takeover approaches for businesses where private equity and strategic buyers appreciate the value on offer.

There are a number of reasons to be more cheerful about the outlook for 2026:

- The material outperformance of the FTSE 100 against not only other domestic indices but also the S&P 500, particularly in US dollar terms, during 2025 has put the UK market back on the global map after several years of underperformance
- Valuation dispersion between large and smaller companies remains historically wide, incentivising a relative value trade and a positive trickle-down effect
- Expected UK interest rate cuts should improve liquidity conditions and provide valuation support for smaller companies
- A reopening IPO market and elevated corporate activity provide tangible catalysts for re-ratings
- History suggests that although small caps typically lag in a market recovery, when they do recover they can do so rapidly and sharply, contributing substantially to their long-term outperformance over the wider market
- If 2026 is to be the year of the small- and mid-cap recovery, patient investors should avoid capitulating and missing this potential source of outsized returns

Important information

The information contained in this document (the Document) is being communicated in the United Kingdom for the purposes of section 21 of Financial Services and Markets Act 2000 and has been issued by Gresham House Asset Management Limited (GHAM or the Manager). GHAM whose registered office is at 5 New Street, London, EC4A 3TW is a company authorised and regulated by the Financial Conduct Authority (FCA) (no.682776). The information should not be construed as an invitation, offer or recommendation to buy or sell investments, shares, or securities or to form the basis of a contract to be relied on in any way. GHAM provides no guarantees, representations, or warranties regarding the accuracy of this information. No third-party liability is accepted by GHAM, its members and employees, or its affiliates and their directors, in respect of errors and omissions, other than under the duties and liabilities of the Financial Services and Markets Act 2000. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investing in the securities and legal, regulatory, credit, tax, and accounting aspects in relation to their particular circumstances. The recipient should consult its tax, legal, and accounting or other advisers about the issues discussed herein and shall be solely responsible for evaluating the risks and merits involved in the content of this Document.

This Document is provided for the purpose of information only and before investing you should read the Prospectus and the Key Investor Information Document (KIID) as they contain important information regarding the Fund, including charges, tax and fund specific risk warnings and will form the basis of any investment. The Prospectus, KIID and application forms are available from Waystone Management (UK) Limited., the Authorised Corporate Director of the Fund (Tel. No. 0345 922 0044). Investors are reminded that past performance is not indicative of future results. Funds investing in smaller companies may carry a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid than securities in larger companies. No person, especially those who do not have professional experience in matters relating to investments, must rely on the contents of this Document. If you are in any doubt as to the matters contained in this Document, you should seek independent advice where necessary.

This Document has not been submitted to or approved by the securities regulatory authority of any state or jurisdiction. This Document is intended for distribution in the United Kingdom only. Any dissemination or unauthorised use of this Document outside the United Kingdom by any person or entity is strictly prohibited.

Please contact a member of the Gresham House team if you wish to discuss your investment or provide feedback on this presentation. Gresham House is committed to meeting the needs and expectations of all stakeholders and welcomes any suggestions to improve its service delivery.

www.greshamhouse.com | (0) 20 7382 0999