WS Gresham House UK Multi Cap Income Fund

Quarterly commentary – Q2 2026

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 – Q2 2026

UK equity market performance was positive in the second quarter of 2026 particularly for smaller company stocks which generally outperformed their larger peers. The Deutsche Numis Smaller Companies plus AIM ex-Investment Trusts Index, FTSE AIM All Share, and FTSE 250 Index rose by **8.6%**, **8.3%** and **9.8%** respectively, while the FTSE 100 Index rose by **4.0%** in comparison.

During the second quarter, small caps and AIM listed stocks outperformed, staging a recovery from the relative drawdown seen in Q1. Mega cap energy companies fell as a tentative ceasefire in the Middle East was reached and crude oil prices fell back to around $70 USD. This quarter also brought renewed political uncertainty closer to home. On 22 June, Prime Minister Sir Keir Starmer announced he would step down once the Labour Party completes a leadership contest over the summer, leaving the UK on course for its seventh prime minister in a decade. A change of leadership, and the shift in policy direction that may follow, adds to the near-term macroeconomic and political noise facing UK assets. However, our portfolios are built around high-quality UK companies with defensible market positions, high recurring revenues and resilient balance sheets - that we believe should remain resilient through this noise.

Earlier in the year, a sharp and broad-based sell-off hit software, professional services and data platform businesses, triggered by a wave of AI product launches that raised fears over the long-term viability of traditional subscription-based business models, with connected businesses also caught up as concerns over disintermediation weighed on sentiment and share prices. Having spoken to management teams of the affected companies and leveraged our proprietary expert network within software and AI, we used this indiscriminate weakness as an opportunity to add to several of our highest-conviction holdings at depressed valuations. This supported our view that their barriers to entry including strong proprietary data, deep domain expertise and trusted system-of-record status in regulated and complex markets meaningfully constrain AI-led disruption and, in many cases, position these businesses to benefit from AI tools rather than be displaced by them. For example, Trustpilot has an entrenched role in online reviews that creates network effects and counterparty trust that are difficult for new AI entrants to replicate, and the shares recovered strongly through the second quarter as that resilience reasserted itself. In March, just after the 'SaaSpocalypse' sell-off, Trustpilot released excellent full year results showing adjusted EBITDA ahead of expectations up 69% year-on-year driven by click-thorough from AI search and lower costs from leveraging AI to screen fake reviews. This has led multiple brokers to upgrade their price targets for the stock. More broadly, many of the names we added to rebounded as the initial fears proved overdone and operational delivery held firm, and we continue to see selective opportunities in well-protected businesses that can thrive in an AI-powered world yet still trade on undemanding valuations.

The widening gap between UK large cap and small cap valuations was another key feature of the second quarter, with companies below £500 million market cap trading at a 26% median price-to-earnings discount to companies with over £4 billion market cap at period-end.[1] UK-based investors were risk-off to a lesser extent than previously – withdrawing £687 million 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 – 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 second quarter with a further £18.9 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 100% of trading updates or financial results across the portfolio were either positive or in-line relative to market expectations.

Performance – Q2 2026

Performance in the WS Gresham House UK Multi Cap Income Fund increased by **12.1%** during the quarter, outperforming the IA UK Equity Income sector which increased by **6.9%**.

Key positive contributions over the period came from: **Halfords (+1.7% Contribution to Total Return ("CTR")),** following a series of positive trading updates over the quarter which highlighted profit expectations towards the upper end of market forecasts, continued like-for-like sales growth across both Retail and Autocentres, and full-year results that upgraded FY2027 guidance; **TP ICAP (+0.9% CTR),** after reporting a record Q1 trading update which highlighted double-digit revenue growth across its Global Broking, Energy & Commodities and Liquidnet businesses, while reaffirming the full-year outlook; and **Tatton Asset Management (+0.9% CTR),** following a trading update and full-year results which reported record assets under management, strong underlying net inflows and results ahead of market expectations, alongside a significant increase in the full-year dividend, reinforcing confidence in the resilience of its platform, earnings momentum and long-term cash generation.

The largest detractors to performance were: **Brooks Macdonald (-0.4% CTR)**, despite reporting continued net inflows and strength in its platform MPS proposition; **Watkin Jones (-0.2% CTR)**, despite an in-line trading update during the period; and **GSK (-0.1% CTR),** despite solid first quarter results and multiple drugs gaining regulatory approval across different geographies.

Portfolio activity

The team made three new investments during the period, including into: **Auto Trader**, a leading UK digital automotive marketplace, which we believe is well positioned to benefit from its dominant market position, high-margin and highly cash generative business model, and continued pricing power, supporting strong earnings visibility and resilience despite cyclical pressures in the automotive market; **Rightmove**, the online property portal, which benefits from its market-leading network effects, premium listing model and high levels of agent engagement, underpinning robust recurring revenues and strong cash generation; and **Informa**, an

[1] Bloomberg data, June 2026
[2] Calastone Fund Flow Data, June 2026
[3] Bloomberg data, June 2026

international events, digital services and academic markets group, which we believe is well positioned to benefit from its market-leading portfolio of specialist brands, high levels of recurring revenue and strong cash generation.

The Fund made two full exits during the period, from: **Integrafin**, following a strong Q1 trading update which reported robust net inflows and record funds under direction despite macro uncertainty, supporting continued operational momentum, enabling us to crystallise gains and redeploy this capital into higher-conviction opportunities; and **Sabre Insurance,** following a full review and our resultant lack of conviction that the key 'insurer-hosted pricing' initiative would drive attractive earnings growth and share price appreciation as intended. We took advantage of a material price rally in the market following full-year results to exit the position at an attractive level, re-deploying into higher-conviction opportunities which better align with our risk-adjusted returns criteria going forward.

Outlook – Q3 2026

Despite the large amount of geopolitical noise year-to-date, we believe the fund is well positioned to benefit from a small and mid-cap recovery. The fund's performance reversed sharply over the first half, falling 8.8% in Q1 before rebounding 12.1% in Q2. We maintain we have a well-constructed portfolio of companies with strong long-term fundamental characteristics: earnings growth with high visibility of revenues in less cyclical segments of the economy; attractive margins reflecting solid market positions; low or no financial leverage providing resilience in an uncertain macro environment; good cash generation underpinning financial returns; capable and agile management teams aligned with creating long-term shareholder value. In our view 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.

Despite the uncertainty driven by geopolitical tensions and conflict in the Middle East, there are a number of reasons to be more cheerful about the outlook for 2026:

- Continued outperformance of the FTSE 100 against not only other domestic indices but also the S&P 500, particularly in US dollar terms, leading to improved sentiment towards the UK market 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
- Should the path for further UK interest rate cuts become clearer in the medium term, this would improve liquidity conditions and provide valuation support for smaller companies
- Signs of a gradual reopening of the IPO market, alongside elevated corporate activity, could 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

Important information

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