

Gresham House Euro Liquidity Fund

Quarterly Report
1 July 2026 to 30 September 2026

Gresham House
Specialist investment

Highlights

The Gresham House Euro Liquidity Fund (the Fund) is an actively managed fund which is presently invested in short-dated government debt but may also invest in cash deposits, corporate debt and floating-rate notes (FRNs).

The Fund invests across a spread of instruments and institutions to diversify risk. This generates an appropriate level of return including income, achieving a low level of volatility and preserving capital over the long term. This weighting could involve an increase in the short-term volatility profile of the Fund.

Unit Price

(NAV per Unit)

€106.1529

Year to date performance

0.73%

Annualised return since inception

0.34%

The yield to maturity of the Fund at the end of Q3 2026 was 2.93%.

The Fund continued to benefit from yields on short-dated European government bonds.

Markets are pricing in a scenario where rates trend higher.

*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

In the third quarter markets looked calm on the surface, with the S&P 500 only about 2% off its all-time high but the real story was in the bond markets of developed countries. UK 30-year gilts briefly broke above 6%, a level last seen in the late 1990s. French borrowing costs versus Germany widened to levels close to the depths of the 2012 euro crisis. In the US, 10-year yields jumped to 5.3% and 30-year yields hit 5.6%, their highest since 2002.

We have been negative on long duration OECD bonds for a considerable amount of time due to our concerns about pro-cyclical government deficits. But the move this quarter was not really a story about government deficits (outside of France). It was a central bank story. Investors went from pricing interest rate cuts to pricing hikes, as persistent inflation and firmer growth forced a rethink. Oil pushing back above $100 a barrel on the back of renewed Middle East tension added to the pressure. The Fed hiked for the first time this cycle under its new Chair and the Bank of Japan continued raising its own policy rate. Developed market government bonds, the part of a portfolio that is supposed to be safe and boring, lost money for people holding them.

Stock markets got narrower under the surface too. Gains kept piling into a small group of AI related mega-caps, most of them American, while cyclical stocks, financials and smaller companies went backwards almost everywhere. This fits with something we have been saying for a while: the sheer amount of money being poured into AI infrastructure with so little proof yet of the payoff is the biggest risk hanging over this market. We have deliberately stayed away from the most expensive names in that group and continue to prefer markets outside the US including Europe, Japan and emerging markets, where valuations remain far more reasonable.

Despite all that, our funds had a respectable quarter. The Multi-Asset Fund returned 1.69% (9.71% for the year so far). The Global Equity Fund was up a more modest 0.23% (11.35% year to date). Our large underweight to US mega-cap tech cost us some of the market's headline gains, but it is also why we are carrying a lot less concentration risk than most. The real highlight was the Small Company Fund, up 7.85% in the quarter and 11.99% for the year, as cheap smaller companies, many of them outside the US, finally started getting some attention again. The one fund that was down during the quarter was the Thematic Multi-Asset Fund, down 0.91% (9.52% year to date). The Euro Liquidity Fund did what it is supposed to do, returning 0.73% for the year to date.

In terms of asset allocation, as valuations have changed so has our thinking. Bond yields have now moved so far that they are starting to look like an opportunity rather than just a risk.



Short-dated government and corporate bonds in the US, Europe, and beyond now yield well above where they started the year with comparatively little risk of further price falls. We have kept our bond holdings deliberately short through this whole rate-hiking cycle and that has paid off. But we are now spending real time looking at more fixed income opportunities in government and corporate bonds across our markets because the extra yield on offer is becoming genuinely attractive. We are not rushing to buy long-dated bonds, as yields could rise further in several markets. Even so, the valuation discipline we apply to stocks is beginning to identify opportunities in bonds.

Elsewhere, nothing has really changed in how we are positioned. We still prefer cheaper markets outside the US and smaller companies, we are staying clear of the priciest AI names, and we are holding onto energy and gold as insurance. US mid-term elections in November will get plenty of attention, but they are one event among several we are watching into year end, alongside central bank decisions in Europe, the UK and Japan. The plan stays the same: buy good businesses with real cash flow, at sensible prices, wherever in the world we find them, and be patient.

Fund Performance

The Gresham House Euro Liquidity Fund delivered a return of 0.17% in Q3, taking year-to-date performance to 0.73%. The Fund remains invested in short-dated European government bonds, which continue to provide attractive risk-adjusted yields across developed European markets. As at the end of the period, the Fund's yield to maturity increased to 2.93%, while duration was narrowed slightly to 0.79 years, consistent with the Fund's capital-preservation objective.

Following the cutting cycle last year which saw policy rates decline by 50bps, the ECB has reversed course in recent months, with two 25bps hikes this year (June and September) and rates currently stand at 2.50%.

At a macro level, the euro area outlook remains shaped by the conflict in the Middle East and continued volatility in energy markets. While the economy has proved more resilient than anticipated, with activity and confidence improving through the summer, the outlook remains uncertain. Higher energy prices and the risk of further supply disruption continue to present upside risks to inflation, while geopolitical uncertainty and pressure on real incomes are likely to constrain growth.

Against this backdrop, the ECB raised rates by 25bps in both June and September, taking the deposit rate to 2.50%. These decisions have reinforced the repricing of the expected policy path, with markets moving away from expectations of a sustained easing cycle. The ECB has reiterated that future decisions will remain data dependent and that it is not pre-committing to any particular path for interest rates. Market expectations point to a continued hiking cycle through 2027, with the implied rate currently sitting above 3% by September next year.

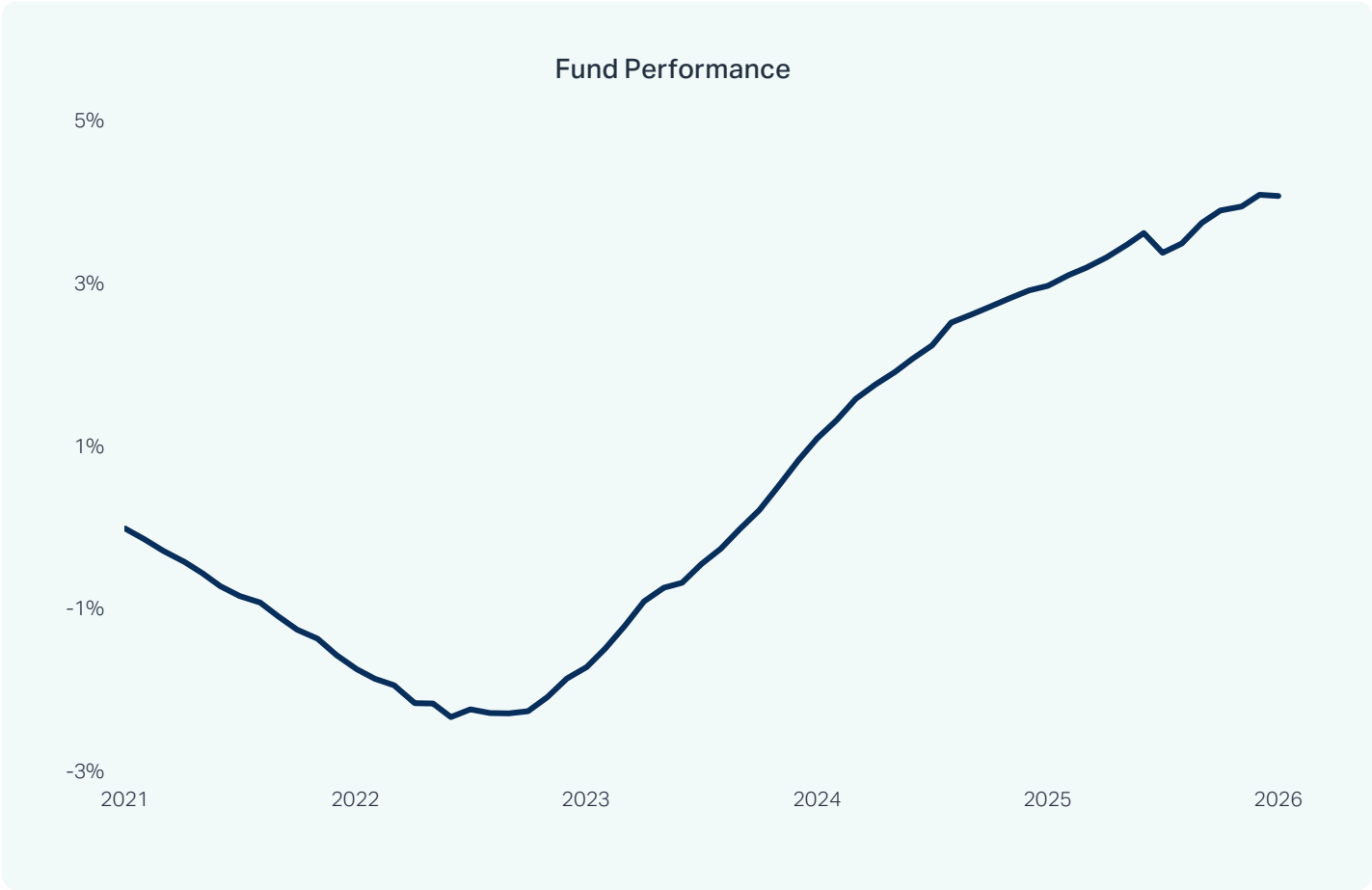
In this environment, the Fund remains well positioned. Higher front-end yields provide attractive income while the portfolio retains limited interest-rate sensitivity, and the yield to maturity of 2.93% remains compelling for investors seeking capital preservation and liquidity. While further rises in yields may temporarily weigh on capital values, they can also create opportunities to reinvest maturing holdings at higher yields, supporting prospective income. Our active approach across issuers, maturities and regions enables us to selectively capture these opportunities as market expectations evolve, while continuing to prioritise liquidity, capital preservation and consistent income generation.



Cumulative performance	YTD	3 months	6 months	1 year	3 years	5 years	10 years	Since launch
	0.73%	0.17%	0.68%	1.07%	5.90%	4.09%	-0.19%	6.15%

Annualised performance	3 years PA	5 years PA	10 years PA	Since launch
	1.93%	0.81%	-0.02%	0.34%

Asset positioning	%	Top holdings	%
Bonds	97.78	Spanish Bond	7.51
Cash	2.22	Austrian Bond	6.76
		Belgian Bond	6.06
		Finnish Bond	5.56
		Dutch Bond	5.37





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