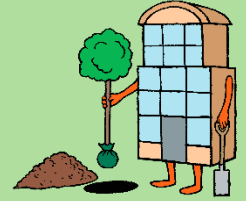


The Better World Strategy

- Montanaro Better World Fund (Dublin)
- WS Montanaro Better World Fund (UK)

Quarterly Review – Q1 2026



Key points:

- Escalating geopolitical tensions in the Middle East, particularly the Iran conflict, drove sharp market volatility and a rotation away from growth assets.
- Rapid advances in AI triggered an indiscriminate sell-off in software; however, we believe holdings such as **Veeva Systems** and **Bentley Systems** remain well positioned given their deep domain expertise and mission-critical workflows.
- The strategy faced style headwinds as valuation multiples compressed across high-quality growth equities despite continued operational delivery.
- The portfolio introduced new investments in electrification and water infrastructure to capture long-term structural opportunities arising from market dislocations.

Paraphrasing Vladimir Lenin, there are decades when nothing happens; and quarters when decades happen. The first quarter of 2026 appears to be such a moment.

Geopolitics provided a volatile backdrop, but for much of the quarter market behaviour was driven less by individual events and more by the continuation of established themes from 2025. January and February saw a clear extension of three dominant trades: the bifurcation within AI (hardware outperforming software), the debasement trade, and strong demand for minerals relative to oil. Developments in Venezuela and Greenland, while politically notable, had limited direct market impact.

The inflection point came in late February with the escalation of tensions between the US, Israel and Iran. This proved decisive. The conflict triggered a sharp and disorderly repricing across asset classes, centred on energy markets. Oil prices surged, inflation expectations rose and bond yields moved higher, while traditional diversification proved less effective.

The Iran shock inverted several of the prevailing market dynamics. Oil outperformed while industrial metals weakened, financials came under pressure on recession concerns, and within technology the AI trade partially flipped — hardware lagged while more asset-light software businesses proved relatively more resilient. Earlier in the quarter, advances in “digital co-workers” had already driven an indiscriminate sell-off in software, contributing to a broader derating across growth equities and a reassessment of capital allocation by the largest technology companies.

Against this backdrop, **the Better World Fund** experienced a challenging quarter, reflecting both style headwinds and a sharp shift in market narrative. Much of the weakness was driven not by company-specific execution, but by the continued derating of high-quality growth businesses. Across the portfolio, we experienced repeated instances of companies delivering strong operational performance — often ahead of expectations — yet share prices failing to reflect this progress as valuation multiples compressed, particularly in software and services.

Nevertheless, we sought to take advantage of the market backdrop. Events in the Middle East once again highlighted the fragility of global energy systems and the critical importance of resilient, efficient infrastructure. As we set out in our recent report on electrification, demand for electricity — and the systems that support it — is accelerating structurally, driven by decarbonisation, digitalisation and energy security. The Better World Fund is invested directly in this transition through existing holdings such as **Pfisterer** and new positions initiated this quarter including **Hammond Power Solutions**, **Valmont Industries** and **Asta Energy Solutions**, all of which support the expansion and reliability of electricity networks.

Alongside this, we have also initiated positions in several companies aligned with our water theme, where long-term structural drivers remain compelling. Holdings such as **Watts Water Technologies** and **Clean Harbors** provide exposure to the increasing need for efficient water management, treatment and infrastructure. Ageing networks, tightening environmental regulation and growing water stress are driving sustained investment requirements globally, particularly across developed markets where replacement and upgrade cycles are becoming

more urgent.

These businesses are well positioned within their respective niches, combining technical expertise with strong market positions, and in our view offer attractive long-term growth potential supported by resilient demand characteristics.

Performance & Portfolio

During the quarter, the NAV of the sterling share class of the Dublin domiciled Fund declined by 5.1%, an underperformance of 7.3% versus the MSCI World SMidCap Index.

The NAV of the sterling accumulation share class of the UK domiciled Fund declined by 5.7%, an underperformance of 7.9% versus the same benchmark.

The **strongest contributors** during the quarter were:

- **Entegris** – the US supplier of semiconductor materials and process solutions enabling more efficient and advanced chip manufacturing, rose following a beat on Q4 results and guidance, with stronger than expected margins despite limited topline recovery.
- **InPost** – the European parcel locker operator helping to reduce carbon emissions in last-mile logistics, advanced as shares were supported by an all-cash takeover offer.
- **Universal Technical Institute** – the US provider of technical education services supporting workforce development in essential industries, performed well with results in line with guidance, supported by continued execution and enrolment growth driven by new campuses and courses.

The **weakest contributors** during the quarter were:

- **Visional** – the Japanese HR technology company improving job matching and labour market efficiency declined despite strong results and topline growth ahead of expectations, with sentiment weighed by AI-related concerns.
- **Doximity** – the US digital marketing platform connecting healthcare professionals and supporting more efficient medical communication sold off due to concerns about margin compression as it invests in an LLM product as well as potential AI competition.

We share these concerns and have subsequently exited the position

- **Manhattan Associates** – the US provider of supply chain and warehouse management software enabling more efficient logistics and inventory management was sold off as part of the “AI-will-kill-SaaS” narrative.

Impact & Engagement

ChemoMetec – Danish provider of cell analysis instrumentation

We engaged with ChemoMetec to facilitate collaboration with Tecan, a complementary company within the life sciences tools ecosystem that we previously held. The objective was to explore integration between ChemoMetec’s cell analysis instruments and Tecan’s laboratory automation platforms to improve the efficiency and scalability of laboratory workflows. Following our introduction, the companies identified a strong strategic fit, resulting in the integration of ChemoMetec’s NucleoCounter® NC-XM30 cell analyser into Tecan’s Fluent® automation platform. This enables automated cell counting and viability analysis within robotic systems, enhancing precision and operational efficiency. The engagement demonstrates the role of active ownership in facilitating partnerships that strengthen portfolio company capabilities and support advances in biotechnology and pharmaceutical research. The engagement is now closed following successful delivery of the intended outcome.

TransMedics – US medical technology company focused on organ transplantation

We engaged with TransMedics following a reported incident in Italy involving the failure of a donor heart due to incorrect storage during transit. The case highlighted structural limitations of conventional static cold storage, including the absence of real-time monitoring, increased risk of human error and reduced organ viability over longer transport distances. We used this example to frame our outreach, with the aim of understanding whether such incidents may accelerate the adoption of advanced organ preservation technologies, particularly in markets where conventional methods remain prevalent. The engagement is ongoing; we continue to monitor developments and assess the potential role of its technology in addressing these systemic risks.

ALK-Abelló – Danish pharmaceutical company specialising in allergy immunotherapy

We engaged with ALK-Abelló ahead of its 2026 AGM to discuss concerns raised by proxy advisor Institutional Shareholder Services regarding remuneration governance and board composition. Key issues included the structure and transparency of the long-term incentive plan, limited disclosure on performance outcomes and the breadth of board discretion within the remuneration policy, alongside concerns over increased short-term incentive opportunity. We also discussed shortcomings in board gender diversity, including recommendations relating to the re-election of the Chair. These points were communicated to the company through Investor Relations to ensure awareness of investor scrutiny ahead of the AGM. While we supported management on the relevant resolutions this year, we highlighted that these issues may remain areas of concern if not addressed. We will continue to monitor developments in remuneration design, disclosure and board composition and may revisit these topics in future engagements.

Outlook

How should investors navigate today's environment? As [we recently wrote about](#), one helpful lens is to anchor expectations in historical experience, while remaining open to new evidence as it emerges. In the context of AI, this suggests a degree of caution. The scale of capital being deployed into infrastructure is unprecedented. History would indicate that such large, complex projects rarely deliver exactly as planned. The range of potential outcomes remains wide, and investors should be wary of extrapolating overly optimistic scenarios too far into the future.

At Montanaro, this reinforces our focus on judgement, discipline and company-specific fundamentals. We are not sceptics of AI — we use it extensively within our own process — but we believe the current market narrative has, in places, moved ahead of reality. The software businesses we own, such as **Veeva Systems** and **Bentley Systems**, are not defined by their ability to write code alone, but by deep domain expertise, embedded workflows and mission-critical functionality. In our view, AI is far more likely to enhance these businesses than displace them, at least over any realistic investment horizon.

Against this backdrop, we see a compelling opportunity set emerging. The portfolio is now trading at one of its lowest valuation levels in recent years, despite continued delivery in terms of earnings growth and operational performance. At the same time, SMidCap equities remain under-owned and are trading at a historically wide discount to LargeCap, following an extended period of relative underperformance. We do not attempt to predict geopolitical outcomes — as

recent events in the Middle East have shown, developments can shift rapidly, with the temporary ceasefire and subsequent fall in oil prices a timely reminder of how quickly narratives can reverse. Instead, we are leaning into a growing disconnect between price and value, increasing diversification while maintaining our focus on high-quality businesses with strong long-term growth prospects. Periods such as these are rarely comfortable, but they have often proven to be the most rewarding for patient, disciplined investors.

More broadly, the portfolio is focused on high-quality growth companies addressing some of the most important challenges shaping the global economy — from energy efficiency and healthcare innovation to water infrastructure and access to skills. In healthcare, for example, **TransMedics** is transforming organ transport, while **Dynavox** is enabling communication for individuals with conditions such as autism, cerebral palsy and motor neurone disease. We believe the market is currently underestimating both the durability of these businesses and the value of the outcomes they deliver.

We have taken deliberate steps to improve the portfolio's balance and resilience. This has included lowering overall, risk broadening diversification across our Impact Themes and exiting weaker or impaired investment cases. The portfolio today is more balanced and less dependent on any single style or factor. Key changes from 31 December 2022 to 31 March 2026 include increasing the number of holdings, significantly reducing Healthcare's contribution to tracking error, and refining the risk profile, with less reliance on factor-driven exposures and greater emphasis on stock-specific risk, while also reducing portfolio beta to less than 1. The portfolio is now more diversified, less factor-driven and more closely aligned to company-specific drivers of return, backed by our long-term structurally growing impact themes. We believe the combination of resilient fundamentals, improved portfolio positioning and a more supportive opportunity set provides a strong foundation for future returns.

Montanaro Impact Team:



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