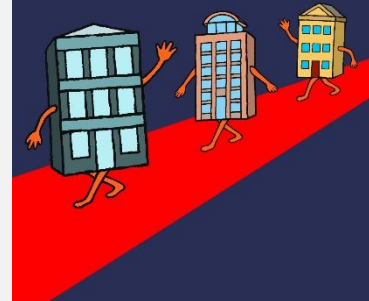


The Global Select Strategy

- Montanaro Global Select Fund (Dublin)
- WS Montanaro Global Select 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.
- Markets reacted in a disorderly fashion, with traditional diversification breaking down as commodities surged and both gold and crypto failed to provide protection.
- Rapid advances in AI triggered a severe repricing across technology, particularly in software, as investors questioned business models, capital intensity and the risk of disruption.
- This led to a broad derating of high-quality growth equities and a rotation towards more inflation- and energy-linked sectors.
- Against this backdrop, the portfolio remained focused on fundamentals and long-term opportunities, using the dislocation to selectively redeploy capital into high-quality businesses where valuations have become more attractive.

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 beneficiaries outperforming software), the debasement trade, and a strong bid for

minerals relative to oil. Against this backdrop, developments in Venezuela and Greenland, while notable politically, had limited direct impact on markets.

The inflection point came in late February with the escalation of tensions between the US, Israel and Iran. Unlike earlier geopolitical developments, this proved decisive. The conflict triggered a sharp and disorderly repricing across asset classes, with energy markets at the epicentre. Oil prices surged, shipping rates spiked and inflation expectations moved higher, driving volatility in bond yields and risk premia. Traditional diversification proved less effective, with both gold and crypto assets offering limited protection during the sell-off.

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 **Global Select 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 derating of high-quality growth businesses. Across the portfolio, companies have continued to deliver strong operational performance — often ahead of expectations — yet share prices have failed to reflect this progress as valuation multiples compressed, particularly in areas such as software and services.

Nevertheless, we sought to take advantage of the market backdrop, deploying capital into a number of new opportunities where long-term fundamentals appear increasingly at odds with current valuations. We have remained disciplined — exiting positions where conviction has weakened, while initiating a position in **Asta Energy Solutions**, a recent European IPO focused on specialised copper components critical to electrification, and adding to holdings such as **Pro Medicus**, a name we had previously reduced at much higher levels, where valuations had become more compelling.

While the quarterly outcome is clearly disappointing, performance in March was more encouraging, particularly relative to peers, reflecting the shifting market dynamics described

above.

Performance & Portfolio

During the quarter, the NAV of the sterling accumulation share class of the **UK domiciled Fund** declined by 8.0%, an underperformance of 10.2% versus the MSCI World SMidCap Index.

The NAV of the sterling accumulation share class of the **Dublin domiciled Fund** declined by 8.0%, an underperformance of 10.1% versus the same benchmark.

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

- **Nova** – the provider of metrology and process control solutions for the semiconductor industry performed strongly as continued demand for advanced chip manufacturing and AI-related investment supported growth expectations, alongside solid results and upgrades.
- **Kitron** – the electronics manufacturing services provider continued to deliver strong results and upgrades, supported by a strong defence order backlog and several major new contract wins.
- **Trex** – the manufacturer of composite decking and outdoor products advanced as improving demand trends and easing inventory destocking supported a recovery in volumes, alongside stabilising raw material costs and continued market share gains from wood alternatives.

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

- **Sartorius Stedim Biotech** – the provider of equipment and consumables used in the production of biologic drugs declined as investors continued to fear the sustainability of the recovery in bioprocessing demand following a period of industry destocking, with near-term growth visibility remaining subdued.
- **ATOSS Software** – the provider of workforce management software weakened as part of the “AI-will-kill-SaaS” narrative, despite delivering strong results.
- **Adyen** – the Dutch payments platform declined as growth expectations moderated and

concerns around competitive pressures and margin trajectory weighed on sentiment, despite continued operational execution.

Engagement & ESG

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 and we are awaiting a response from the company, while continuing to monitor developments and assess the potential role of its technology in addressing these systemic risks.

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.

George Cooke
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