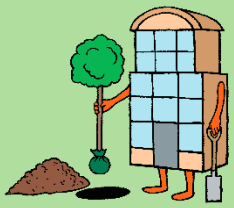
MONTANARO

ASSET MANAGEMENT

The Better World Strategy

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

Quarterly Review – Q3 2026



Key points:

- Rising bond yields, tighter central bank policy and a sell-off in AI and data-centre related shares made this a difficult quarter for the Fund, with our electrification holdings giving back part of their earlier gains.
- Healthcare and life-science tools recovered strongly and supplied the best contributors.
- We used the weakness to add to Pfisterer and Asta Energy Solutions, where we judged the de-ratings excessive, and we are managing the Fund's concentration in grid exposure with care.

We have published our 2026 Impact Report which available here.

Rising bond yields set the tone for the third quarter. The US 10-year Treasury yield reached its highest level since 2007, while the Federal Reserve and European Central Bank both raised interest rates in September. Renewed attacks on shipping around the Strait of Hormuz added to inflationary pressures, pushing oil prices above $100 a barrel. Against this unsettled macroeconomic backdrop, Global SmallCap equities underperformed their LargeCap counterparts. The AI and data-centre trade also came under pressure, with industrial companies exposed to electrification caught up in the sell-off.

This environment proved challenging for the Better World strategy. Over the past year, we have built meaningful exposure to electrification and grid infrastructure, reflecting our conviction in the long-term structural drivers of demand. Weakness in these holdings was the principal

detractor from performance during the quarter.

Given the long-term nature of this strategy, we took advantage of market weakness to add selectively to holdings where we believe valuations had become disconnected from their long-term prospects. We increased our positions in **Pfisterer** and **Asta Energy Solutions**, where share price declines appeared excessive relative to the underlying fundamentals and our conviction remains high. We also added to **HealthEquity**, which stands to benefit from higher interest rates and which we believe remains fundamentally undervalued. In **ChemoMetec**, further work through our expert networks reinforced our investment thesis and provided an opportunity to increase our exposure.

We bought a position in **Ypsomed**, a high-quality business specialising in injectable drug delivery, which we believe offers a long runway of attractive growth and high returns. We also switched our holding in **Badger Meter** into **Itron**, where we have greater conviction in the investment outlook.

Elsewhere, we exited four positions. We sold **Hawkins** following disappointing execution and a valuation that left little room for further setbacks. Our decision to exit **Badger Meter** reflected its extended downcycle and demanding valuation. In **Stride**, a variety of channel checks pointed to a continued deterioration in customer satisfaction, raising concerns about future re-enrolment rates. Finally, we sold **Belimo** to fund investments into higher conviction names benefiting from similar structural growth rates.

We remained focused on the Fund's risk profile, balancing our conviction in high-quality growth companies addressing long-term structural challenges with a disciplined approach to portfolio construction, diversification and valuation.

Performance & Portfolio

During the quarter, the NAV of the sterling share class of the Dublin domiciled Fund declined by 5.6%, an underperformance of 2.8% versus the MSCI World SMidCap Index.

The NAV of the sterling accumulation share class of the UK domiciled Fund of the UK domiciled Fund declined by 5.4%, an underperformance of 2.6% versus the same benchmark.

The strongest contributors during the quarter were:

- **Veeva Systems** – the US provider of cloud-based software solutions for the life sciences industry rose as second-quarter results demonstrated accelerating revenue growth, with full-year guidance raised and further Vault CRM wins.
- **Global Security Experts** – the Japanese provider of cyber security consulting, education and managed security services climbed as Japanese cyber security names re-rated amidst growing demand amidst rising AI-related risk. Meanwhile the Japanese Cybersecurity Minister announced a series of positive policy announcements related to this.
- **ChemoMetec** – the Danish manufacturer of cell counting and analysis instruments gained as the company reported a commercial partnership with Roche and improving instrument revenues, reflecting new product launches and a recovering end-market.

The weakest contributors during the quarter were:

- **E-Ink Holdings** – the Taiwanese developer of electronic paper display technologies slipped as it cut full-year revenue growth guidance due to weaker consumer electronics demand, despite record first-half net profits.
- **Universal Technical Institute** – the US provider of automotive, diesel and skilled-trades technician training declined as it cut guidance on weaker than expected enrolment in one of its segments, which we believe to be a short-term phenomenon.
- **Pfisterer** – the German manufacturer of high-voltage cable accessories and overhead line components for power grids traded lower on a temporary dip in orders, and the shares de-rated further in a wider electrification sell-off.

Geography and sector

The United States was the strongest region, driven mainly by stock selection, with Veeva Systems the main contributor. Germany was the largest detractor, again mainly through stock selection, with Pfisterer the weakest holding. By sector, industrials were the main source of weakness, through a mix of allocation and stock selection, as electrification and data-centre exposed shares de-rated across the market. Real estate was the strongest sector, although its contribution was small.

Impact & Engagement

HealthEquity – the US administrator of health savings accounts

We engaged with HealthEquity to understand how the company measures positive outcomes for members, particularly around healthcare affordability, financial stress and delayed or skipped care. The company tracks these through a twice-yearly survey, which shows that account holders feel better prepared for healthcare costs. It also identified an awareness gap: only 63% of employees understand that preventive care is fully covered, and lower-income employees are the least likely to know.

This presents an opportunity to encourage HealthEquity to improve healthcare access for financially vulnerable members. We intend to build on our engagement by encouraging the company to introduce targeted educational initiatives for lower-income members, aimed at increasing awareness and uptake of preventive care, and to explore further measures to help members avoid delaying or foregoing treatment because of financial concerns. We will also encourage HealthEquity to measure the effectiveness of these initiatives, including their contribution to reducing delayed or skipped care and improving members' financial resilience.

Visional – the Japanese operator of the BizReach career platform

We engaged with Visional to strengthen the evidence that BizReach advances gender equality in the Japanese labour market, with a focus on female career progression and pay. The company reported that 53% of women who changed jobs through the platform in 2024 achieved a salary increase of at least 10%. Job changes by women with management experience rose 3.3 times against 2019, while registrations by such women rose 4.4 times. We have encouraged Visional to track these outcomes consistently over time and to develop a year-on-year measure that shows the platform's contribution to career progression and earnings.

Valmont Industries – the US manufacturer of infrastructure and irrigation equipment

We engaged with Valmont on its health and safety record and on whether it has a long-term target. Its total recordable incident rate improved from 2.27 in 2021 to 1.48 in 2025, a reduction of about 35% and well below the industry benchmark of 3.63. The company has adopted a long-term goal of a rate below 1.0 and sets annual internal targets to support it. Its near-miss reporting rate has risen, which management attributes to employees identifying and reporting hazards

more readily. The engagement is closed, and we will monitor progress towards the goal.

Sensient Technologies – the US supplier of natural colours and ingredients

We engaged with Sensient to clarify its exposure to non-medical animal testing and to learn more about biodiversity and sourcing risks in its agricultural raw materials. The company confirmed that testing is outsourced, carried out only where legally required and very infrequent, which was enough for it to continue to meet our ethical screen. The engagement remains open, although no further meeting is planned for now. We will monitor future reporting.

Outlook

Higher bond yields have compressed valuations for growth companies, leaving share prices more dependent on the delivery of earnings growth. Against that backdrop, the operating progress of our holdings has been encouraging, even where share prices have not reflected it. **Hammond Power Solutions** - the North American manufacturer of dry-type transformers - has nearly doubled its order backlog over the past 12 months and announced a new manufacturing facility in Texas, which is expected to add approximately C$250 million of manufacturing capacity, with production beginning in late 2027. **Pfisterer** - the German supplier of cable connection and insulation components for power grids - grew revenue by 20% in the first half, while **Veeva** - the provider of cloud software to the life sciences industry - raised its full-year guidance. We believe these results support the long-term prospects of these businesses and that their share prices will ultimately reflect them.

There are areas we are monitoring closely. For example, Pfisterer's order intake was weaker during the quarter. Orders for grid equipment can be uneven from one quarter to the next and we do not believe a single quarter materially changes the long-term outlook, but we will look for evidence of recovery in the coming quarters.

Our investment approach is unchanged. We seek to invest in Quality businesses addressing long-term structural challenges, including electrification, energy efficiency, healthcare innovation and access to skills. Where share prices have fallen while underlying performance remains strong, we believe valuations now offer an attractive entry point.

Montanaro Impact Team:



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