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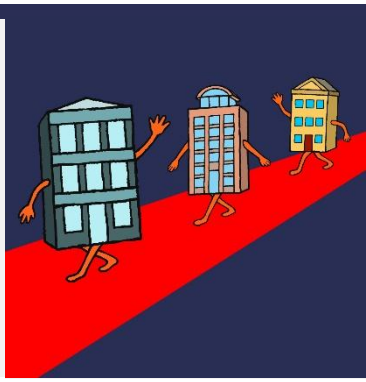
ASSET MANAGEMENT

The Global Select Strategy

- Montanaro Global Select Fund (Dublin)
- WS Montanaro Global Select Fund (UK)

Quarterly review – Q3 2026



Key points:

- Rising bond yields, central bank tightening and oil above $100 weighed on global equities, and SmallCaps lagged their larger counterparts.
- AI and semiconductor sentiment turned, while healthcare and software holdings that had been a source of frustration for some time contributed positively.
- Veeva Systems was the leading contributor; Nova, Valmont Industries and Games Workshop were the main detractors.
- We added SiTime and Itron and sold Bio-Techne following Merck's agreed takeover.

Rising bond yields set the tone for the third quarter. The Federal Reserve raised interest rates in September for the first time since 2023, while the European Central Bank and Bank of Japan also tightened monetary policy. The US 10-year Treasury yield rose above 5%, reaching its highest level since 2007. Renewed disruption to 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, with US SmallCap particularly weak. Japan was one of the few markets to deliver positive returns.

The semiconductor sector also came under pressure as investors questioned the sustainability of spending on artificial intelligence infrastructure. Software performed strongly during July and August, although rising bond yields weighed on valuations towards the end of the quarter.

Against a challenging backdrop, the Portfolio benefited from a recovery in Healthcare and Software, while our overweight exposure to Europe contributed positively after detracting from returns earlier in the year.

Despite weakness in certain share prices, the underlying progress of many of our holdings remained encouraging. Several companies reported strong results or raised earnings guidance during the quarter, although these developments were not always reflected in their valuations. We believe this divergence between share prices and business fundamentals presents opportunities for long-term investors, particularly where structural growth prospects remain intact.

Portfolio activity was relatively limited during the quarter. We introduced two new holdings, **SiTime** and **Itron**, taking advantage of market weakness to invest in businesses where we see attractive long-term growth opportunities. **SiTime**, a specialist in precision timing technology, had been on our approved list for some time, and the broader sell-off in AI-related companies provided an attractive entry point. **Itron** is a leading provider of smart metering and energy infrastructure technology, which we believe is well positioned to benefit from continued investment in grid modernisation and the next phase of smart meter deployment. We also exited **Bio-Techne** following the announcement of its agreed acquisition by **Merck**.

We continue to monitor the Portfolio's exposure to Information Technology, particularly across Software, Semiconductors and Electronics. While these businesses have different drivers of demand and have not always moved together, we remain focused on the Fund's overall risk profile, balancing our conviction in high-quality growth companies with a disciplined approach to portfolio construction and valuation.

Performance & Portfolio

During the quarter, the NAV of the sterling accumulation share class of the UK domiciled Fund declined by 0.3%, an outperformance of 2.6% versus the MSCI World SMidCap Index.

The NAV of the sterling accumulation share class of the Dublin domiciled Fund declined by 1.0%, an outperformance of 1.8% 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 a revenue increase of 18%, with full-year guidance raised and further Vault CRM wins.
- **Sartorius Stedim Biotech** – the French supplier of bioprocess solutions for the biopharmaceutical industry gained as first-half demonstrated solid sales growth, an EBITDA margin of over 30% and confirmed guidance, alongside renewed optimism for life-science tools.
- **Manhattan Associates** – the US provider of supply chain and warehouse management software climbed as second-quarter results evidenced strong order intake and encouraging traction with new AI modules.

The weakest contributors during the quarter were:

- **Games Workshop** – the UK creator of tabletop miniature games and fantasy products softened as the shares de-rated after full-year results on concerns around softer revenue growth in H2. We recently conducted a one-on-one site visit to the company to further understand their outlook.
- **Valmont Industries** – the US manufacturer of engineered structures for utility and telecom infrastructure and agricultural irrigation equipment traded lower as the shares gave back gains, despite raised 2026 guidance, as investors focused on a slight deterioration in incremental margins and as rising bond yields pose a challenging backdrop for the agriculture division.
- **Nova** – the US provider of metrology and inspection systems for the semiconductor industry declined as semiconductor stocks sold off on concerns over AI spending, with chip weakness extending into August despite record second-quarter revenue.

Geography & sector

At the country level, the United States was the largest contributor to relative return, mainly through stock selection and led by Veeva. Japan was the largest detractor, again mainly through stock selection, reflecting profit-taking in a number of our Japanese holdings. At the sector level,

Health Care led relative return, through stock selection with some help from allocation, as life science tools stocks regained favour. Energy was the weakest sector, mainly through allocation.

Engagement & ESG

Valmont Industries – the US manufacturer of engineered infrastructure and irrigation equipment

We engaged with Valmont on its health and safety record, the measures behind recent progress and whether it has a longer-term target. The company's total recordable incident rate improved from 2.27 in 2021 to 1.48 in 2025, a reduction of about 35% and well below its industry benchmark. Valmont has set a long-term aspiration of a rate below 1.0 and monitors leading indicators, including near-miss reporting, which has risen as employees identify hazards more readily. The engagement is closed and we will track progress towards the target.

Games Workshop – the UK creator of tabletop miniature games

We held a call with Games Workshop to understand its board composition and succession planning, given a shortfall against its 40% female board representation target. The company is in an active period of board and executive succession and continues to meet its other two diversity targets. The discussion reinforced our positive view of the chair's role in overseeing succession. The engagement is ongoing and we will continue to monitor board gender diversity.

Sensient Technologies – the US supplier of colours, flavours and natural ingredients

We engaged with Sensient on its exposure to non-medical animal testing and on biodiversity and responsible sourcing risk in its agricultural raw materials. The company confirmed that testing is outsourced, carried out only where legally required and very infrequent, which was sufficient for it to continue to meet our ethical screen. The engagement remains open, although no further engagement is planned immediately.

Visional – the Japanese operator of the BizReach recruitment platform

We worked with Visional to strengthen the evidence for BizReach's contribution to gender equality in the Japanese labour market. In 2024, 53% of female members who changed jobs through the platform secured a salary increase of at least 10%, and job changes by women with

management experience were 3.3 times the 2019 level. We encouraged the company to track these outcomes consistently and to develop a year-on-year measure of progress.

Outlook

The recent weakness in Quality Growth has created opportunities to invest in high-quality businesses at increasingly attractive valuations. Rising bond yields and uncertainty surrounding investment in artificial intelligence have weighed on share prices, even where underlying business performance remains strong. We believe that, over the longer term, earnings growth and cash generation will remain the principal drivers of returns, and continue to focus on companies with strong competitive positions and attractive structural growth prospects.

Within the Portfolio, we remain mindful of our exposure to Information Technology, particularly across Software, Semiconductors and Electronics. While these sectors have shown different patterns of performance during the year, we recognise that correlations can change quickly, particularly during periods of heightened market volatility.

We do however remain positive about the long-term prospects for our technology holdings. The recent market weakness provided an opportunity to establish a position in **SiTime**, while encouraging results from **Veeva** and **Manhattan Associates** reinforced our confidence in the structural growth opportunities within Software.

The Portfolio remains concentrated in high-quality, profitable businesses with strong cash generation and attractive long-term growth prospects. We continue to take a disciplined approach to valuation and portfolio construction, seeking to take advantage of market volatility while remaining focused on the Fund's overall risk profile.

George Cooke
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