Brickwood

ASSET MANAGEMENT

TM Brickwood Global Value Fund

INVESTMENT REVIEW

For the period 1 October 2025 to 31 December 2025

Summary

Continued optimism about the growth potential of AI at the start of the fourth quarter was followed by a more sceptical attitude towards the sustainability of spending commitments on AI infrastructure by period end. However, with global indices trading at valuations last reached at the peak of the dotcom bubble, the extent of this unwind should not be overstated. By contrast, the low aggregate valuation of our portfolio makes us optimistic about the potential for future returns, both on a relative and absolute basis.

Market Background

The MSCI ACWI returned +3% during a quarter which, at the level of global indices, was split into two distinct phases. October saw the continuation of the powerful tech-led rally which dominated the previous quarter. Optimism about the growth potential of AI pushed the MSCI All Country World Index to a new record high. Value, as a style, heavily lagged growth until the start of November, as markets continued to be fixated on those sectors perceived as beneficiaries of AI, or the infrastructure spending required to support it.

Then, market sentiment shifted. Commentary around the sustainability of heavy spending on AI infrastructure began to surface. The flurry of deals signed by OpenAI with other technology companies, which had sparked the earlier leg of the rally, now became a source of unease, as the sheer size of the required investment – an estimated $5-7 trillion globally by 2030, according to JP Morgan – came into focus.

These concerns contributed to a modest unwind in the value of the largest listed tech companies, creating a headwind to growth as a style. Tech companies with weaker balance sheets were now viewed with increased scepticism. Oracle, for example, fell sharply from the record high it reached last quarter due to fears over its debt levels and spending commitments.

The extent of this unwind should not be overstated. The average return for the 8 biggest AI companies (Nvidia, Microsoft, Alphabet, Amazon, Meta, Broadcom, Oracle and Palantir) during the quarter was -1.3%. The average 3-year return for the same group of companies has been +692% and the average CAPE yield for the group is only 1.1%. However, the impact of concerns over AI spending were felt at the index level because of the unusually high concentration: these 8 companies now account for 18.5% of the global benchmark. This illustrates the inherent vulnerability of the index in the current environment to even modest changes in sentiment towards the AI theme.

Outside the US, value outperformed growth over the quarter, driven by financials and mining companies. The mining sector continued to benefit from the parabolic rally of precious metals and growing expectations for copper demand. Banks performed very strongly, buoyed by a combination of global growth expectations, investor optimism about the state of their balance sheets and an interest rate environment which, while generally less accommodative than at the start of the year, remains favourable. The market also remained notably indifferent to the prospects of ‘quality’ companies which are less sensitive to the economic cycle but which, for the time being at least, are viewed as less attractive than businesses exposed to the AI growth opportunity.

By period end, a year that had begun with expectations of US exceptionalism ended with the S&P 500 ranking as the worst performing major equity index for the first time in 20 years. Europe, the UK, Japan and emerging market equities all outperformed the US in local currency terms, with the added tailwind of a weaker dollar, despite the S&P 500 returning a more-than-respectable +17% in local currency terms and ending the period poised close to record valuations. These remarkable and broad-based gains speak to the strength of investor risk appetite that has been evident since the market recovered from the shock of the US tariffs announced in April.

Fund performance

The fund performed well on an absolute and relative basis over the quarter, during a supportive market environment for our portfolio. Among our individual holdings, Unilever Indonesia performed very strongly as the market regained some of the confidence it had lost in the business and its home market. Nokia performed well after the market reacted positively to the company's growing order book in its AI and cloud business, while Samsung also performed well due to expectations for massive growth in its semiconductor business. Our European automotive holdings, Continental and Aumovio, saw sentiment towards the sector improve from very depressed levels.

Among detractors, B&M European Value Retail performed poorly after operational and financial reporting issues illustrated that the business had lost its way a little under the previous management team. The new CEO's turnaround plan is focused on core retail principles, such as sharper pricing and range rationalization. Our holding in JD Sports detracted after the group modestly downgraded profit guidance for the full year. The company's very low valuation gives us confidence to look through this near-term weakness at the clear scope for improved growth and cash generation.

Portfolio activity

We initiated a position in Shimano, a Japanese listed manufacturer of bicycle components and fishing equipment. They are the global leader in both segments, but the shares have performed poorly after the pandemic cycling boom faded and an attempted product refresh led to a profit warning. We believe these issues can be fixed and that margins should be able to converge toward long-run averages. Such a recovery would make the current valuation far too cheap.

We initiated a position in Sodexo, a global leader in contract catering. Contract catering is an attractive and structurally growing market, but Sodexo is lowly valued because it has persistently disappointed relative to peers on both revenue growth and profit margins, despite being the global number two in the industry. Our analysis is that the causes of this performance gap are not structural and there is considerable upside if the new CEO can improve operational performance. We funded the position by selling Carrefour, another French listed company with food exposure but a lower quality business than Sodexo.

We also bought Aumovio, a recent spin-off from Germany's Continental. The company is a global leader in autonomous driving, automotive software and safety and braking systems. The European automotive sector is trading on depressed valuations reflecting disruption by electric vehicles and market share losses to Chinese manufacturers. Aumovio is valued in line with the sector but does not suffer from the same issues plaguing the rest of the sector: their components are drive-train agnostic (i.e. needed in both EVs and combustion engine vehicles), they supply both European and Chinese original equipment manufacturers (OEMs) and they have been gifted a strong net cash balance sheet with no financial debt. If it can achieve industry-average margins, which we believe is feasible, the returns to shareholders should be very attractive.

Elsewhere, we sold Unilever Indonesia which had performed strongly since we bought it earlier this year. Within the recruiting sector, we switched from Manpower to Robert Half due to the latter having a more robust balance sheet, an important consideration in a sector enduring a protracted cyclical cyclical downturn.

Outlook

As 2025 ended, equity markets in many regions were poised near record levels, with the US market trading above its recent pandemic-era valuation peak. Valuation cannot reliably predict how long a bull market will run, but historically, there has been a strong relationship between starting valuations and long-term returns.

TM Brickwood Global Value Fund

Investment Review as at 31 December 2025

Brickwood
— ASSET MANAGEMENT —

Our preferred valuation measure is known as CAPE Yield (CAPE stands for cyclically adjusted price-to-earnings ratio), which uses a 10-year average earnings number to smooth out the ups and downs of the economic cycle and divides it by the current market capitalisation. The US equity market currently trades on a CAPE Yield of 2.5%[1]. To put that figure into historical context, it has reached this level on only eight occasions since 1881 (the start of the longest market data set available to us). Each of these prior peaks took place during the dotcom bubble. The best 10-year return achieved from these peaks was just over -1.8% per annum, and the median annualised return was -3.4%. In other words, nearly 150 years of history suggests that investing in the US market with valuations like today's has yet to reward investors with anything other than disappointing investment returns.

It's tempting to dismiss long-term data as irrelevant, arguing that today's technology and productivity gains are unique. Yet this data spans epoch-defining advances, including aviation, mass market automobile production, computing, mobile phones and the internet. To suggest these were minor developments compared to AI risks is questionable, in our view. Other stock markets are less richly valued than the US. Yet the problem for holders of global indices is that as the US now accounts for an unusually large proportion of the benchmark (64%), its aggregate valuation is very high despite many regions trading on more reasonable valuations.

We believe today's elevated valuations suggest poor returns ahead for broad market equity indices. However, there is cause for optimism. Our analysis suggests that by focusing on companies with compelling CAPE yields, investors can navigate current markets with greater confidence. The TM Brickwood Global Value Fund, in aggregate, has a CAPE yield which is over 700 basis points higher than the MSCI ACWI Index[2]. It has achieved this low valuation with balanced and diversified exposure across both sector and geography and without having to compromise on either franchise quality or balance sheet strength. History suggests these characteristics give investors a meaningful edge.

[1] Source: Professor Shiller's Data (available at ShillerData.com).
[2] Source: Brickwood, LSEG.

How to invest If you would like to invest in the TM Brickwood Funds, you can submit an application form to Brickwood's ACD, Thesis Unit Trust Management Limited or the Registrar. Application forms can be obtained by calling the ACD's Customer Enquiry Line on 0333 300 0375.

The TM Brickwood Funds are also available for investment through the following platforms, AJ Bell, Aegon, Aviva, Best Invest, Charles Stanley, Hargreaves Lansdown and Interactive Investor.

aegon | AVIVA | Bestinvest by Evelyn Partners

CHARLES STANLEY Direct | HARGREAVES LANSDOWN | interactive investor

TM Brickwood Global Value Fund

Fund Factsheet as at 31 December 2025

Brickwood
— ASSET MANAGEMENT —

Fund Objective and Investment Policy

The investment objective of the Fund is to outperform its benchmark, the MSCI AC World Index (ACWI), net of fees, over the long term (a rolling 5-year period). Capital is at risk. There is no certainty or promise that the Fund will achieve the target over a 5-year rolling period or any other period.

The Fund aims to achieve the investment objective by investing at least 80% in companies based anywhere in the world. The remainder of the Fund may be invested in fixed income assets (which may include government and public securities) and other transferable securities, money market instruments, cash, near cash and deposits.

Fund Performance

Since the fund was launched within the past year and has a track record of less than 12 months, its performance and tracking error cannot currently be displayed.

Top 10 Holdings (%)

AIA	2.3
Citigroup	2.3
Bayer	2.3
Rio Tinto Limited	2.3
Samsonite	2.3
Aumovio	2.2
Samsung Electronics	2.2
Nokia OYJ	2.1
A.P. Moller-Maersk	2.1
British American Tobacco	2.1

Sector Breakdown (%)

Consumer Discretionary	24.6
Financials	13.5
Industrials	12.5
Health Care	11.9
Consumer Staples	10.9
Communication Services	9.7
Information Technology	5.7
Materials	4.1
Other	3.7
Cash	3.4

Market Cap Breakdown (%)

<£1bn	0.0
£1bn-£2bn	16.5
£2bn-£5bn	31.5
£5bn-£10bn	12.7
£10bn-£25bn	5.1
>£25bn	30.7

Country Breakdown (%)

United Kingdom	19.1
United States	18.2
Japan	11.6
Germany	9.6
France	8.7
Republic of Korea	5.2
Hong Kong	5.1
Brazil	3.8
Netherlands	3.3
Australia	2.3
Finland	2.1
Other	7.6
Cash	3.4

Risk Statistics

Dividend Yield	4.6
P/E Ratio (fwd)	12.7
P/B Ratio (hist)	1.2
Active Share (%)	96.7
Tracking Error	-

Please note due to rounding of figures they may not add up to 100%.

Contact Brickwood

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Key Information

Fund Managers:	Ben Whitmore Dermot Murphy
Fund Launch Date:	20 March 2025
Share Class Launch Date:	20 March 2025
ACD:	Thesis Unit Trust Management Limited
Fund Size:	£26.8 million
Number of Holdings:	54
Target Benchmark:	MSCI ACWI
Comparator Benchmark:	IA Global
Distribution Frequency:	Semi-Annual
Legal Structure:	OEIC
Valuation Point:	12:00 noon. Every UK Business Day
Base Currency:	GBP
Domicile:	United Kingdom

Risk and Reward Profile

Low risk | High risk

1	2	3	4	5	6	7

Typically lower rewards | Typically higher rewards

Synthetic Risk Reward Indicator (SRRI): The SRRI is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk and reward category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean 'risk free'. The price of units/shares and any income from them may fall as well as rise and investors may not get back the full amount invested. Please refer to the KIID for further information.

Key Risks

- The value of investments and the income from them can fall and investors may get back less than the amount invested.
- Past performance is not a reliable guide to future performance.
- The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- The value of an investment may be affected favourably or unfavourably by fluctuations in exchange rates, notwithstanding any efforts made to hedge such fluctuations.
- Significant exposure to a particular industrial sector or geographical region puts a Fund at risk of a localised event making a significant impact to the value of the Fund.
- A concentrated portfolio (whether by number of holdings, geographic location or sector) may be more volatile and less liquid than a diversified one.

TM Brickwood Global Value Fund

Brickwood
— ASSET MANAGEMENT —

Fund Factsheet as at 31 December 2025

Charges and Codes

Share Class	Income Distribution Policy	ISIN	Bloomberg	Ongoing Charges Figure*	Annual Management Charge**	Minimum Initial Investment	Minimum Top up Investment
R GBP INC	Income	GB00BTKVYW53	TMBGRGB LN	0.95%	0.75%	£100	£50
R GBP ACC	Accumulation	GB00BTKVZL14	TMBGRGS LN	0.95%	0.75%	£100	£50
I GBP INC	Income	GB00BTKVZM21	TMBGIGI LN	0.85%	0.65%	£1,000,000	£50,000
I GBP ACC	Accumulation	GB00BTKVZN38	TMBGVIG LN	0.85%	0.65%	£1,000,000	£50,000
F GBP INC	Income	GB00BTKVZP51	TMBGFGS LN	0.65%	0.45%	£100,000,000	£50,000
F GBP ACC	Accumulation	GB00BTKVZQ68	TMBGFGB LN	0.65%	0.45%	£100,000,000	£50,000
S GBP INC	Income	GB00BN71B141	TMBGSGI LN	0.75%	0.55%	£100,000,000	£10,000,000
S GBP ACC	Accumulation	GB00BN71B588	TMBGVSG LN	0.75%	0.55%	£100,000,000	£10,000,000

***Ongoing Charges Figure (OCF) includes:**
****Fund Annual Management Charge (AMC)** - the annual fee, expressed as a percentage to cover the costs of running the fund.
Ongoing Cost - additional expenses are added to the AMC to give the Ongoing Cost.
Additional Expenses - charged by the fund managers to cover expenses, such as fees to auditors, trustees and valuers. The value is an indicative figure, which is reviewed regularly and can change.
The ongoing charges figure excludes portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling shares in another collective investment undertaking.

Important Information