Investment Commentary & Outlook

As we begin the new year, we are honoured that Christopher Rossbach, our CIO and portfolio manager of our World Stars Global Equity strategy, has been invited to join the Barron's Roundtable for 2026. It is one of the most respected forums in global investing, bringing together a selected group of investors with long-term track records to exchange views on markets, opportunities, risks, and individual companies. It is a recognition of the work of our team and of the strong investment track record we have built over the years. You can read Chris's contribution to the Roundtable here.

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Standing, from left: Meryl Witmer, John W. Rogers Jr., Todd Ahlsten, Christopher Rossbach, Henry Ellenbogen. Seated, from left: Scott Black, Sonal Desai, Abby Joseph Cohen, Rajiv Jain, Mario Gabelli. (PHOTOGRAPH BY JAKE CHESSUM)

MARKETS | ROUNDTABLE

Our Roundtable Pros See More Gains for Stocks, Especially Those Left Behind Until Now

There has been no shortage of macroeconomic and political issues for investors to contend with during 2025 and continuing into 2026. Policy uncertainty, geopolitics, inflation, monetary tightening, and rapid technological change have dominated headlines and driven market sentiment, often overwhelming company fundamentals and long-term value creation.

As we expected at the beginning of last year, the US and global economies have remained resilient. Growth has moderated but remains solid, inflation has come down meaningfully, employment has held up well, and overall economic activity continues. While uncertainty remains elevated — particularly around foreign policy, which is the area the US president can influence most directly — the broader economic backdrop remains constructive, and the underlying data continue to point to adjustment rather than deterioration.

2025 Portfolio Review

It was a strong year for our World Stars Global Equity Strategy, returning 13.7% on an absolute basis in US dollar terms. Despite this strong delivery, the strategy lagged global markets as strong performance by companies in parts of the investment universe that do not fulfil our quality criteria and the devaluation of the US dollar acted as headwinds.

During the year our investments across the broad AI value chain delivered significant performance. They were led by *Amphenol,* the connector and sensor leader, up +96%. The

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company has seen unprecedented demand in its IT& Datacom business fueled by AI investments. The company has also generated strong growth across its end markets including commercial aerospace, military and automotive reflecting its diversified business model. Amphenol is proactively redeploying this windfall to further entrench its competitive moat though multiple acquisitions broadening its end markets and deepening its product portfolio.

Our holdings in *Alphabet,* the parent company of Google, and advanced semiconductor player *Nvidia* also featured amidst our strongest performers for the year, up 66% and 39% respectively. These were complemented by *ASML*, the semiconductor equipment leader, up 37%, on the back of an improved order intake fueled by AI-related demand and the reshoring of the global semiconductor industry.

Our performance extended beyond the AI space. *RTX,* the leading aerospace and defense supplier was up 61% driven by the ongoing strength in global travel activity and the structural increase in defense spending. Leading pharmaceutical player *Roche* also raced ahead during the year, up 33%. Greater clarity on the pharmaceutical industry US regulatory environment and positive pipeline updates fueled the stock. This included positive clinical trial results for Giredestrant, its new breast cancer drug, as we discussed in last month's update.

Equally encouragingly, some of our holdings in the Consumer space, which had lagged in 2024 and the earlier part of 2025, started to inflect as the year was approaching its end, with cosmetics manufacturer *L'Oréal*, and food and beverages goliath, *Nestle* both up 9%.

On the weaker side, macro and trade policy uncertainty weighed on some of holdings, including specialty chemicals manufacturer *Sika*, down -23%, as large global construction project activity was paused amidst this environment. Our enterprise software holdings, *Salesforce* and *SAP*, were also down -20%, as corporate customers remained similarly cautious amidst this backdrop and as they looked to assess IT budget priorities amidst the advent of AI. As we look into 2026, we believe these holdings are poised for performance as the policy environment ultimately stabilizes and the market looks for opportunities beyond the immediate AI-value chain.

Portfolio Trades in Q4 2025

As you know, we take a long-term approach, with a clear and consistent repeatable investment process and an investment horizon of five to ten years. Portfolio turnover is consistent with that approach, typically around 10% to 15%, which is exactly what you would expect for a strategy with that time horizon. At the end of November, following a detailed review of both fundamentals and valuations, we made several changes. Some of the most important ones include:

We trimmed Nvidia, reducing the position from close to our 10% limit to 7.7%. This was primarily for risk management reasons, but also reflected lower upside to our discounted cash-flow valuation at current prices. Nvidia remains our largest position and as we said at the Barron's Roundtable, we remain very positive on AI and believe we are still at a very early stage of realizing its benefits.

We also trimmed two industrial holdings, Amphenol and *Eaton*, both of which performed extremely well last year. Amphenol rose nearly 100% in 2025. We reduced the position by 1.5% to 4.4%. Since our initial purchase in 2020, it has delivered a 40% compound annual growth rate. We remain very constructive on the business, but see more limited valuation upside at current levels and wanted to reallocate some capital. Similarly, we reduced Eaton by 70 basis points to 4.2%. Eaton is a global leader in power management and remains fundamentally attractive, but the valuation is well above its five- to ten-year historical average. In addition, we reduced exposure to some digital companies and exited the position in Pernod Ricard.

We redeployed that capital in several ways. We initiated a new position in *Nike*. It has a market cap of about US$96bn. It is the global leader in athletic footwear and sportswear with very significant market shares. While it has gone through a difficult time, we believe it is very well positioned today.

Nike, like other companies, benefited from the pandemic and then suffered from some of the aftereffects as well as actions that management took. In particular, they switched their focus from supplying major retailers with the best products to selling them through own stores and direct sales. That worked very well during the pandemic. But what they did is they left open shelf space for other competitors. Retailers were happy to fill the shelf space with more innovative product. Nike also over-relied on some of its classic franchises and cut back on product innovation.

There is now a turnaround taking place since October 2024 when Elliot Hill started as CEO. Hill is a veteran of the business who has returned to Nike and, we believe, has a very credible plan to turn the business around. He is supported by Tim Cook, the CEO of Apple, who has become the chair of Nike. We think there is now a strong management team in place to lead this turnaround. It is a refocus on the retailers. It is refocusing on the benefits and leverage of its scale including more innovation, sponsorships and a marketing and promotion budget rising towards US$5bn in 2026. Some of the new products are focused on performance. The innovation they are doing on their new running shoes has had a strong response as some of our other team members have tested personally. They are also making a strong move into Athleisure which is an important area.

While Nike still has some weak markets, including in China where consumer spending has been under pressure from the measures that have been put in place there to realign real estate markets, we believe that 2026 is the transition year and that earnings and cash flow generation will more than double over the next several years. That is why we decided to buy a position in November at a low valuation.

We also added to existing positions in *American Tower, L'Oréal,* and *Honeywell* among others. and increased our position in *Diageo*, refocusing our industry exposure onto the global leader in premium spirits.

Outlook

Last year, we said that in the US, what must happen will, and what cannot happen won't. That observation has proven correct in a number of important areas. Economic constraints matter. Institutions matter. Markets matter. Together, they impose limits on outcomes, and we have already seen moderation in areas such as trade policy and the approach to Federal Reserve leadership, despite the intensity of the political rhetoric.

With mid-term elections later this year, the economy remains the most important issue for voters, and we would therefore expect the administration to place increasing emphasis on domestic economic stability. We invest in companies, not markets or politics. The elevated level of uncertainty has clearly weighed on decision-making, from large corporates delaying investment to households remaining cautious. Greater visibility would be supportive across the economy.

There are also clear reasons for optimism. Economic growth remains solid, inflation continues to moderate, and the US Federal Reserve is likely to remain broadly supportive, regardless of leadership changes or the precise path of interest rates. Investment in AI continues at scale, with companies across industries pursuing productivity gains, automation, and new revenue opportunities. We also see the potential for a recovery in software and industrial investment, alongside stabilization in consumer spending.

Recent visits to the US and Japan at the beginning of the year reinforced this view. Across sectors and geographies, we have seen tangible evidence of innovation, capital deployment, and long-term strategic investment continuing despite near-term uncertainty.

Taken together, a stabilizing macro backdrop, solid economic fundamentals, and company-specific growth opportunities create an environment that we believe is supportive for active, fundamental stock-picking.

We own quality businesses that we believe can grow earnings and cash flow at high single- to mid-teens rates over the next five years, many of which trade at reasonable valuations. In consumer and healthcare, we also see additional upside from valuation normalization. Just as performance rotated rapidly in favour of banks and energy last year, leadership can shift again, and often does so quickly. For that reason, we do not attempt to time markets. We focus on fundamentals.

We believe this is an attractive opportunity to invest in high-quality companies at good prices and in some cases great prices. In a market where index investing has become increasingly risky, stock selection matters more than ever.

Our Investment Insight this month provides a more detailed overview of the performance and outlook for our World Stars Global Equity strategy. Our investment team discusses some of the major sectors and stocks we are invested in and why we think they offer compelling opportunities for value generation. You can read the Investment Insight by following the link here or by clicking on the attachment.

We wish you all the best for the New Year and look forward to your questions and comments as always.

World Stars Global Equity (December 2025)

Our World Stars Global Equity strategy was up 0.3% in US dollar terms in December, as markets struggled to find a clear direction as 2025 drew to a close. Continued benign economic and corporate earnings data, especially in the US, were tempered by valuation concerns and fears of a potential AI bubble. The strategy closed the calendar year with a return of 13.7% in US dollar terms net of fees.

Enterprise software leader *Salesforce* was the best performer in December, up 15%, following reassuring results, against the backdrop of a challenging year for the enterprise software industry. They showed better-than-expected profitability and increasing momentum in the company's AI-related offerings. This echoes our own conviction that Salesforce is uniquely positioned to monetise its leadership position in customer relationship management solutions.

Walt Disney had a positive end to the year, with the stock rising 10% in December. The company was boosted by the successful third release in the Avatar franchise (Fire and Ash), which grossed more than USD 1 billion at the box office worldwide. The ongoing war for Warner Bros. also provided a positive backdrop, highlighting the value of Disney's content library while also exposing its main streaming rival, Netflix, to significant execution risks if it were to take on such a significant acquisition.

Positive sentiment continued to support *Roche,* which finished the month up 7%. This brought its annual gain to 33% as the market gained greater clarity on the US administration's regulatory template for the healthcare sector and the value of the company's pipeline became more tangible.

On the weaker side in December, *EssilorLuxottica* pulled back 13% from its November highs. The company has delivered impressive results in recent quarters by continuing to offer its traditional ophthalmology business while successfully expanding into new categories such as smart glasses and hearing aids. Nonetheless, with the valuation reflecting some of this momentum, the stock was ripe for profit-taking. We saw a similar pattern in some of our AI-related investments, with minor pullbacks in *Amphenol*, down 4% and *Alphabet*, down 2%. However, the stocks were up 96% and 66%, respectively, for the year.

We had anticipated some performance consolidation across all three of these companies, having trimmed positions in November and reallocated the proceeds into other holdings with more attractive valuations and visible catalysts.

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