

Year-end Commentary | December 2025

## Growth Equity Strategy – Year End 2025

Dear Partners,

### Investing environment

One key feature of the 2025 market was the growing concerns about the outlook for Artificial Intelligence (AI) and if it was in a bubble. In fact, fears of an AI bubble about to pop have been making the rounds amongst investors in Q4 and were the likely culprits behind AI-stocks' pullback later in the quarter.

As outlined in our CIO-Letter "AI – Boom or Bust", dated December 3, 2025, our AI Bubble Indicator suggested that, while there are clear indications of being in a bubble, the typical signs of a speculative peak are missing. What's more, apart from occasional bursts of euphoria, we still notice a healthy portion of skepticism amongst investors, particularly institutional ones.

This said, because AI will have a profound impact on the world economy in the long run, getting it right will be crucial for any growth investor. To us, getting it right means first and foremost balancing the risks and the opportunities of the new technology properly. We will explore our approach and portfolio positioning in greater detail further on.

Another challenge in 2025 was the many U-turns investors were faced with throughout the year. Some of them were undoubtedly caused by President Trump's erratic trade and foreign policies, but the proliferation of passive investing in recent years has been increasingly adding to the swings and their magnitude.

As the ranks of active investors, who act as a stabilizing force, shrink ever more, momentum driven price distortions are likely to occur more frequently, to have larger magnitudes and last longer. To us this means that investors need to have a firmer view of what an asset is worth, they need to be able to endure more pain, and they need to

take a longer-term view to allow for those distortions to be eventually corrected.

### Portfolio performance

The Growth Equity Strategy returned +3.1% (gross of fee), +3.0% (net of fee) in Q4, lifting the year-to-date return to 16.7% (gross of fee), +16.0% (net of fee).

The strong performance in Q4 was primarily driven by our **semiconductor equipment holdings**, notably **Applied Materials, ASML, and Tokyo Electron**. These stocks benefited from improving industry outlooks and renewed investor interest driven by relatively attractive valuations.

**Alphabet** and **Thermo Fisher** were also meaningful contributors during the quarter. Alphabet received a double tailwind from significant advancements in the latest version of its Gemini large language model and growing interest in its **TPU chips (ASICs)**. Thermo Fisher, meanwhile, was rediscovered by investors as a leading beneficiary of the onshoring of healthcare R&D and manufacturing to the United States.

On the other side of the ledger, the main detractors from quarterly performance were **Oracle, ServiceNow, and Uber**. Return dispersion was particularly pronounced within the technology sector, where software stocks came under pressure amid concerns about potential AI-driven disruption.

**Portfolio activity (Q4/2025 only)**

<b>Initiation/Increase</b>	
Tencent	Initiation
Alibaba	Initiation
TSMC	Initiation
Fortinet	Increase
Nvidia	Initiation
Oracle	Increase
Meta	Increase
<b>Exit/Reduction</b>	
MSCI	Exit
Revvity	Exit
Agilent	Exit
Adobe	Reduction
Tokyo Electron	Reduction
Advantest	Reduction
Thermo Fisher	Reduction
Applied Materials	Reduction
ASML	Reduction

After previously trimming **Fortinet** in Q2, we have now added back a portion of what we sold, following more than 40% underperformance since the reduction. While other IT security companies are more exposed to cloud or AI security, we see Fortinet positioned to benefit materially from secular tailwinds in cybersecurity and vendor consolidation. Its embedded presence with mid- and small-sized companies, combined with strong customer switching costs and growing network effects, supports continuous market share gains and client expansion. Valuation has shifted dramatically — what was once overvalued is now approximately **25% undervalued**. The rapid swings in Fortinet's stock, from optimism to pessimism, illustrate the market's fickleness and the opportunities such volatility can create.

While capturing the AI opportunity remains important, we also see a compelling case for taking advantage of these dislocations, particularly in companies with strong structural advantages like Fortinet.

Following a **38% decline** since our last update on September 10, 2025, we added back to our position in **Oracle**. The pullback has reset expectations and created a valuation opportunity

we rarely see in a company with Oracle's strategic positioning and long-term growth drivers. At current levels, the stock offers a compelling upside relative to its historical range and intrinsic value.

We fully acknowledge the risks associated with Oracle's ambitious push into AI infrastructure, including **USD 80–100bn in additional debt** to finance large-scale data center investments. However, these investments materially expand Oracle's opportunity set. As demand for AI-ready, mission-critical cloud infrastructure accelerates, Oracle's strengths in data-intensive workloads, performance, and integration place it in a uniquely advantaged position. Importantly, the current valuation provides a substantial margin of safety that more than compensates for the higher financial risk.

In our view, the recent correction reflects short-term concerns rather than a deterioration in Oracle's fundamentals. With strong cloud momentum, deeply embedded enterprise software, and a growing role in the AI ecosystem, Oracle remains well positioned to compound value over the long term. The sell-off has given us the opportunity to re-enter at significantly more attractive terms—one we believe is well worth taking.

After revising our assumptions and views on AI and the AI-related Semi-Sector, we reduced our underweight in **Nvidia** as their GPUs will remain an indispensable part of AI-data centers also for inferencing (the running of the models) for longer than initially thought. Despite this better outlook, we continue to favor Broadcom over Nvidia as their ASIC's-Chips are expected to gain market share as the recent deals with Open AI and Anthropic validate their ASIC's strategy. To finance the purchase of Nvidia, we took partial profits in recent outperformers such as **Advantest, Tokyo Electron** and **Thermo Fisher**.

**Life Sciences – Agilent & Revvity:**

We used a rebound in **Revvity** during Q4 to exit the position. Limited visibility into the company's business trajectory, combined with management's failure to deliver on key elements of its strategic plan, led us to conclude that the risk-reward profile was no longer compelling.

In contrast, the outlook for **Agilent** remains constructive. However, following a period of strong outperformance, the stock's margin of safety compressed into the single-digit range, prompting us to take profits. Despite this reduction, we maintain a (reduced) overweight in the Life Science Sector for its improving growth outlook and attractive valuations.

### China Technology & E-commerce:

Following an extended and in-depth research effort as well as a field trip to China (see details further on), we re-introduced initial positions in leaders of the Chinese Technology and E-commerce sectors to the portfolio (Alibaba and Tencent).

As part of our ongoing risk management discipline—and to help finance new investments—we took partial profits in several recent outperformers. This included positions that had grown disproportionately large (**ASML**, **Thermo Fisher**) as well as holdings where strong share price appreciation had compressed the margin of safety below our desired thresholds (**Applied Materials**, **Advantest**, **Tokyo Electron**).

### Significant company and research insights

#### Field trip to China: China is back

A three-week research trip that took us to the major cities, visiting many companies and local experts. Our understanding of how the country functions and where it stands expanded dramatically while we encountered a few gems along the way.

China's governance system works completely differently to the Western countries to which we are accustomed. Understanding the chain of command, the incentives of top government officials, regulatory authorities, and local administrators—and how these can impact our businesses—is critical. In China, we must always remember that the government sits at the table.

The main reason for us to look again at China was the dramatic shift in the regulatory environment since 2023. The field trip confirmed our view that Beijing was moving decisively from crackdown to active support of its key companies and their investors' needs. Endorsing Alibaba's aggressive capital return plans of 117 billion CNY in 2025 is a good example.

Despite the remaining challenges, we believe the progress achieved by China in the past two to three years is here to stay. Geopolitical tensions and domestic economic challenges may create volatility, but for patient investors willing to look beyond the headlines, China offers opportunities that are increasingly scarce in richly valued Western markets.

Still, despite this much improved investment environment, we remain selective, focusing on companies with strong governance, alignment with government priorities, and genuine competitive advantages. Clearly, the current pessimism has created a rare opportunity to buy excellent businesses at compelling valuations. Alibaba and Tencent are good examples.

### Alibaba

Alibaba is one of China's digital infrastructure backbones, a \$150 billion revenue company that has evolved from Jack Ma's startup into the dominant force in Chinese e-commerce and cloud computing. The company commands 45% of China's e-commerce market through Taobao and Tmall, platforms that connect 10 million merchants with one billion customers. After years of competitive pressure from JD.com and Pinduoduo, Alibaba's market position has stabilized, and its scale enables high-margin operations while taking less from merchants than competitors.

As importantly, the regulatory environment has shifted dramatically since 2023, with Beijing moving from crackdown to active support, explicitly endorsing Alibaba's aggressive capital return plans of 117 billion CNY in 2025 backed by 500 billion CNY in net cash.

What makes Alibaba particularly compelling is how its cloud business is accelerating. Holding an estimated 30% of China's cloud market, the company seamlessly integrates its Qwen LLM into the e-commerce ecosystem, attracting businesses to its cloud infrastructure while delivering practical AI applications. With 100,000 corporate clients already using Qwen, and China's cloud penetration still far below Western markets, the runway for growth is substantial. The stock trades at an 8% earnings yield despite this combination of stable e-commerce cash generation and high-growth cloud potential.

## Broadcom: The key beneficiary of the AI-infrastructure build-out

**Broadcom's FQ4 2025 results** once again came in meaningfully ahead of expectations, driven by strength across both **AI semiconductors and software**. Guidance for FY2026 was raised and reflected a significantly stronger AI outlook than previously anticipated.

More importantly, management increased its **Q1 AI revenue guidance by 100% year-on-year to USD 8.2bn**, well above consensus expectations of USD 6.8bn. The longer-term outlook improved further. Whereas management commentary last quarter pointed to approximately **USD 40bn in AI revenues for FY2026**, the current trajectory suggests that **USD 50bn** now appears more realistic.

Beyond the guidance upgrade, the quarter delivered further strategic validation. Broadcom announced follow-on orders from **Anthropic**—leveraging Google's TPU infrastructure—as well as new orders from a **fifth hyperscale customer**. These developments underscore the growing relevance of **custom silicon (ASICs)** in AI data centers and strengthen Broadcom's long-term positioning. Alongside its custom AI chips, Broadcom's high-speed networking portfolio—critical for both training and inference—remains a key enabler of large-scale AI deployments.

While investor attention has largely focused on **Nvidia** as the primary beneficiary of AI spending, Broadcom has been steadily gaining ground. As AI workloads increasingly shift from training toward **inference**, where cost efficiency and optimized architectures matter most, Broadcom's strategic importance within the AI hardware stack is set to continue expanding.

## Strategic perspective

### Artificial Intelligence

While investor concerns regarding the large-scale investments into AI are growing, progress in the real world capabilities of artificial intelligence continues at a rapid pace. The recent launch of Google's Gemini 3 LLM, reflects the biggest jump in frontier model capabilities in a while according to Bridgewater's co-CIO Greg Jensen and AIA Labs Chief Scientist Jas Sekhon. This is important because more capable models will open new use

cases and will drive adoption rates up faster, which again will help monetization to pay for all the investments that are being made.

It is also positive for the AI ecosystem as a whole: Because as model capabilities continue to leap forward, there is strong pressure on the rest of the ecosystem to continue investing in training and computing capacities to keep up in the race to develop leading models and get access to the necessary computing resources. Stock market corrections, or modest increases in credit spread, won't change this dynamic.

### Near a "Barnes & Noble" Moment?

A key question is if we are close to the "Barnes & Noble moment", similar to the tipping point that occurred in the 1990s when Amazon disrupted Barnes & Noble. AI-investments are currently being driven by a small number of leading AI players recognizing the incredibly transformative power of AI. This will change and will lead to a surge in demand once major businesses outside of the AI ecosystem realize that their entire business models are going to be disrupted from competitors using AI, forcing them to invest in AI at any cost.

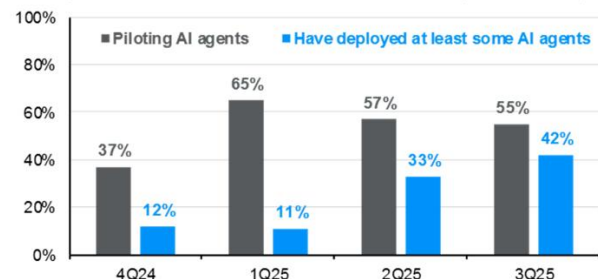
This can create the same dynamics as the proliferation of internet access after 1995, when every business had to spend existentially to adopt internet technologies and build them into their businesses or fear extinction. Given the enormous benefits we see from AI, the same dynamics are likely to unfold at some point, but even on a larger scale.

We might be nearing such a point. Anthropic's Economic Index Report of September 2025 shows that in the US alone, 40% of employees report using AI at work, up from 20% in 2023.

### AI agent deployment

#### AI agent deployment

% of organizations with revenues above \$1bn, KPMG Quarterly AI Pulse survey



Source: Bloomberg as of 12/31/2025

Just as important, 77% of API transcripts show automation patterns (especially full task delegation) reflecting the rapidly growing capabilities of their LLMs and the growing comfort of businesses to integrate AI into their systems.

While AI-related revenues may still be low compared to the enormous investments in AI, when looking at the above research they are likely to ramp up fast as the point of widespread adoption seems to be getting closer. At this point, we think the boost to the global economy in the next two years is underappreciated in most markets, as is the need for capital.

The key questions today are how much AI infrastructure will be needed and how fast. These are difficult questions, and we think few players have good answers today. This, and because major innovations like AI are so disruptive and tend to have a widespread impact on the global economy and society, it makes forecasts very difficult for all parties involved - companies, investors and governments. Because shorter-term forecasts are so difficult, we want to place our "chips" strategically.

### **Our guide: AI Road Map**

Therefore we have developed an AI Road Map to make sure we focus on the names that have a business that is mission critical to the functioning of AI, enjoys a strong and defendable moat, whose stock trades at reasonable levels and that has strong financials that will allow them to get over any bumps in the road ahead.

The AI-supply chain is a good example: while AI requires massive investments in infrastructure such as data centers, networks, AI-related enterprise software, and cybersecurity products, the

companies making those investments run the risk of overinvesting resulting in poor returns. However, the exponential growth in computing power and the move of businesses to the cloud will continue, irrespective of the returns of these AI investments. This is going to drive long-term growth for providers of the picks and shovels of the AI revolution such as chip manufacturers, providers of cooling systems, high-bandwidth networking or renewable energy sources for power-hungry data centers. The scarcity of these resources and the fact that they are not only mission critical for AI, but many other parts of the global economy and the ongoing digitalization trend, should support solid growth for them in the years to come, irrespective of who wins the AI arms race.

Clearly, the AI opportunity is large and growing, but risks are rising as well. In an environment like this the challenge for investors is to balance the opportunities with the rising risks which will allow them to capitalize on the long-term opportunities without "betting the ranch." To achieve that, we will focus even more on bottom-up research and refining our AI-road map to 1) identify the companies with the strongest and most defendable moats, and 2) potential disruptors (also disruptors of the disruptors) that could introduce new use cases or that could challenge current AI leaders.

We feel that our investment approach, that is based on bottom-up research, takes a long-term view, is guided by our AI-road map and is only investing in quality assets that we can understand is particularly suited for the challenging road ahead.

## Business characteristics & strengths

		<u>Portfolio</u>	<u>Equity Benchmark</u>
<b>Profitability</b>	Operating Margin	27.6 %	16.4%
	Return on Equity	39.1%	20.3%
<b>Balance Sheet</b>	Net Debt / EBITDA	0.4x	0.8x
<b>Yield</b>	Operating Earnings Yield	4.5%	4.1%
	Dividend Yield	0.7%	0.9%
<b>Growth Profile</b>	5 years earnings growth est.	15.3%	

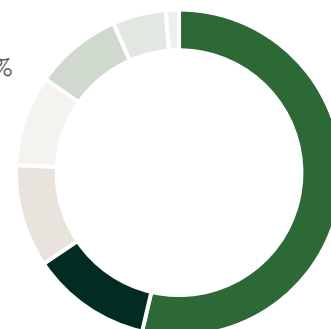
## Portfolio overview

### HOLDINGS BREAKDOWN

Top 10 Holdings	Weight
MICROSOFT CORP	7.86%
ASML HOLDING	6.99%
THERMO FISHER SCIENTIFIC	5.60%
BROADCOM INC	5.40%
APPLIED MATERIALS	5.08%
ALPHABET INC-CL A	4.97%
AMAZON INC	4.95%
SERVICENOW INC	4.28%
ORACLE CORP	4.06%
ASSTEAD GROUP PLC	3.70%
<b>Sum of Top 10</b>	<b>52.89%</b>

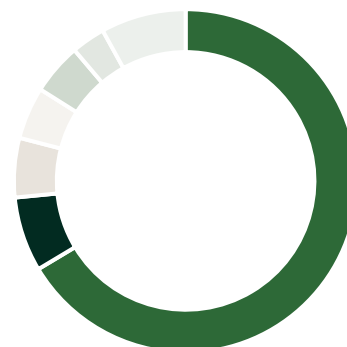
### Sector Breakdown

- Information Technology 53.6%
- Communication Services 11.9%
- Health Care 10.2%
- Industrials 9.0%
- Consumer Discretionary 8.7%
- Financials 5.3%
- Others 1.3%



### Regional Exposure

- United States 66.4%
- United Kingdom 7.0%
- Netherlands 5.6%
- France 4.9%
- Japan 4.8%
- Germany 3.2%
- Others 8.2%



## Investment Results Performance

	Growth Equity Strategy (Gross of fee)	Growth Equity Strategy (Net of fee)	Index
QTD	3.1%	3.0%	1.9%
YTD	16.7%	16.0%	18.6%
1 year <sup>1)</sup>	16.7%	16.0%	18.6%
3 years <sup>1)</sup>	22.8%	22.1%	22.5%
5 years <sup>1)</sup>	8.2%	7.6%	10.6%
Since inception <sup>1)</sup>	14.6%	14.0%	13.1%

1) Time frames over 1 year display annualized returns

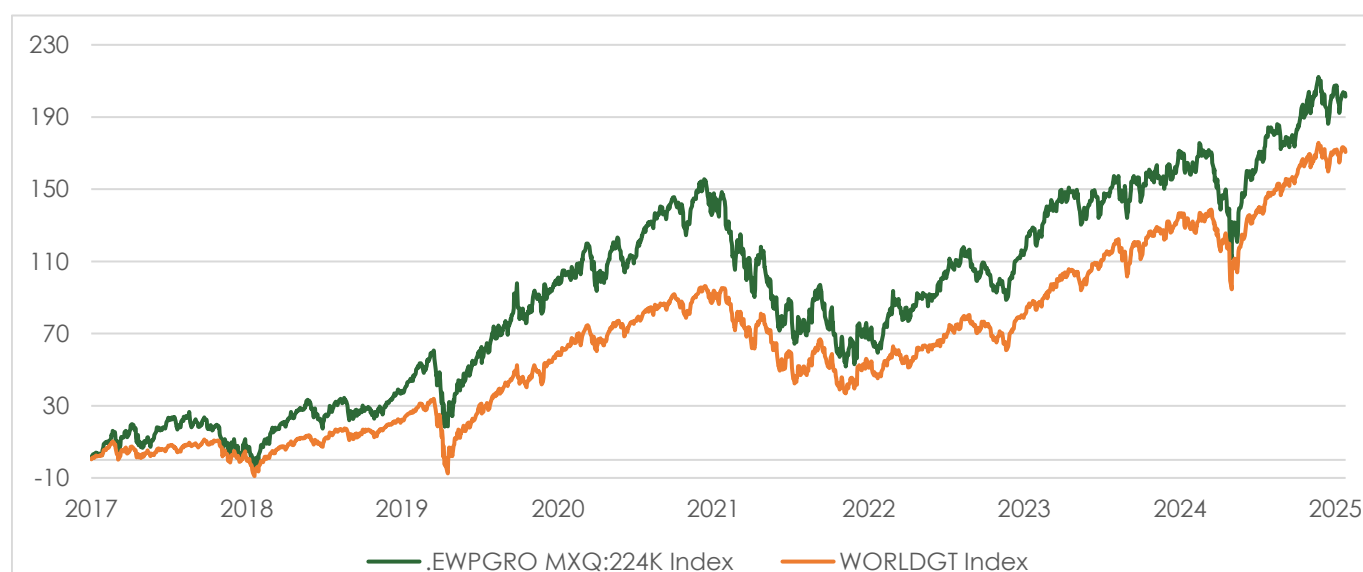
Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO), data is net of fee including a management fee of 0.575% p.a. All data calculated in USD. Benchmark MSCI World Growth AC until 31.03.23, from 31.03.23 Bloomberg World Growth. \* = annualized data. Historical returns or financial market scenarios are not a guarantee for current or future.

## Calendar Year Return Comparison

	Growth Equity Strategy (Gross of fee)	Growth Equity Strategy (Net of fee)	Index
As per 06.12.2017	2.6%	2.6%	2.7%
2018	-1.3%	-1.9%	-7.8%
2019	42.0%	41.2%	33.2%
2020	42.2%	41.4%	33.9%
2021	20.2%	19.5%	17.3%
2022	-33.8%	-34.2%	-28.4%
2023	40.2%	39.4%	31.8%
2024	13.3%	12.6%	21.7%
2025	16.7%	16.0%	18.6%
<b>Cumulative</b>	<b>201.3%</b>	<b>187.6%</b>	<b>169.7%</b>

Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO), data is net of fee including a management fee of 0.575% p.a. All data calculated in USD. Benchmark MSCI World Growth AC until 31.03.23, from 31.03.23 Bloomberg World Growth. \* = annualized data. Historical returns or financial market scenarios are not a guarantee for current or future.

## Long Term Track Record – Cumulative Return since the launch of Emerald (Gross of fee)



Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO). All data calculated in USD. Benchmark Bloomberg World Growth. Historical returns or financial market scenarios are not a guarantee for current or future.

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