New Capital
Pan-European Future Leaders Fund

Quarterly Commentary | As of 30 September 2026

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Market overview

Global markets delivered positive returns during the third quarter despite heightened geopolitical tensions, rising bond yields and renewed inflation concerns. Strong corporate earnings, particularly within the technology sector, continued to support equity markets, helping the MSCI ACWI remain firmly in positive territory year-to-date.

The quarter was characterised by volatility linked to tensions in the Middle East, which contributed to higher energy prices and increased inflation concerns. Developed markets, led by the US and Japan, outperformed emerging markets, supported by resilient economic growth and upward revisions to earnings expectations. However, September saw a rotation back towards large-cap technology stocks, while European markets underperformed amid rising energy costs and political uncertainty. Bond markets faced persistent pressure as investors adjusted to expectations that interest rates may remain higher for longer. Government bond yields rose across developed markets, reflecting resilient economic activity, elevated energy prices and concerns over rising public debt levels. Corporate bond spreads also widened from historically low levels, resulting in weaker fixed income returns.

Currency and commodity markets were influenced by central bank policy expectations and interventions to support the Japanese yen. While the US dollar weakened during parts of the quarter, it regained strength towards quarter-end as bond yields moved higher. Gold benefited from periods of dollar weakness before giving back some gains as real yields increased.

European equity markets declined in Q3 2026 (-1.0% in Euro terms), but have returned +9.6% on a year to date (YTD) basis in 2026. A hawkish rate hike from the European Central bank (ECB) alongside a broader move higher in European government bond yields contributed to the market declines. This however comes alongside a resilient European economy and the strongest period of European earnings revisions for twenty years (excluding the pandemic induced bust and boom).

Forward looking macro indicators for the European economy inflected positively through the summer and remain at supportive levels. The Euro-zone Citi Economic Surprise Index ("CESI") recently hit the highest level in more than three years, whilst Euro Area Purchasing Managers' Index (PMI)s surprised to the upside in September and continued their expansionary move higher. The ECB upgraded its Gross Domestic Product (GDP) growth projections, to +0.9% year on year (YoY) for 2026 and +1.4% for 2027. Positive earnings revisions continue to support the market, with European earnings per share ("EPS") revisions breadth touching the highest levels since August 2021. Earnings upgrades came in a broad range of sectors through the quarter.

Headline and core inflation in the Euro Area increased in September (to an expected 3.8% YoY and 2.6% YoY respectively). Noting this backdrop, the ECB delivered a +25bps rate hike during the month, to accompany the earlier hike in June. The meeting skewed hawkish, with both headline and core inflation expectations revised higher. Markets now expect the ECB to deliver an additional rate hike in December, taking the deposit rate up to 2.75%.

Fund performance and positioning

The Fund underperformed its benchmark in the third quarter of 2026, with Technology holdings the main detractors from relative performance, while Industrials were the largest positive contributors.

Among the key positive contributors, IMCD gained 22%, supported by better-than-expected second-quarter results, including improved organic growth and profitability. Organic gross profit growth accelerated to 7.3%, while improved conversion margins reflected effective cost control. Positive management commentary on third-quarter trading and new supplier mandates provided further support.

Intesa Sanpaolo rose 11%, following better-than-expected second-quarter earnings and an upgraded full-year outlook. Net income reached €2.8bn, supported by stronger net interest income, commissions and insurance income.

ING Group gained 15%, driven by strong second-quarter results, including a 10.2% increase in total income to €6.28bn and a return on tangible equity of 17.0%.

Among the main detractors, BE Semiconductor Industries (Besi) declined 33% despite reporting strong second-quarter results. The shares were affected by broader semiconductor sector volatility and concerns around the outlook for artificial intelligence (AI)-related investment, the timing of next-generation hybrid bonding adoption and increasing competition from China.

AstraZeneca declined 12%, reflecting investor concerns around reported merger discussions with Bristol Myers Squibb and several clinical trial setbacks. The potential for a large acquisition also raised concerns around the company's longer-term organic growth prospects and upcoming patent expirations. LVMH fell 19%, primarily reflecting weaker demand in China and softer consumer sentiment. The group also faced company-specific pressures and a broader shift in luxury spending towards jewellery and other hard luxury categories, weighing on its core fashion and leather goods businesses.

During the quarter, we increased positions in DSM-Firmenich, Fagron, IMCD, Novo Nordisk, Shell and Spotify, where we continue to see interesting valuations alongside strong competitive positions. We initiated new positions in Kuehne + Nagel and Roche, two high-quality Swiss companies supported by positive earnings momentum and interesting valuations.

We reduced positions in AstraZeneca, BAE Systems, BE Semiconductor, Exosens, Hermès, Lottomatica, LVMH, Sandvik, Sartorius Stedim and Warehouses De Pauw, reflecting lower conviction following recent developments. We exited Deutsche Telekom, EssilorLuxottica and Prudential as developments no longer supported our original investment theses.

Among the key positive contributors, IMCD gained 22%, supported by better-than-expected second-quarter results.

	New Capital Pan-European Future Leaders Fund	MSCI Europe Net Return EUR Index	Difference
1 Month	-2.66%	-3.05%	+0.39%
3 Months	-2.69%	-1.00%	-1.69%
6 Months	+12.39%	+10.68%	+1.71%
YTD	+8.83%	+9.64%	-0.81%
1 Year	+12.40%	+16.49%	-4.09%
3 Years	+34.53%	+51.28%	-16.75%
5 Years	+34.01%	+60.45%	-26.44%
10 Years	+98.88%	+137.71%	-38.83%
Since Inception Annualised	+6.53%	+8.08%	-1.55%
Since Inception (15/09/2015)	+101.02%	+135.95%	-34.93%

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Outlook

The macro backdrop for European equities remains supportive and we are hopeful that the market can continue to perform well through the remainder of 2026. That said, the bond market is sending warning signals to the equity market, as long government bond yields across Europe continue to rise on widening deficits, sticky inflation expectations and political uncertainty.

Tactically we continue see significant value in European quality growth stocks at the present time. Such stocks have reached extremely oversold levels, with valuations of many of Europe's premier growth businesses close to decade lows. Valuations of European quality stocks have historically shared a strong positive correlation with Euro high yield spreads. With financing conditions tightening across Europe, our hope is that the market will increasingly favour quality companies with strong balance sheets. Relative earnings revisions for European quality stocks have also been improving in recent months, which may present an opportunity.

The New Capital Pan-European Future Leaders Fund continues to focus its investments on innovative European businesses that exhibit quality growth characteristics. The Fund invests in companies across a wide variety of countries and sectors in the European region, including the UK and Switzerland.

Current portfolio investment themes include European sovereignty, AI, electrification, renewable energy, digitalisation, increasing per capita luxury spend and financial inclusion.

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MARKETING COMMUNICATION

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All sources: EFG Asset Management (UK) Limited ("EFGAM"), Factset, Bloomberg, Morningstar as at end of the month. Any other sources as applicable.

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agree that we may cease providing financial services to you if you are no longer a wholesale client or do not provide us with information or evidence satisfactory to us to confirm your status as a wholesale client;
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