Chawton Global Equity Income Fund

July 2026

CHAWTON
GLOBAL INVESTORS

Letter to Investors – H1 2026

For information only — for existing investors of the Fund.
This letter is a periodic update to keep existing investors informed of the Fund's progress. It is not a financial promotion, investment advice or a personal recommendation, and does not take account of your individual circumstances; nor is it an invitation or inducement to engage in investment activity. Before making any investment decision you should read the Prospectus and the relevant Key Information Document / product summary, available at the link at the end of this letter.

Key risks — please read.
The value of investments and the income from them can fall as well as rise, and you may get back less than you invested. Past performance is not a reliable indicator of future results. Movements in exchange rates may cause the value of overseas investments, and the income from them, to rise or fall. This is a concentrated portfolio (typically fewer than 50 stocks) and may be more volatile than a more diversified fund. You should regard your investment as long term (at least five years).

Dear Fellow Investors,

Overview

This letter covers the first half of 2026. The YFS Chawton Global Equity Income Fund (the Fund/CGEIF) rose 9.4%. The six months were characterised by significant volatility in stock prices caused, on the one hand by geopolitical risk concerns, and on the other, underlying structural growth investment notably in AI infrastructure.

The fund benefitted from selective AI investments but also benefitted from companies delivering shareholder value in other areas such as defence, energy, industrial distribution and consumer staples ingredients.

Portfolio activity was elevated as we sought to both manage risk and optimise investment holdings for shareholder wealth creation.

Performance

The Fund's objective is to grow the purchasing power of its investors' capital and provide the flexibility to derive a regular and growing income stream.

The long-term compound annual growth rate (CAGR) of the Fund stands at 10.0%[1] since inception seven years ago. Between 2-3% of this total return has been delivered as income received and distributed by the Fund. The level of income is not guaranteed and may vary from year to year; we make no forecast of future yield.

Fund results are net of fees and charges and are compared to the comparator group as represented by the Investment Association Global Equity Income Sector. CGEIF is exceeding

[1] B Class Acc. £, Source Chawton Investors

this measure since inception (May 2019) and the very long-term nominal returns from UK equities which stands at around 9%[2]. The Fund has trailed the comparator group in the discrete periods from 2024. Recent relative under-performance, like past out performance, is not a reliable indicator of future results.

The Fund deploys the lifecycle framework to invest in growing, compounding and mature companies to deliver its objective of generating a material and growing income stream and capital growth.

A breakdown of performance is shown below encompassing 2026 year to date and preceding periods.

	Annual Percentage Change		
	CGEIF B Acc. £ (1)	**IA Global Equity Income (2)**	**Relative Results (1)-(2)**
2019	9.3%	7.0%	2.3%
2020	14.2%	3.2%	11.0%
2021	18.2%	18.7%	(0.5%)
2022	(8.3%)	(1.2%)	(7.1%)
2023	10.8%	9.2%	1.6%
2024	7.2%	11.0%	(3.8%)
2025	11.8%	12.8%	(1.0%)
2026 YTD	9.4%	9.8%	(0.4%)
Since Inception	96.2%	94.7%	1.5%
Compound Annual	10.0%	9.8%	0.2% p.a.

Source: FE fundinfo as at 30 June 2026. Total return in GBP. Past performance is not a reliable indicator of future results. The value of your investments and the income derived from it can go down as well as up and you may not get back the money you invested.

[2] Barclays Equity Gilt study UK equities: 1899-2024 – note this is a different universe and time period

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Key drivers of this performance were SK Hynix and Texas Instruments through AI infrastructure investment and associated datacentre construction, MilDef Group in defence and Ithaca in oil and gas extraction. Detractors included Tencent, the Chinese media and internet company, Sea Ltd which provides e-commerce services in Asia and Nu Holdings, a South American digital bank challenging incumbents.

Risk Management

Risk characteristics are summarised in the following table along with returns. Note the risk characteristics are calculated over the 5 years to 30 June 2026:

Metric	CGEIF	Morningstar Global High Dividend Yield	Morningstar Global All Cap. Index
Standard Deviation	12.2%	8.5%	11.2%
Maximum Drawdown	15.4%	22.1%	25.7%
Earnings Growth (5Y)	8.4%	8.9%	6.7%
Upside Capture	73	79	99
Downside Capture	86	83	101
Beta	0.98	0.93	1.0

Source: Chawton Investors and Morningstar Fund Analysis (for risk stats) Drawdown and earnings statistics are for 5Y. A note on these measures. Standard deviation shows how much returns have varied over the period (a higher figure means more variable returns). Maximum drawdown is the largest fall from a peak to a subsequent low. Upside / downside capture show how much of a market's rises and falls the Fund has experienced — a downside figure below 100 means the Fund fell by less than the market. Beta measures how sensitive the Fund has been to market movements, where 1.0 means, it has tended to move broadly in line with the market.

The Fund's maximum drawdown has been low relative to equity markets globally as we seek to deploy optimal diversification through minimising correlation. For example, our holdings in insurance and energy sectors are impacted by very different factors from those in information technology.

Market Background

The first half of 2026 divided into two contrasting quarters. In the first, military conflict involving Iran drove the oil price from around $70 to a peak near $120 per barrel, reviving inflation concerns. A new US global tariff of 10% added to cost pressures, and a new, more hawkish Federal Reserve leadership removed expectations of interest rate cuts. Energy, commodity and defence companies performed well. The Fund fell 7.2% in the quarter against a broadly flat comparator group.

We used the quarter's weakness to selectively add to certain positions and establish new positions in SK Hynix and Texas Instruments both discussed below.

In the second quarter the oil premium evaporated as shipping started to flow largely uninterrupted following the declaration of a ceasefire. Earnings announcements for our companies were strong. The Fund returned 17.8% in the quarter against 9.9% for the sector, its best three months since launch.

A major contributory factor to the strong earnings was AI investment which accelerated as capital spending by the large cloud platforms flowed through as revenue and profit at their suppliers — memory chip manufacturers, semiconductor producers and power infrastructure providers. The Hyperscalers themselves generated strong earnings growth as their enterprise and consumer customers subscribed to their AI enhanced services.

The following shows the leading and lagging markets during the half:

Index	Region / Segment	6 Months	5 Years
Korea KOSPI	South Korea	+101.1%	+158%
MSCI Emerging Markets (USD)	Emerging Markets	+26.8%	+35%
Russell 2000	US Small Cap	+21.9%	+30.9%
Nikkei 225	Japan	+17%	+134%
MSCI EAFE (USD)	Intl Developed ex-US	+15.1%	+45%
Nasdaq Composite	US Technology-led	+12.8%	+80.7%
S&P 500	US Large Cap	+9.6%	+74.5%
Dow Jones Industrial Average	US Blue Chip	+8.9%	+51.6%
FTSE 100	United Kingdom	+7%	+48%
S&P BSE Sensex	India	(5%)	+55%
Hang Seng	Hong Kong / China	(11%)	(16%)

It is interesting to note that international markets outside the USA continued the trend from the second half of 2025 and outperformed most US indices with the exception of the Russell 2000. The latter represents US small companies and has been driven by a relatively small number of often profitless 'growth' companies supplying into datacentres and other AI infrastructure themes. The Korean (KOSPI) market was the top performer. A considerable portion of the semi-conductor value chain – mainly the foundries which manufacture the chips - operate from Taiwan and South Korea.

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Whilst TSMC of Taiwan has been recognised for some time as having an almost monopolistic hold over this semiconductor manufacturing, the importance of memory chips to AI inference has become evident as has the much greater complexity of the most advanced memory chips termed High Bandwidth Memory (HBM). Memory chip manufacturing is concentrated in South Korea and they saw an explosion in earnings and orders propelling the KOSPI to more than double in six months.

Around 10% of the fund is invested in semiconductor and semiconductor equipment stocks and these performed well over the six months. However, a lot of performance has been driven in a small period of time – with several holdings doubling – so we have started to trim holdings post the end of the half.

In contrast both the Indian (BSE) and China (Hang Seng) market underperformed. The former has few AI related technology firms with its technology sector dominated by IT outsourcers seen as victims of AI trends. China, whilst investing heavily in the semiconductor industry and in AI as well as the associated energy generation, is suffering from the lingering effects of its property crash and over investment in industrial capacity. Whilst having no exposure to India, the Fund has around 7% invested in Chinese stocks which detracted from portfolio performance.

Overall, whilst it appears that equity market leadership had broadened out to international markets and smaller companies, this is really an extension of the AI theme and specifically the infrastructure construction phase. Given this context, we were pleased to see strong developments at some of our companies unrelated to the AI theme. Swedish defence company, MilDef Group, which supplies rugged computer equipment and associated software to the military, announced strong margin improvements as its capacity investments started to catch up with its huge order backlog.

Ithaca Energy, the UK based North Sea oil and gas operator benefitted from the Iranian situation but more importantly is executing well on its strategy to acquire and operate lowly valued North Sea assets and harvest the cash flow for investors through dividends. Bossard in industrial distribution and DSM-Firmenich (discussed below) in consumer staples ingredients also had good results and performed well.

Portfolio Activity

Our approach to portfolio management is framed by the quality corporate lifecycle model. We seek to own companies across the lifecycle phases, but where management is deploying capital in a manner most likely to compound shareholder value. Decisions to add, reduce or exit are driven by this fundamental assessment rather than short-term market movements. The table summarises the major transactions; the sections that follow explain the business fundamentals behind each:

Company	Action	Rationale
SK Hynix	Purchase	High-bandwidth memory leadership; first memory maker to deploy High NA EUV lithography: mature company transitioning back to growth lifecycle phase
Texas Instruments	Purchase	Analogue leader; US manufacturing capacity, datacentre power and robotics content: mature company transitioning back to compounding
DBS Group	Purchase	Replaces First Citizens; organic capital allocation into Singapore/ASEAN wealth management: compounding phase
CATL	Purchase	Replaces BYD; battery supplier to almost all EV manufacturers, above the competitive fray: growth phase
KLA Corporation	Sale	Sold on valuation grounds after the process control thesis played out rapidly: growth/compounding phase
Progressive	Sale	Auto insurance conditions deteriorating; long-term autonomous vehicle question: transitioning to maturity/decline phase
Elopak	Sale	Sudden CEO departure and reversal in European growth broke the investment thesis: failed transition from decline back to compounding
First Citizens	Sale	Acquisition-led model requires distressed sellers; none currently available: compounding transitioned to maturity
BYD	Sale	Volume leader in an EV market suffering sustained price competition: transitioning from growth to compounding/maturity

SK Hynix — Growth: The Memory Constraint in AI Computing

We purchased SK Hynix early in the half. The company is the global leader in high-bandwidth memory (HBM), the stacked memory that sits alongside AI processors and determines how fast data can reach them. As AI models have grown, memory bandwidth rather than raw computing power has become the binding constraint on system performance structurally shifting value within the semiconductor industry toward the memory layer. SK Hynix holds clear technology leadership in HBM and the deepest relationship with the dominant AI processor designer.

SK Hynix became the first memory manufacturer to deploy High NA EUV lithography from ASML in production. This extends its cost and density leadership in memory, and over a much longer horizon opens a credible path into combined memory and logic chip manufacturing, a potential challenge to TSMC's foundry dominance. The shares rose very substantially over the half as HBM demand converted into reported earnings; we trimmed the position for risk control reasons as it appreciated, and it ended June at 3.6% of the Fund. Memory has always been cyclical and today's valuation now embeds increased expectations. The holding is under the same continuous risk and valuation discipline that determined our exit from KLA.

In a lifecycle context, this is a rare case of a mature company transitioning all the way back to growth which generates significant shareholder value if successfully executed.

Texas Instruments — Compounder: Analog Foundations

Alongside SK Hynix we purchased Texas Instruments, the world's leading analogue semiconductor company. Analogue chips manage power, sense the physical world and connect it to digital systems; they are the unglamorous foundation of every industrial, automotive and datacentre electronic system, sold in tens of thousands of varieties with long product lives and sticky customer relationships, characteristics that underpin durable pricing power.

Three fundamental demand drivers support the case. First, the reindustrialisation of the United States, which TI anticipated with years of counter-cyclical investment in advanced 300mm American fabrication plants, giving it a structural cost and supply-security advantage as manufacturing returns onshore. Second, the power-management content of AI datacentres, which is rising with every generation of hardware. Third, the longer-term electronics content of robotics. TI's stated management doctrine of maximising free cash flow per share over the long term and returning it to owners is a clear example of lifecycle-appropriate capital allocation. We were able to buy during the trough of the industrial semiconductor cycle at a valuation that assumed little recovery; the recovery has since begun.

We classify TI as a compounder with management generating value through both investing for growth and returning significant amounts of excess capital to shareholders.

DBS Group and First Citizens — Optimising for Capital Allocation Opportunity

We sold First Citizens Bank and purchased DBS Group of Singapore. This was an exchange between two well-managed banks, based on capital allocation grounds. First Citizens remains a superb management story, its record of compounding through the acquisition of distressed competitors is exceptional. However, the model requires distressed sellers, which is normally a function of severe adverse economic developments. A future credit downturn is an example of the environment the bank flourishes in.

DBS, by contrast, has a continuous organic path: deploying its dominant, low-cost Singapore deposit franchise into the structural growth of Asian wealth management, a fee-based, capital-light business that compounds without acquisitions as wealth accumulates across the region and consolidates in Singapore. The combination of a c.5.5% dividend yield, growing fee income and disciplined capital returns gives DBS the income-plus-growth profile of a core compounder. It ended the half as our largest position.

CATL and BYD — Moving Up the Value Chain

We sold BYD and purchased Contemporary Amperex Technology (CATL). BYD is a formidable company and the volume leader in electric vehicles, but the Chinese EV market has descended into a sustained price war among dozens of well-funded competitors, and even the leader's returns on capital are hostage to it. CATL sits one layer above that fray: it supplies batteries — the highest-value component in every electric vehicle — to almost all of the competing manufacturers apart from BYD. Whoever wins the EV price war alongside BYD, CATL is likely to have made their batteries.

In effect, we have moved up the value chain to battery suppliers where we can see a more monopolistic/oligopolistic structure analogous to equipment suppliers in the semiconductor value chain. CATL itself has vertically integrated to critical battery materials as well further cementing its competitive advantage. CATL is in the midst of its growth phase investing heavily in capacity globally. BYD is also investing for growth but is starting to edge into maturity.

DSM-Firmenich — Lifecycle Transition: Patience Beginning to Pay

Finally, an update on DSM-Firmenich, discussed at length in our last letter when the shares stood roughly 30% below our average cost. The Capital Markets Day on 12 March was constructive and confirmed the operational elements of the transition investment case. The divestment programme is complete, capital is being returned aggressively - combined dividends and buybacks of approximately 7% of market capitalisation - and margin convergence toward the industry leader Givaudan is on track.

The shares recovered approximately 25% over the half as the market began to close the gap to our estimate of intrinsic value, and the position remains within our top ten.

Portfolio Positioning

Top Ten Holdings as at 30 June 2026 were:

Company	Weight	Sector / Description	Lifecycle Stage
DBS Group Holdings	4.6%	Financials / Singapore Banking & Wealth	Mature Compounder
Pexip	4.0%	Technology / Secure Video Infrastructure	Growth
Alphabet	3.7%	Technology / Digital Platforms & Cloud	Compounder
Texas Instruments	3.6%	Technology / Analogue Semiconductors	Compounder
SK Hynix	3.6%	Technology / Memory Semiconductors	Growth
Svenska Handelsbanken	3.5%	Financials / Nordic Banking	Mature/Decline
Union Pacific	3.2%	Industrials / US Rail	Mature Compounder
MilDef Group	3.2%	Industrials / Defence Electronics	Growth
DSM-Firmenich	3.2%	Consumer / Ingredients & Fragrances	Mature/Decline
Roche Holding	3.1%	Healthcare / Pharma & Diagnostics	Mature Compounder

Source: Chawton Global Investors LLP. Portfolio weights shown as percentage of fund NAV. Lifecycle stage per Chawton Corporate Quality Lifecycle Model.

Conclusion

Against a market backdrop of high volatility and uncertainty, the fund continues to deliver on its objective of delivering total shareholder returns in excess of the very long term average.

Whilst international markets continued to outperform the major US indices, those that led this performance were driven by a similar structural trend, AI infrastructure investment. Regions less exposed to this, notably India and China underperformed.

Whilst the Fund benefitted from AI infrastructure investment trends, it also saw positive performance, from companies operating in uncorrelated industries such as defence, energy, industrial distribution and consumer staples ingredients.

Purchases and sales were driven by assessments of relevant company quality overlaid by the opportunities for future value creation based on lifecycle positioning. Valuation is a key determinant of the latter.

The portfolio combines companies in the growth, compounding and mature/decline lifecycle phases. As companies increase cash distributions as they move through the lifecycle, we are able to generate capital growth and a growing income stream from the portfolio.

Since inception, the Fund has delivered a compound annual return of 10.0%, ahead of the long-term nominal equity benchmark and ahead of the IA sector on a cumulative basis, whilst providing a growing income stream. We thank our investors for the long-term perspective that makes this approach possible.

Michael Crawford
Portfolio Manager

As a concentrated equity portfolio of typically less than 50 stocks the fund may involve higher volatility and therefore higher risk for those with shorter term investment time horizons (under 5 years). The value of an investment and the income from it can fall as well as rise as a result of market and currency movements and you may not get back the amount originally invested. You should therefore regard your investment as long term. Details of the risk factors are included in the fund's prospectus available at https://yealand.com/fund/yfs-chawton-investment-funds/#literature.