

SKERRYVORE GLOBAL EMERGING MARKETS ALL-CAP EQUITY FUND
C SHARE CLASS

Quarterly Commentary

Report for the quarter ended 30 September 2025



Skerryvore
ASSET MANAGEMENT



Contents

EXECUTIVE SUMMARY	2
QUARTERLY COMMENTARY	3
INVESTMENT RESULTS	5
PORTFOLIO CHARACTERISTICS	6
DISCLAIMER	7
CONTACTS	9



The Fund is issued by Bennelong Funds Management Ltd ("BFML")



Executive Summary

C SHARE CLASS – RETURNS TO 30 SEPTEMBER 2025

	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	2 Year p.a (%)	3 Year p.a (%)	Since Inception ¹ p.a (%)
Fund (net)	-1.50	-2.71	-0.63	3.84	7.83	11.02	4.53
Benchmark ²	5.82	9.41	16.50	22.81	19.98	17.01	6.23
Value Added	-7.32	-12.12	-17.13	-18.97	-12.15	-5.99	-1.70

TOP 10 HOLDINGS

Name	Weight (%)
HDFC Bank Limited	4.65
Franco-Nevada Corp	4.17
Cipla Ltd	3.97
Raia Drogasil	3.64
TSMC	3.16
Yifeng Pharmacy Chain	3.16
Bid Corp Ltd	2.99
Heineken Holding	2.93
Itaúsa Sa	2.66
Advantech Co Ltd	2.60

KEY CHARACTERISTICS

Number of holdings	52
Number of countries	18
Number of sectors	8
Number of industries	24
Active share (%)	92

FUND VALUE

30 June 2025	30 September 2025
AUD \$ 819,165,446	AUD \$ 722,520,931

SHARE CLASS VALUE

30 June 2025	30 September 2025
AUD \$ 133,276,337	AUD \$ 131,723,389

THE FUND AT A GLANCE

Feature	Fund Facts
APIR code	BFL3229AU
Benchmark	MSCI Emerging Markets Index (AUD)
Investment objective	Achieve long-term capital appreciation through investing in companies, operating in, or exposed to, emerging markets
Portfolio managers	Glen Finegan, Nicholas Cowley, Michael Cahoon
Active stock limit	+10%
Cash	0-10%
Recommended investment period	Long term (five years plus)
Buy/sell spread	+/-0.25%
Entry/exit fees	Nil
Management fees and costs*	1.10% p.a. of Net Asset Value of the fund

1. Inception date – 03 August 2021

2. MSCI Emerging Markets Index (AUD)

Source: MSCI and Skerryvore as of 30 September 2025

Past performance is not indicative of future returns

*Management fees and costs consist of annual management fee rate and capped recoverable expenses. For a detailed split of the fees and costs, please refer to the fund(s) PDS.

Quarterly Commentary

INVESTMENT OVERVIEW

Global emerging market all-cap equities rose in Australian dollar terms during the quarter. The fund fell in value and underperformed the benchmark index¹. Our increasingly cautious stance towards the valuation of Asian semiconductor companies and long-held governance concerns around Chinese internet businesses have led the strategy to significantly lag strongly rising markets. These areas of the market are becoming increasingly speculative, and we are of the view that reducing exposure will help protect long-term absolute returns.

POSITIONING & STRATEGY

We are fundamental, long-term, bottom-up investors seeking to create a high-conviction portfolio of reasonably valued, high-quality companies that are exposed to, or operate in, emerging markets. Portfolio positioning is the output of our bottom-up based convictions, rather than a specific top-down view.

The most significant change to positioning over the past four years has been the portfolio's rising exposure to China – from a low of just over 2% in June 2021 to around 10% today. Two important things have changed over the period. First, the valuation of equities listed on the local Chinese stock market has significantly derated from what we in 2021 called out as a bubble. And second, our watchlist of quality companies there has steadily grown.

We wrote in 2021 about our approach to identifying potential ideas in China and it is worth restating some of these principles. Our alignment-based philosophy leads us to avoid state-owned enterprises (SOEs) and those businesses exposed to geopolitical tensions and modern slavery risks. We also wrote that we were not prepared to invest in variable interest entity (VIE) structures because of the obvious risks to minority shareholders, essentially ruling out the predominantly Hong Kong and US listed education, media and internet sectors. As we said at the time, "the decision to convert the tutoring industry into not-for-profit, as well as the enormous charitable donations in the name of common prosperity announced by online businesses Alibaba and Tencent, serve as a reminder of the tenuous claim overseas investors in VIEs have on underlying profits".

The current excitement about huge levels of AI investment by Chinese internet businesses has not changed our position on the lack of alignment between overseas minority shareholders in VIEs and the ambitions of the Chinese government.

There also has not been any significant change in VIE-related regulation, meaning that the risks which were crystallised previously are still very much present. This, for example, is from Alibaba's most recent 20F filing and is common to all such structures:

'Contractual arrangements in relation to VIEs have not been tested in a court of law, and it is uncertain whether any new PRC laws, rules or regulations relating to VIE structures will be adopted or if adopted, what they would provide. The imposition of any of these measures could result in a material adverse effect on our ability to conduct all or any portion of our business operations'².

Often, in emerging markets, a good quality asset or franchise sits within an unacceptable governance structure, and our philosophy is designed to resist the siren call. Despite these risks, we have been able to build a high-quality watchlist of businesses in China that are largely founder-led and have a history of treating minorities fairly. We have found fewer in the highly competitive consumer sector than we might have expected but are uncovering a growing list of well-run industrial and healthcare-exposed businesses.

Many of these names are emerging Chinese multinationals, all of which have become considerably cheaper over the past few years. For example, **Mindray** is a leading medical device manufacturer whose business spans both China and the rest of the world, with limited exposure to the United States. **Midea** is a leading white goods manufacturer with interesting opportunities in robotics. Its international mix is currently 41%³. **Hongfa** has become the global leading manufacturer of electrical relays, which are used in numerous products ranging from washing machines to electric vehicles.

Quarterly Commentary

All these businesses remain founder-led or, in the case of Midea, have a well-proven professional team appointed by the founder who remains the largest shareholder.

Outside China, we continue to believe good quality Brazilian companies offer an interesting valuation opportunity due to very high interest rates there. The strategy maintains significant positions in financial holding company **Itaúsa** and pharmacy operator **Raia Drogasil**, which, in our view, are two of the best-governed companies in the country.

PORTFOLIO ACTIVITY

During the quarter we added two new Chinese names to the strategy, Midea and Hongfa. Funding these new ideas has led to careful reflection on valuations across the existing portfolio. Sources of funding have come from booking significant gains by reducing the holdings in **TSMC**, the strategy's holdings in precious metals royalty and streaming businesses as well as making some adjustments to holdings in the consumer staples sector.

To us, TSMC's valuation and growth expectations look stretched. The shares are pricing in an optimistic outlook as investors attempt to forecast unprecedented levels of investment in AI infrastructure. The assumptions underlying this growth are looking increasingly speculative.

Although the technology itself is revolutionary, it is not yet clear that the current level of investments will generate an acceptable return for those hyper-scalers, start-ups and governments deploying the capital. If these constituents cannot produce an acceptable level of return it puts at risk future demand growth for the providers of AI compute such as TSMC. We aim to use conservative forward-looking assumptions in all our valuation work and see limited absolute returns from here. The semiconductor industry is also seeing increasing levels of government interference as countries look to create national champions, potentially leading to less rational future competition and, possibly, poor capital allocation to appease politicians.

We have also been trimming the strategy's significant gold exposure. The strategy's exposure to gold cash flows comes via holdings in well-managed precious metals royalty and streaming businesses which do pay dividends, and we maintain a significant position despite taking some profits. We have always held some gold as a form of portfolio insurance. However, we have learned over decades, as absolute return-focused investors, that taking some gains from 'non-yielding' gold during times of exuberance is usually prudent.

We have also significantly reduced the holding in **Coca-Cola HBC** as its shares began to better reflect the company's growth opportunities and we took the decision to exit the holding in Chilean beverage company **CCU**, having revised down our expectations for growth.

We added a new holding in a well-run Indian financial technology business, **KFin Technologies**. The company has significant growth opportunities from both the domestic and international asset management industries and the shares have pulled back over the past year, making the valuation attractive.

Finally, we decided to diversify our remaining TSMC position somewhat by reallocating some of the gains to **MediaTek**, a leading chip designer based in Taiwan. Recent organisational changes have helped build our confidence that its future growth opportunity extends beyond smartphones. This design business is less capital-intensive and politically sensitive than advanced chip manufacturing has become.

Quarterly Commentary

OUTLOOK

In an increasingly volatile political environment strong corporate governance is more important than ever to protect investors. We actively seek out owners and management teams with long track records of treating all their stakeholders fairly.

Many years of experience of investing in inflation-prone emerging markets has taught us to seek out companies with strong pricing power. A proven ability to create intellectual property, ownership of strong brands and well-managed retail franchises are some of the attributes of companies we have seen navigate previous periods of inflation. Regulated assets or assets at high risk of being regulated often lack pricing power, which can leave them more exposed to inflationary pressures, and for that reason we have tended to avoid holding these in our portfolios.

The strategy has a significant exposure to high-quality domestic franchises such as leading retailers, soft drinks makers and financial institutions meeting unmet needs. These may prove to be more defensive thanks to the demographic opportunity available in some emerging markets, which can be seen in structural trends such as urbanisation, rising incomes and shifting consumption patterns.

Strong balance sheets help companies weather economic cycles, and as a result we won't invest in businesses with a record of excessive borrowing and our investment philosophy and process has proven adept at weathering stormy waters in the past.

Finally, we believe valuations for businesses within our portfolio look attractive on an absolute basis and the long-term return opportunity in emerging markets continues to be a very attractive one.

Past performance does not predict future returns

1. Benchmark MSCI EM Net Total Return Index (AUD), as of 30 September 2025
 2. Ali Baba Annual Report and 10-K, 2025
 3. Midea Annual Report 2024
- Report for the quarter ended 30 September 2025

Investment Results

C SHARE CLASS – RETURNS TO 30 SEPTEMBER 2025

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Value Added	-7.32	-12.12	-17.13	-18.97	-12.15	-5.99	-1.70

FUND OBJECTIVE

The fund's objective is to achieve long-term capital appreciation through investing in companies operating in, or exposed to, emerging markets.

COMMENTARY

Our increasingly cautious stance towards the valuation of Asian semiconductor companies and long-held governance concerns around Chinese internet businesses has led the fund to significantly lag strongly rising markets. These areas of the market are becoming increasingly speculative, and we are of the view that reducing exposure will help protect long-term absolute returns. We appreciate that this has led to marked relative underperformance particularly over the last quarter, however we view risk as the permanent loss of capital rather than relative underperformance and we do not wish to compromise on either the quality of the businesses we hold or the valuations we pay for them in the face of a narrowly concentrated and increasingly speculative market.

HOLDING LEVEL COMMENTARY

The largest positive contributor to returns was from **Franco Nevada** the mining royalty and streaming business. It is benefitting from both the higher underlying gold price and also demand for capital for new projects from the mining industry. The second largest positive contributor to returns was from the holding in Brazilian pharmaceutical retailer **Raia Drogasil**. The shares had been weak during the early part of the year due to concerns over increased competitive pressures and potential regulatory changes around dispensing medicines in Brazil. The final regulations announced are not as threatening to Raia Drogasil as the market worried and the business has recently announced improving operating profits which has benefited the share price.

STOCK LEVEL ATTRIBUTION

TOP CONTRIBUTORS TO RETURN

Name	Contribution (%)
Franco Nevada	1.20
Raia Drogasil	0.78
TSMC	0.54
Mega Lifesciences	0.48
Standard Bank Group	0.21

TOP DETRACTORS TO RETURN

Name	Contribution (%)
Tata Consultancy Services	-0.55
HDFC Bank Ltd	-0.45
Crisil Ltd	-0.41
Kotak Mahindra Bank Ltd	-0.34
Voltronic Power	-0.33

The largest negative contributor to returns during the period was from the holding in Indian outsourcing business **Tata Consulting Services**. The demand environment in developed markets for its services has become subdued after a period of significant demand as enterprises looked to digitise workstreams after the Covid pandemic. The business has successfully weathered previous periods of subdued demand and the valuation looks attractive for a business that has a long-term history of compounding profits.

The second largest negative contributor to returns was from the holding in the Indian bank **HDFC**. There was no particular news to explain the underperformance and the business continues to perform in-line with our expectations. The stock is attractively valued and continues to be our largest holding.

1. Inception date – 03 August 2021

2. MSCI Emerging Markets Index (AUD)

Source: Bannelong Funds Management Net Performance Summary, Skerryvore and MSCI data as of 30 September 2025

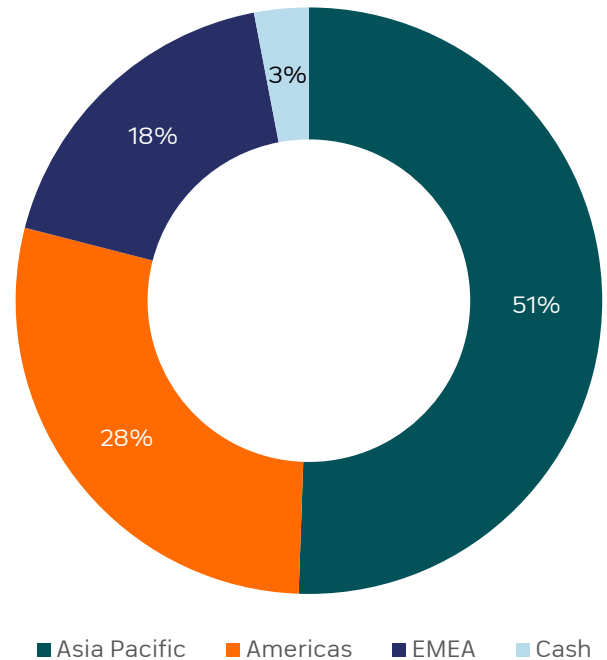
Past performance is not indicative of future returns

Portfolio Characteristics

COUNTRY WEIGHTS

Country	Portfolio (%)	Benchmark ¹ (%)
India	19.39	15.22
Taiwan	11.50	19.43
Brazil	10.28	4.31
China	9.76	31.16
Mexico	9.67	2.00
South Africa	7.11	3.51
Canada	4.17	0.00
Greece	3.39	0.63
Netherlands	2.93	0.00
Indonesia	2.59	1.12
Thailand	2.55	1.02
Portugal	2.44	0.00
Chile	2.41	0.46
Switzerland	2.12	0.00
Japan	1.93	0.00
Argentina	1.92	0.00
Philippines	1.83	0.38
Hong Kong	1.00	0.00
Cash	3.01	0.00

REGIONAL WEIGHTS



SECTOR WEIGHTS

Sector	Portfolio (%)	Benchmark ¹ (%)
Consumer Staples	40.42	4.03
Financials	17.11	22.22
Information Technology	10.68	25.46
Health Care	8.88	3.45
Consumer Discretionary	7.14	13.59
Industrials	6.20	6.64
Materials	4.62	6.45
Communication Services	1.93	10.53
Energy	0.00	3.85
Real Estate	0.00	1.44
Utilities	0.00	2.33
Cash	3.01	0.00

1. Benchmark MSCI EM Net Total Return Index (AUD)

Source: Skerryvore and MSCI as of 30 September 2025

Totals may not sum to 100% due to rounding

Past performance does not predict future returns

Disclaimer

Information for investors in Australia and New Zealand

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Effective 1 August 2024, following regulatory approval, from the UK's Financial Conduct Authority, Skerryvore became a wholly owned subsidiary of Skerryvore AM LLP.

Skerryvore may be referred to herein as the Investment Manager or Firm. The registered office of the Firm is Windsor House, Station Court, Station Road, Great Shelford, Cambridge CB22 5NE.

Skerryvore AM LLP is majority owned by eight partners, with Bennelong Funds Management Group Pty Ltd, the parent company of BFML, holding a minority stake in Skerryvore AM LLP. In addition, BFML has been appointed to act as a distributor for the Firm in relation to this Fund in Australia and New Zealand and with regards to the Firm's strategy(s) in certain other Agreed Jurisdictions as defined in a distribution agreement dated 1 August 2024.

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Among the risks we wish to call to the particular attention of prospective investors are the following:

- Investments in Emerging Markets can involve a higher degree of risk.
- The Fund's investment programme is speculative in nature and entails substantial risks.
- The investments of each Fund may be subject to sudden and large falls in price or value and there could be a large loss upon realisation of a holder's investment, which could equal the total amount invested.
- The Fund does not hedge currency exposure. If the currency of the share class is different from the local currency in the country in which you reside, the figures shown in this document may increase or decrease if converted into your local currency.
- Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. In difficult market conditions, the Fund may not be able to sell a security for full value or at all. This could affect performance and could cause the Fund to defer or suspend redemptions of its shares.

Disclaimer

- The Fund may be leveraged.
- A substantial portion of the trades executed for the Fund take place on non-AUS exchanges.
- The use of a single adviser group could mean a lack of diversification and, consequently, higher risk, and may depend on the services of key personnel, and if certain or all of them become available, the Fund may prematurely terminate.
- An investment in the Fund is illiquid and there is no secondary market for the sale of interests in the Fund and none is expected to develop.
- There are restrictions on transferring interests in the Fund.
- The Fund is not a mutual fund pursuant to, and therefore is not subject to regulation under, the United States Investment Company Act.
- The members of BFML and their affiliates may receive performance-based compensation, which may result in riskier investments, and the Fund's fees may offset trading profits.
- The Fund is subject to certain conflicts of interest.

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skerryvoream.com



1800 895 388 (AU) or 0800 442 302 (NZ)



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HOW TO INVEST

The fund is open to investors directly via the PDS (available on our [website](#)) or via the following platforms: AMP North - BT (Panorama) - Hub24 - Macquarie Wrap - Netwealth - Mason Stevens - Powerwrap - Praemium

Visit [how to invest](#) to find out more.



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