Regnan

Market Review 2025

Regnan Sustainable Water and Waste

FOR PROFESSIONAL INVESTORS ONLY

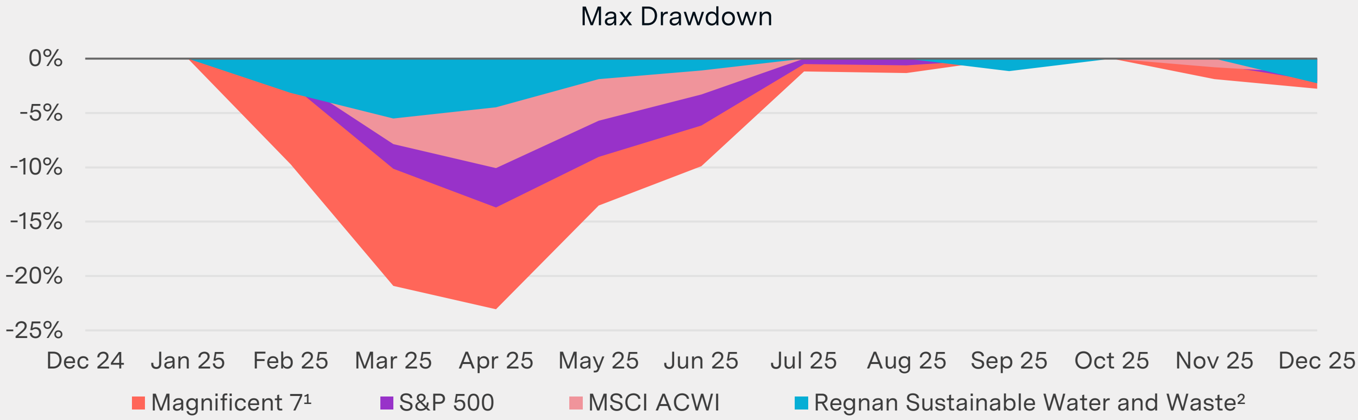
Key Themes That Played Out During the Year

1. Tariffs and Geopolitics

2025 was marked by repeated tariff announcements, trade investigations, and politics-driven trade policy shifts that introduced periods of volatility into equity and currency markets. Escalating tensions around US-China trade, technology export controls, and regional conflicts reinforced the narrative of geopolitical fragmentation. Investors responded by demanding higher risk premia in more exposed sectors and markets. During equity market selloffs driven by tariff and geopolitical concerns early in the year, Regnan Water and Waste performed relatively well. The fund significantly outperformed the falling market, providing downside protection (Exhibit 1).

Global equities delivered a third consecutive year of strong, double-digit gains in 2025, led by the US and supported by solid gains across several international markets. The rally was underpinned by resilient global growth, enthusiasm around artificial intelligence, and expectations of easier monetary policy from the US Federal Reserve, despite intermittent volatility around trade and geopolitics.

Exhibit 1: Regnan Sustainable Water and Waste significantly outperformed the market and widely held tech stocks during the tariff sell-off



Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up and investors may not get back the amount invested. For further information on risks please refer to the Fund's KIID and/or the Prospectus. Source: Regnan/Bloomberg/MSCI as at December 2025. Total return in GBP. [1]Bloomberg Magnificent 7 Total Return Index. [2]NAV of share class I in GBP, net income reinvested, net of fees, as at 31 December 2025. Performance of other share classes may vary and is available upon request. *Inception date: 13 September 2021. Data representative of Regnan Sustainable Water and Waste Fund (U.K.) onshore OEIC.

2. Dollar Weakness

The US dollar delivered its weakest annual performance since 2016, with broad indices registering a high single- to low double-digit decline. This reversal supported non-US equities and commodities, eased financial conditions in select emerging markets, and encouraged diversification away from US-centric assets. Regnan Water and Waste Fund's performance in other currencies was affected by the decline in USD given the fund's c. 60% exposure to the US-listed stocks – the most privatised water and waste market. In absolute US dollar terms, it was an above average year for the fund, returning close 15% return for investors (Exhibit 2).

Exhibit 2: Regnan Water and Waste Fund generated c. 15% in absolute returns in USD in 2025

	USD	GBP	EUR
Regnan Water and Waste Fund	14.55	6.66	0.99
MSCI AC World NR (12pm adjusted)	22.52	14.18	8.57
Sector Average	13.15	5.36	-0.22

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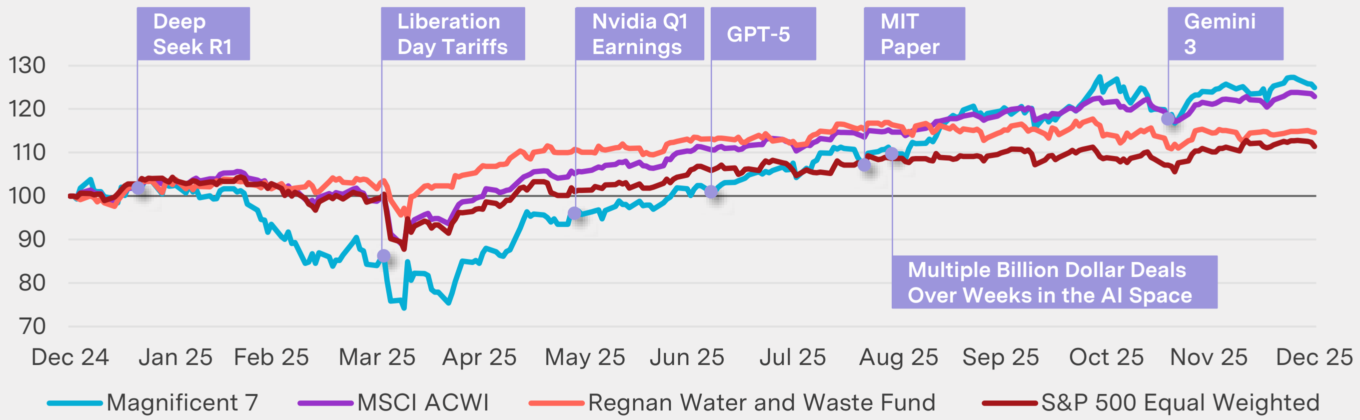
3. AI Capex

Markets rewarded companies able to translate this spending into visible revenue and earnings growth, while also broadening interest into the wider ecosystem of enablers such as equipment, power and connectivity providers. Regnan Water and Waste Fund's relative performance was particularly hurt in the 2nd half of the year as the fund is not exposed to the AI tech names. The fund significantly underperformed the market in this time period (Exhibit 3).

Exhibit 3: Regnan outperformed the S&P 500 Equal Weight Index, with relative performance shaped by the AI-driven rally in the second half of the year



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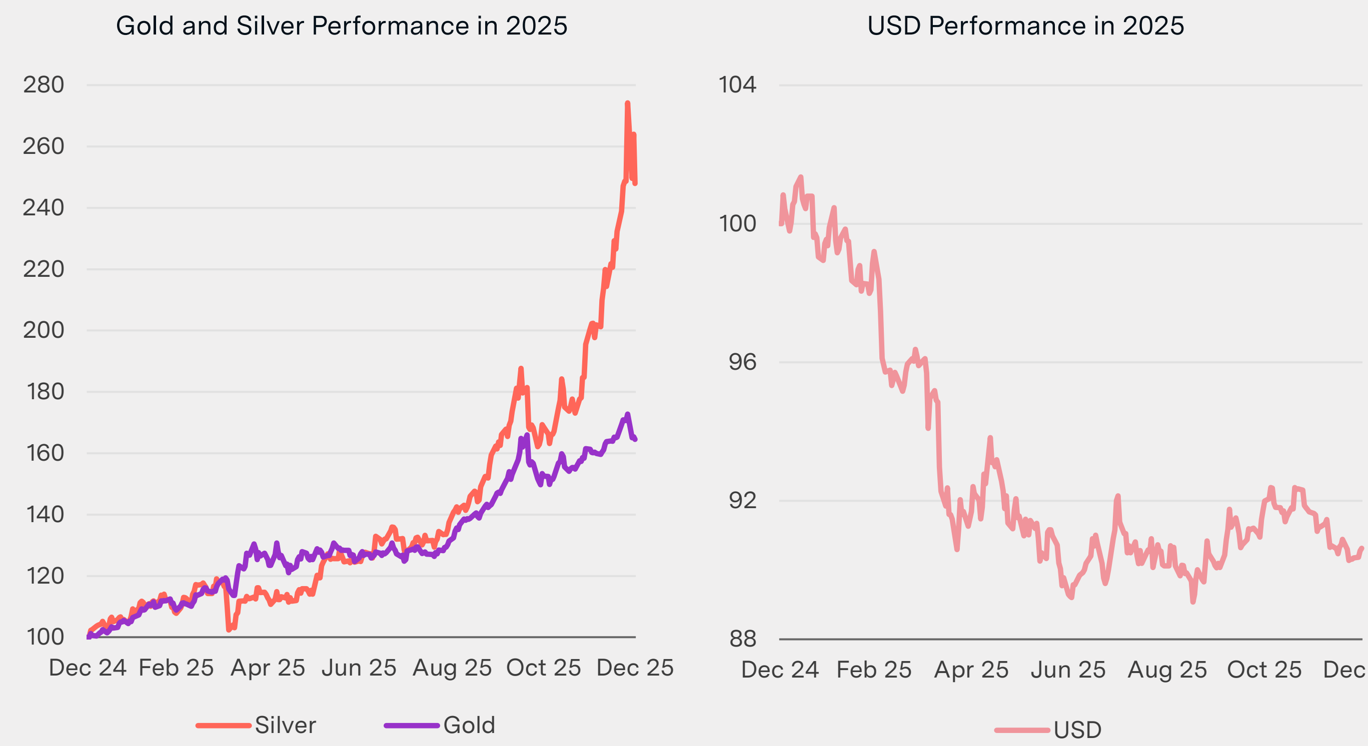
4. Precious Metals Rally

Gold and silver had a strong year, with gold reaching new highs and silver periodically outperforming as investors sought hedges against policy uncertainty and fiscal deficits. The combination of a softer dollar, central-bank buying, and demand for portfolio insurance helped underpin sustained inflows into bullion and related commodities despite otherwise constructive risk sentiment (Exhibit 4).

Exhibit 4: Precious Metals rally attracted investors looking for diversification



Source: Bloomberg as at December 2025. Data rebased to 100.

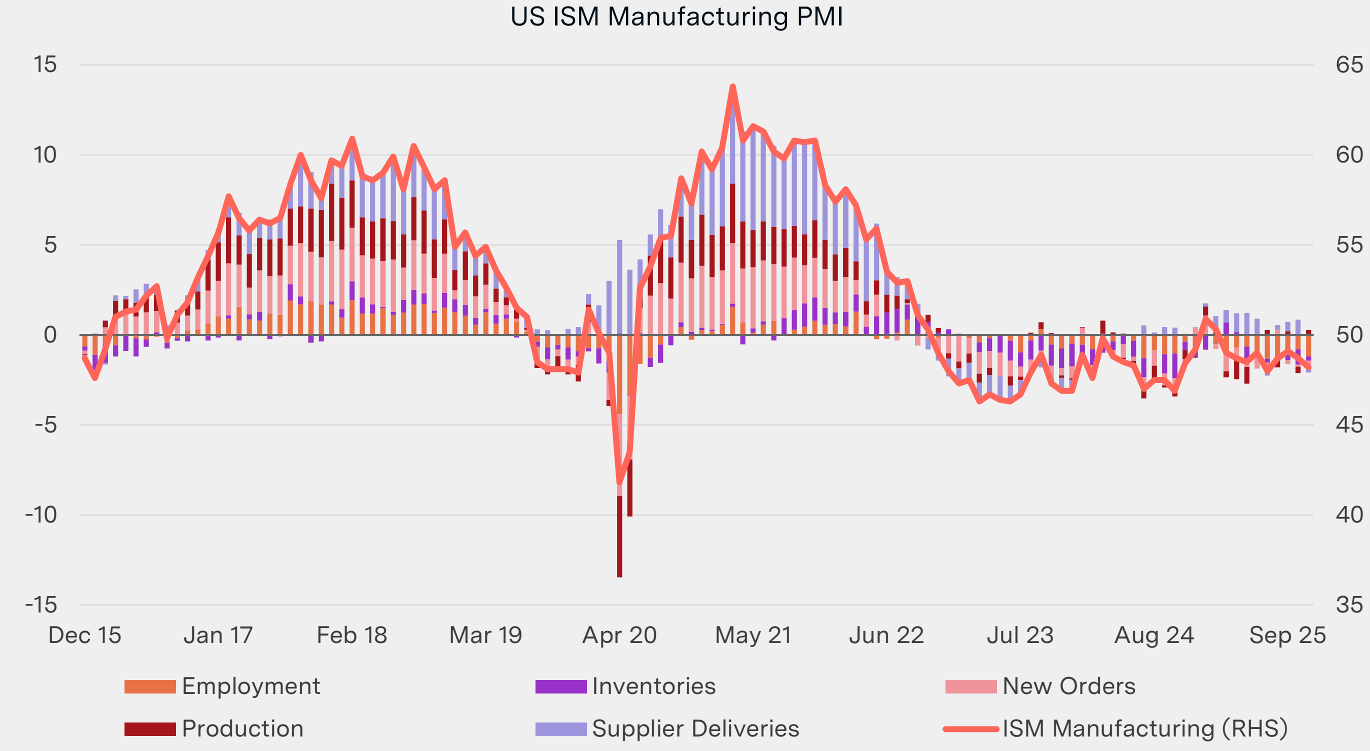
5. Real Economy Signals Were Mixed

The global economy was surprisingly resilient in 2025, supported by front-loaded production and trade, strong AI-related investment, and still-supportive fiscal and monetary policy. Looking ahead, global trade moderating, with higher tariffs expected to lift prices and gradually weigh on consumption and investment. Meanwhile labour markets, though still tight, are easing as job openings have fallen back to their pre-pandemic levels of 2019.

Global growth steadied near 3% during the year, with the US showing resilient consumer demand and moderating wage pressures, while Europe struggled with stagnant productivity and energy transition costs. China's recovery remained uneven, driven by selective policy support and subdued property investment. Emerging markets benefited from improved capital flows, stable commodity prices, and technological reindustrialisation.

US ISM Manufacturing PMI readings in 2025 signalled a protracted contractionary phase, with the index consistently averaging well below the 50-expansion threshold. Key sub-components like new orders, production, and employment consistently hovered near or below 50, reflecting subdued demand, cautious hiring, and ongoing supply chain pressures amid tariff uncertainties and softening global trade. This weak manufacturing backdrop underscored broader industrial sector vulnerability, even as services provided some offset to overall GDP resilience. Stocks linked to industrial activity within the Regnan Water and Waste fund were affected by this weak backdrop (Exhibit 5).

Exhibit 5: Industrial activity yet to recover



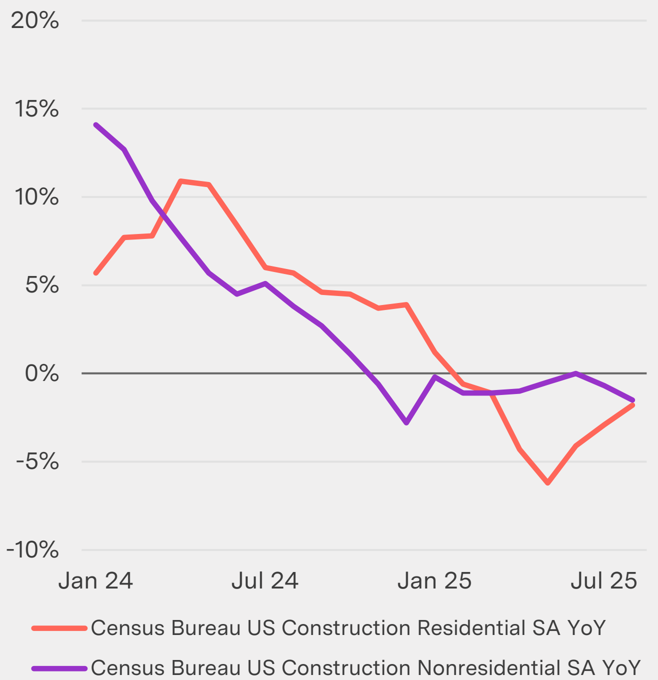
Source: Bloomberg as at December 2025.

6. Residential Construction Has Been Weak in Both US and China

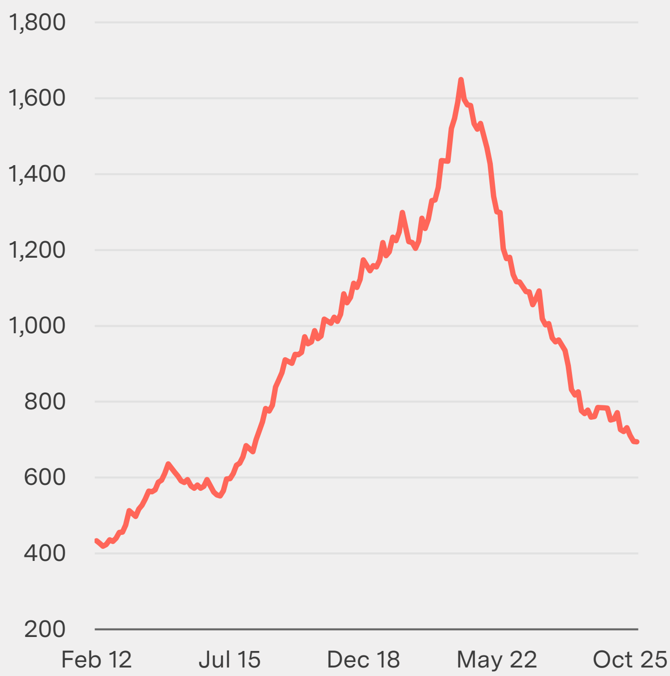
US construction in 2025 was soft overall, with residential activity under pressure, while non-residential and civil work held up better. Construction activity was pressured by elevated costs and policy uncertainty. Europe's construction sector also stagnated in 2025, with residential output in continued downturn through the year due to weak demand and public finances, while non-residential saw only minor growth from renovations and environmental upgrades. China's ability to produce increasingly higher quality goods at increasingly lower prices remains unmatched, while large parts of its domestic economy remain weak. Although the drag from the property downturn on GDP growth is likely easing, property sales remain down roughly 60% and starts around 80% from their peak, making 2025 a difficult year for exposed companies (Exhibit 6). Water equipment companies tied to construction cycles suffered accordingly from this subdued environment.

Exhibit 6: Slower construction

US Construction Activity Has Been Weak for a Few Quarters[1]



China Property – Sales of Residential Buildings (CNY bn. 12m average)[2]



Source: [1]Blomberg as at July 2025. [2]Blomberg as at December 2025.

Winners and Losers Within the Portfolio

Winners

Sabesp: Brazilian water utility Sabesp emerged as one of the portfolio's best-performing stocks in 2025, delivering robust financial results and strong stock price appreciation. The company is coming off a privatisation process in 2024 and has already shown signs of larger profits. The goal is for the company to reach 100% water and sewage coverage across its service area by 2029. Sabesp should invest over BRL 60bn until then and is entering a more market-friendly regulatory regime that incentivises efficiency gains.

Radius Recycling: Radius is one of North America's largest recyclers of ferrous and non-ferrous metals, supplying recycled metals to steel mills and foundries through its recycling operations. In March, it was acquired by Toyota Tsusho America, a subsidiary of Toyota Tsusho Corporation, for USD 30 per share. This deal represented over 100% premium to the company's closing share price before the announcement. We sold the position on the back of the acquisition announcement.

Ebara: Ebara Corp's stock surged approximately 50% in 2025, driven by consistently strong earnings that beat estimates throughout the year. The industrial machinery maker raised its full-year operating income forecast, exceeding consensus expectations. The company also benefited from investor interest in its semiconductor equipment business, particularly its chemical mechanical polishing (CMP) systems and pumps used in semiconductors and data centres. We are positive on Ebara's capacity expansion across regions and new product launches, reinforcing confidence in its medium-term plans.

Losers

Arcadis: Arcadis is a global design, engineering, and consultancy firm specialising in sustainable solutions for natural and built assets. Its shares declined significantly in 2025, stemmed from stalled revenue growth despite a strong 2024 order book. Organic growth for the year was soft amid weak markets in the UK and Australia. In addition, execution issues in invoicing and working capital management lead to free cash flow misses. The stock slumped most dramatically in late October when weak free cash flow overshadowed a modest return to organic growth, erasing gains from a buyback announcement earlier that month. The company appointed a new CFO in September 2025 and plans to appoint Heather Polinksy, currently president of one of Arcadis's better-performing segments, as CEO in March 2026. We view Polinsky's appointment as a positive catalyst for the shares, following a valuation discount to peers that widened to more than 40% in 2025.

Copart: Copart was also a key detractor to the portfolio's performance. It is part of the waste value chain, helping insurance companies and individuals sell cars that have been in accidents or totalled. Primary concerns reflected a revenue miss driven by lower US insurance volumes and modest market share losses. We remain positive on the stock as higher accident rates and rising repair costs are increasing the scrappage of older vehicles by insurers, keeping salvage auctions busy. While Copart's expansion into new countries may pressure profits in the short term, it positions the company for robust long-term growth.

LKQ: LKQ, which operates in the recycling and distribution of automotive parts, saw its share price fall sharply after results missed earnings expectations, as weakness in North America and Europe overshadowed stronger-than-expected organic growth in the Parts & Services and Specialty segments. We see the sell-off as an overreaction given structural positives, such as increasing alternative parts utilisation, sustained market share gains, targeted cost cuts, and buyback capacity representing c. 20% of market cap.

Technology and relative performance: The fund generated positive returns in 2025 but underperformed the rallying market. Lack of exposure to AI-themed technology stocks was the largest detractor from relative performance. Five out of the top nine relative detractors from performance were linked to the technology sector. In the second half, six out of the top seven relative detractors from performance were linked to the tech sector.

FY 2025 Attribution (31 December 2024 to 31 December 2025)

Top Ten Contributors

Stock	Relative Return Contribution %	Sector
Sabesp	1.67	Utilities
Radius Recycling	1.16	Materials
Ebara	1.01	Industrials
Mueller Industries	0.89	Industrials
Organo	0.88	Industrials
Watts Water Technologies	0.71	Industrials
Veolia Environnement	0.64	Utilities
Coway	0.57	Consumer Discretionary
Zurn Elkay Water Solutions	0.54	Industrials
China Lesso	0.53	Industrials

Bottom Ten Contributors

Stock	Relative Return Contribution %	Sector
NVIDIA	-1.45	Information Technology
Alphabet	-1.35	Communication Services
Arcadis	-0.88	Industrials
Copart	-0.87	Industrials
Broadcom	-0.65	Information Technology
LKQ	-0.52	Consumer Discretionary
Microsoft	-0.49	Information Technology
Tetra Tech	-0.46	Industrials
Taiwan Semiconductor	-0.42	Information Technology
Badger Meter	-0.32	Information Technology

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H2 2025 Attribution (30 June 2025 to 31 December 2025)

Top Ten Contributors

Stock	Relative Return Contribution %	Sector
Mueller Industries	1.14	Industrials
Zurn Elkay Water Solutions	0.71	Industrials
Ebara	0.70	Industrials
Organo	0.66	Industrials
Advanced Drainage Systems	0.56	Industrials
Sabesp	0.52	Utilities
Watts Water Technologies	0.42	Industrials
Daiei Kankyo	0.31	Industrials
China Lesso	0.27	Industrials
Xylem	0.22	Industrials

Bottom Ten Contributors

Stock	Relative Return Contribution %	Sector
Alphabet	-1.78	Communication Services
Apple	-1.28	Information Technology
NVIDIA	-0.95	Information Technology
Tesla	-0.48	Consumer Discretionary
Broadcom	-0.43	Information Technology
Badger Meter	-0.43	Information Technology
Taiwan Semiconductor	-0.41	Information Technology
Republic Services	-0.34	Industrials
Coway	-0.33	Consumer Discretionary
Copart	-0.33	Industrials

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Outlook 2026

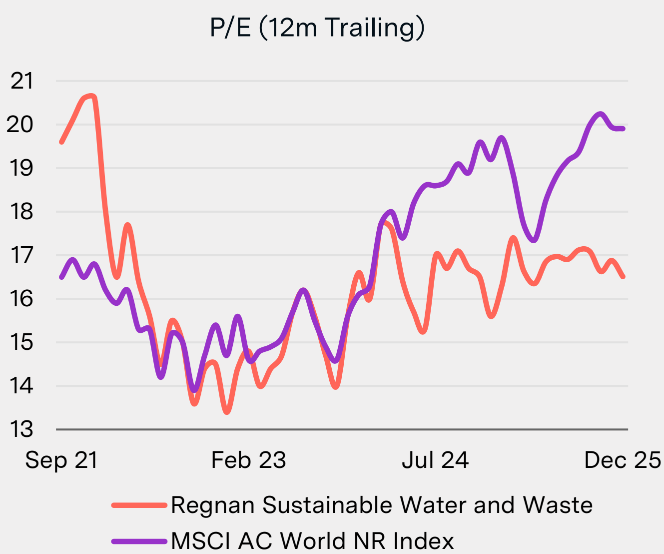
Overall Bull Run Has Space to Continue

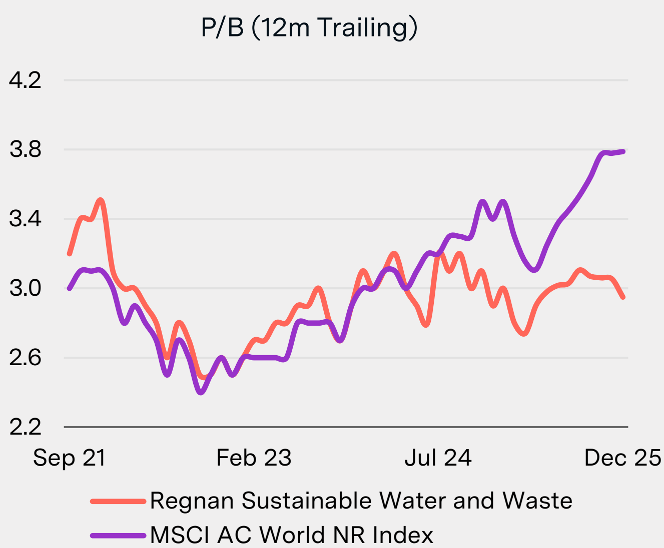
Global growth and equity markets enter 2026 on solid footing, supported by steady economic expansion, easing monetary policy, and resilient earnings momentum. The backdrop remains broadly constructive for equities, though we expect overall market returns to moderate from last year's strong gains as the cycle matures. The environment is consistent with late-cycle dynamics; characterised by earnings-driven gains with some potential valuation upside. While US performance continues to attract attention, leadership is broadening across regions, sectors, and styles, with non-tech areas and value-oriented segments performing more strongly, particularly in Europe and emerging markets.

Inflation is expected to continue easing toward the targets of major central banks as supply conditions improve, energy prices soften, and wage pressures moderate. This disinflationary trend allows for gradual monetary easing led by the US Federal Reserve and supported by several emerging markets, while rates in Europe are likely to remain broadly stable. The combination of slower inflation, modest rate cuts, and steady growth should underpin a supportive environment for risk assets, though volatility may rise as markets adjust to evolving monetary policy signals and cyclical shifts.

In our view, diversification remains the central theme for 2026 against this backdrop. With equity markets still concentrated in a small number of geographies and stocks, investors should consider expanding their regional exposure, combining selective growth and value positions while seeking to capture alpha as correlations decline. Valuations will also become important, as quality names have lagged in the recent rally. The Regnan Water and Waste Fund trades at a discount to its own history and at a steep discount to the market (Exhibit 7). The convergence in valuation bodes well for the portfolio.

Exhibit 7: **Discount to market is a good entry point**





Source: Regnan, StyleAnalytics as at December 2025.

We believe the key risks for equity markets in 2026 include a renewed bout of inflation and policy tightening triggered by a mix of geopolitical shocks and still-elevated valuations. Higher-for-longer real rates interacting with already stretched equity multiples leave markets vulnerable if growth disappoints or if geopolitical tensions around the US-China relationship, ongoing conflicts, or disruptions in energy and supply chains flare up and reprice risk premia sharply.

Water Companies: Outlook 2026

The outlook for the water companies in 2026 remains constructive, marked by a transition from the recovery and stabilisation seen in 2025 to a phase of execution and secular growth. Pricing power continues to be a supportive feature across the value chain, though the magnitude of price realisation has normalised closer to historical averages. Instead of pure pricing, margin expansion in 2026 is expected to be increasingly driven by operational efficiencies and a favourable mix shift toward higher-margin solutions.

On the regulated utility side, the focus has shifted from planning to delivery. In the UK, companies are now entering the execution phase of the AMP8 cycle, with the significant capital expenditure outlined in the previous settlement beginning to hit the ground. This ramp-up in activity is providing tangible revenue visibility for the supply chain. Similarly, in the US and emerging markets like Brazil, regulated utilities are executing on record capital plans, supported by a more settled regulatory environment and stable cost of capital. This synchronised infrastructure spending provides a defensive backbone to the sector's earnings profile for the year ahead.

For equipment manufacturers and technology providers, the narrative has moved beyond the end of destocking to the adoption of 'smart' infrastructure. Labor shortages at the utility level are accelerating the deployment of advanced metering and acoustic leak detection technologies, creating a structural tailwind for companies exposed to utility digitisation. Furthermore, industrial water demand is showing distinct pockets of strength. The rapid expansion of data centres and semiconductor manufacturing is driving outsized growth for specialised water treatment providers, offsetting softer demand in more traditional industrial end-markets.

The landscape for distributors and construction-exposed players remains bifurcated but resilient. While residential markets in China and parts of Europe face lingering headwinds, the US residential sector could see a gradual recovery. More importantly, non-residential exposure—particularly in large-scale infrastructure and manufacturing projects—is bolstering backlogs. Distributors are leveraging their scale and balance sheets to capture share in these complex projects, while M&A activity is expected to remain a key lever for growth as valuations for high-quality assets remain reasonable relative to their long-term growth potential.

Overall, 2026 appears to be a year where the divergence between winners and losers will widen based on exposure to secular trends. Companies aligned with regulatory spending mandates, digital transformation, and critical industrial applications are well-positioned to outperform. The sector's fundamental drivers—aging infrastructure, water scarcity, and regulation—remain intact, suggesting that the industry is well-placed to deliver durable returns despite a mixed macroeconomic backdrop.

Water 2026: Outlook

2026

2025

Pricing remains supportive across the water value chain in 2026, although the pace of price realisation is expected to normalise towards historical averages after two years of outsized increases. Margin expansion should increasingly come from efficiency gains and a mix shift into higher-value digital and treatment solutions.

Regulated utilities are transitioning from planning to execution, with AMP8 in the UK, US rate-base growth and Brazilian concession capex all moving into active deployment phases. This step-up in infra spending provides strong multi-year visibility for networks, contractors, and equipment suppliers.

Equipment and technology providers should benefit from accelerating adoption of 'smart' infrastructure, as utilities respond to labour constraints by investing in advanced metering, leak detection, and automation.

Distributors and construction-exposed names face a bifurcated backdrop, with lingering headwinds in Chinese and parts of European residential markets but gradual recovery potential in US housing.

2026 will be a year for stock picking – arbitraging between regions and different parts of the value chain as bottom-up opportunities arise.

Source: Regnan as at January 2026.

Waste Systems Companies: Outlook 2026

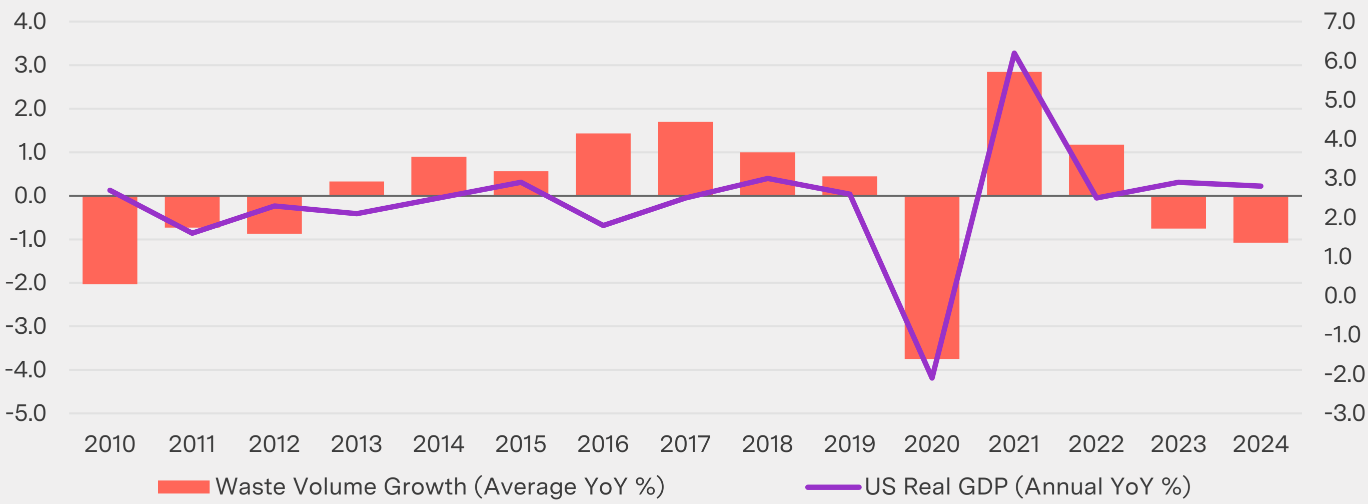
The Solid Waste group showed mixed results during the year. After a strong start to 2025, US integrated waste stocks sold off as markets shifted to a more risk-on stance toward the end of the Q2. While pricing remained strong in 2025, the solid waste peer group faced incremental commodity price headwinds and continued softness in cyclical volumes.

We anticipate pricing moderation for waste management companies in 2026, driven by the continued easing of inflation that is expected to impact pricing across the sector. Following two years of aggressive price realisation amid elevated cost pressures, we expect companies to moderate pricing while keeping margins intact. Margin expansion from the price-cost spread is expected to persist, though commodity weakness and robust special waste volumes in 2025 may limit EBITDA margin gains for a few operators.

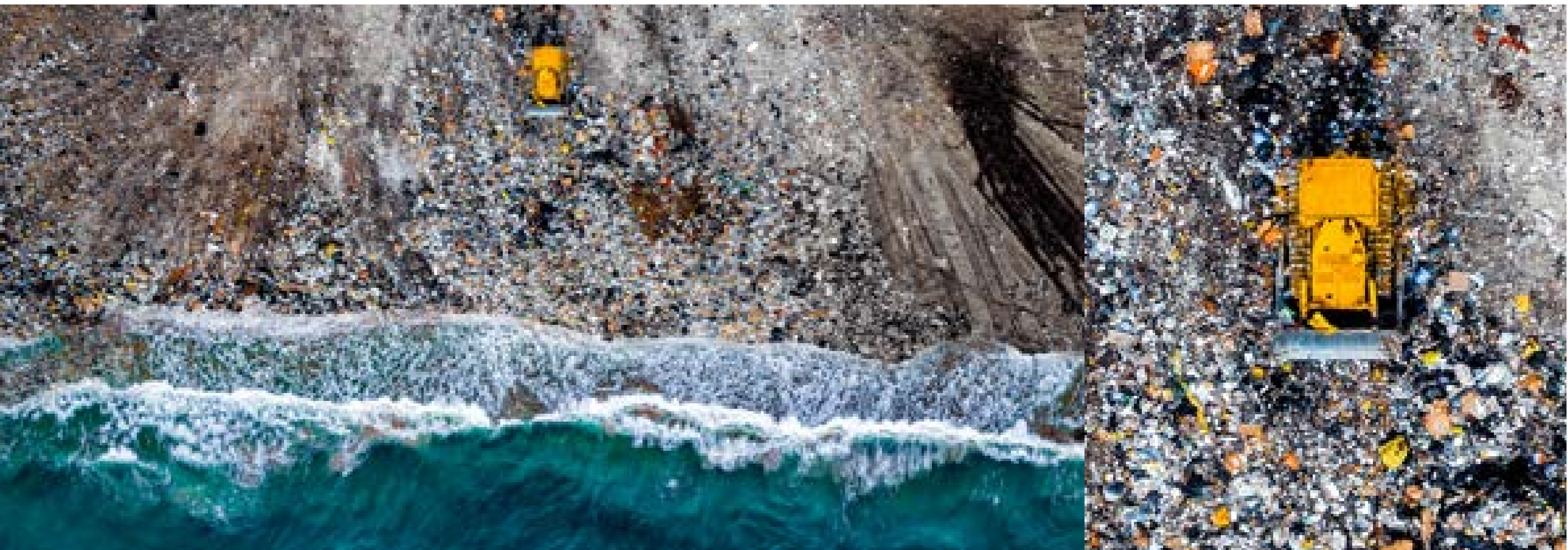
We foresee a gradual stabilisation in waste volumes throughout 2026, building on the comparables from 2025. While overall volumes are expected to decline less sharply than in 2025 on a year-over-year basis, this implies only a modest recovery. Improvements in construction and demolition (C&D) volumes should materialise, supported by a slight uptick in housing starts as 30-year mortgage rates have declined to approximately 6.3%. The structural housing shortage continues to favour new construction over existing home sales, creating incremental C&D waste and special waste opportunities that is likely to drive new customer additions and improved service intervals (Exhibit 8).

Exhibit 8: A pickup in industrial and construction activities will be a positive for waste volumes

Waste Volumes vs. US Real GDP



Source: Regnan, Bloomberg, average of WM, WCN, RSG and GFL Data as at December 2025.



The most significant headwind for 2026 will be the continued depression in recycled commodity prices, particularly Old Corrugated Cardboard (OCC), which comprises approximately 60% of the waste sector's commodity basket. Prices have persisted below the five-year and ten-year averages for over a year. We do not expect OCC prices to sustainably recover above long-term averages until consumer demand and industrial activity rebound materially .

Our outlook for sustainability projects remains finely balanced heading into 2026. Renewable Natural Gas (RNG) prices have eased following adjustments to policy support and credit valuations. Higher natural gas prices could offer some offset, but they may not fully balance the reduction in RNG revenues.

Notably, the hazardous waste sector continues to attract heightened attention from larger industry players, demonstrating resilience with strong demand and elevated pricing levels. Despite ongoing industrial production headwinds, hazardous waste utilisation rates are expected to remain elevated throughout the year. The anticipated uptick in broader economic activity, particularly if manufacturing reshoring accelerates, should sustain robust demand for hazardous waste management services and create new growth avenues within the sector.

We also believe that 2026 presents meaningful opportunities for waste management operators with exposure to international markets, particularly in Europe and Asia-Pacific regions, and we will continue to look for opportunities in these regions.

In summary, 2026 will be defined by pricing moderation in an environment of moderating inflation. While waste management companies will continue to realise price increases, the magnitude of gains will likely be significantly lower than 2025, requiring operational discipline and cost management to deliver margin expansion in the face of persistent commodity headwinds and normalising special event volumes. Pickup in industrial and housing activity could bring positive surprises for the year.

Waste 2026: Outlook

Pricing is expected to moderate in 2026 as inflation eases, with waste management companies still implementing price increases but at a significantly lower magnitude than in the past two years. Margin expansion from a positive price–cost spread should continue, although weaker commodity pricing and normalising special waste volumes are likely to cap EBITDA margin gains for some operators.

Volumes should gradually stabilise through 2026, representing a modest recovery from the weakness seen in 2025. Improving construction and demolition activity, supported by slightly higher housing starts and a persistent structural housing shortage, is expected to create incremental C&D and special waste opportunities over time.

Recycled commodity prices, particularly OCC, remain the most significant headwind, with benchmarks having stayed below five- and ten-year averages for more than a year. A sustained recovery in prices is unlikely until consumer demand and industrial production improve meaningfully, leaving recycling earnings under pressure in the near term.

M&A activity is expected to remain robust in 2026, supported by strong strategic interest in route density and a larger pool of divested assets. Hazardous waste remains a focal point.

International markets, particularly Europe and Asia-Pacific, present incremental opportunity for diversified waste operators able to navigate local regulatory and competitive dynamics.

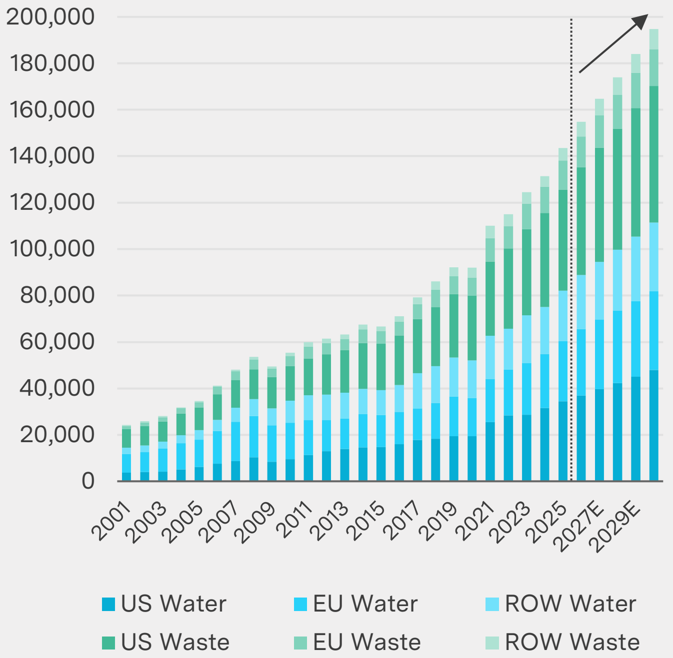
Source: Regnan as at January 2026.

Fundamentals Looking Strong into 2026

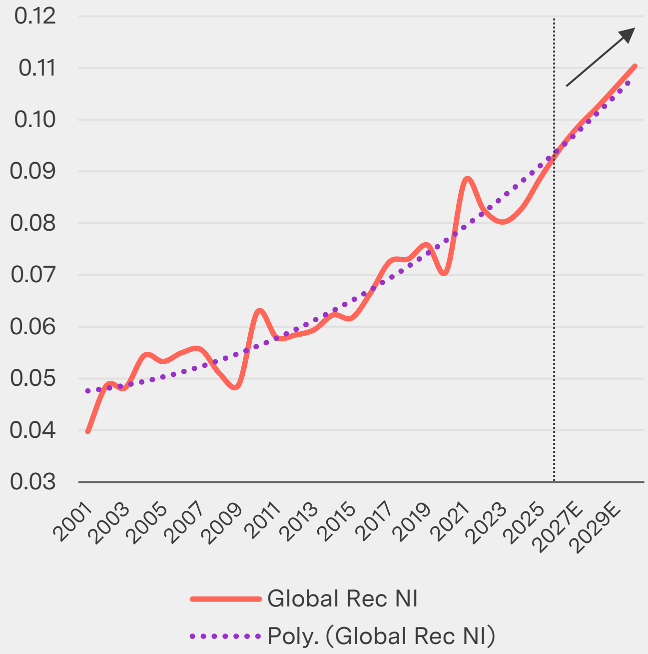
2025 marked another year of EBITDA growth across the W&W universe, supported by strong cash conversion and good visibility across themes and geographies. Companies combined operational discipline with prudent balance-sheet management, driving steady net income margin expansion through the year.

Looking ahead to 2026, we expect pricing power to remain resilient, with scope for volume growth, particularly if consumer sentiment and industrial production recover in tandem. Overall, the theme continues to offer strong earnings and profitability visibility, especially in the event of a market rotation away from the outperforming themes of 2025.

Global Water and Waste
EBITDA (USDm)



Global Water and Waste
Reccuring Net Income Margin (%)



Source: Regnan as at December 2025.

What Could Support Performance in 2026

- **Lower interest rates:** A more dovish stance by major central banks would ease discount rate pressures, supporting valuations for defensive infrastructure and regulated utilities with stable cashflows.

- **Construction activity picking up:** Residential and non-residential construction has remained subdued since 2024, constraining demand for water equipment (pipes, pumps, treatment systems, monitoring) and waste collection/processing volumes. A reversal driven by easing financing conditions, pent-up demand, or renewed commercial investment would lift equipment sales and waste service utilisation across the portfolio.

- **Dollar stabilising:** The dollar has weakened considerably over the last year; a reversal towards strength would benefit USD-denominated holdings in the portfolio. A stronger dollar would also reflect renewed confidence in US economic resilience, potentially supporting valuations for US water and waste infrastructure operators.

- **Inflation persistence:** Moderate inflation creates an environment where our portfolio companies can exercise pricing power. Water and waste operators benefit from essential service delivery, limited substitutes, and supportive regulatory frameworks that allow them to pass through cost pressures to customers. This preserves real returns, protects margins, and sustains earnings growth even as input costs rise.

- **Market sell-off or risk-off environment:** During periods of broad market volatility or equity sell-offs, the portfolio tends to outperform due to its defensive characteristics—stable cashflows, essential services, and resilient earnings.

- **Market rotation away from AI:** A pullback based on valuation or profit-taking in AI-led growth stocks could prompt investors to reallocate towards quality, cash-generative defensives with resilient earnings, benefiting water and waste equities.

- **M&A reacceleration:** Lower borrowing costs and higher strategic confidence may reignite consolidation activity among utilities and environmental service providers, which could serve as a catalyst for value recognition in the sector.


Discrete 12 month performance to end of December

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
I GBP Acc	6.66	9.84	13.29	-8.34	--	--	--	--	--	--

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The investment promoted concerns the acquisition of shares in a fund and not the underlying assets.

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Sources for all data: JOHCM/Bloomberg/Lipper/MSCI Group (unless otherwise stated).