8 July 2026

Challenging Market Conditions

Dear Investor,

Q2 was a challenging quarter for the ARP Megatrend Fund, which delivered a net return to investors in our USD seed class shares of 0.05% vs 13.76% for the MSCI World index. During the quarter, the market rewarded IT companies above all others. This benefitted various equity indices, where IT is an outsized component but made it harder for the Fund, where IT is underweight - relative to the indices but not necessarily in absolute terms. As you can see in Exhibit 1, IT was by far the best performing industry in the S&P 500 during Q2.

Ticker	Sector	Last Price ($) Jul 01 2026	Starting Price ($) Apr 01 2026	Change ($)	Change (%)
XLK	Information Technology	185.62	134.91	+50.71	+37.59
XLI	Industrials	183.36	164.43	+18.93	+11.51
XLF	Financials	54.78	49.44	+5.34	+10.80
XLV	Health Care	159.54	147.73	+11.81	+7.99
XLRE	Real Estate	44.18	40.95	+3.23	+7.89
XLY	Consumer Discretionary	118.09	109.80	+8.29	+7.55
XLP	Consumer Staples	83.30	81.46	+1.84	+2.26
XLB	Materials	51.02	50.46	+0.56	+1.11
XLC	Communication Services	109.74	111.24	-1.50	-1.35
XLU	Utilities	44.77	46.11	-1.34	-2.91
XLE	Energy	52.81	58.97	-6.16	-10.45
SPYM	State Street® SPDR® Portfolio S&P 500® ETF	87.77	77.12	+10.65	+13.81

Exhibit 1: S&P 500 sector performance, 2Q26 (%)
Source: State Street Investment Management

Looking at Exhibit 2, it is worth noting that from around the 20th of May, the Magnificent 7 (the U.S. tech giants) began to underperform the S&P 500. You may argue: *Why does this matter? The aim of the Megatrend Fund is not to beat the S&P 500, so isn't this a storm in a teacup?*

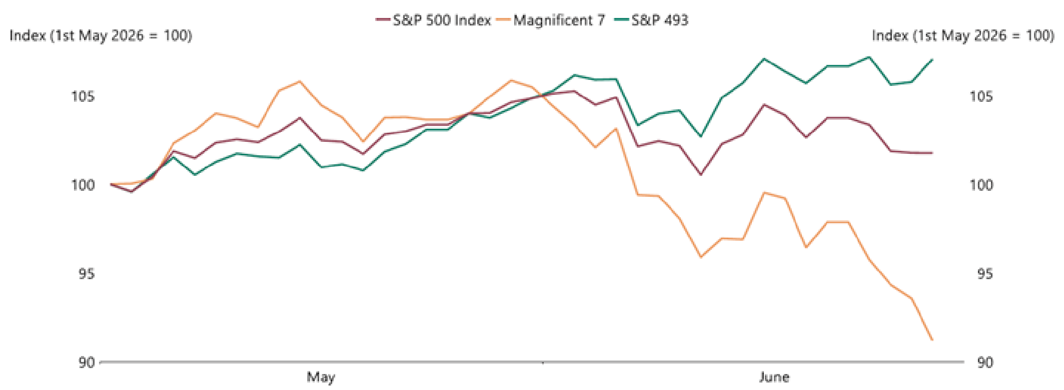

Exhibit 2: Magnificent 7 vs. S&P 500
Source: Apollo Global Management

Technically speaking, you are correct. Having said that, as we are active in both equities and commodities worldwide, there are in fact *no appropriate benchmark* for the Megatrend Fund. The closest one, and the one we keep more than one eye on every day, is the MSCI World Index, the leading global equity index. And, in that index, the S&P500 accounts for almost 73% of NAV. That is why the S&P 500 matters to us.

In simple terms, we found Q2 challenging, as, beyond the significant outperformance of IT, there were no clear patterns, market-wise. The basket that made the biggest positive contribution to the bottom line in Q2 – about +1.4% - was the *Healthcare* basket, a relatively defensive basket. However, the second-best performing basket in Q2, with a positive contribution of about +0.5%, was the *Electrification & Cooling* basket, a much higher-risk strategy and a basket closely associated with the near-global desire to electrify as much as possible. The fact that the two best performing baskets over the quarter were one of the most and one of the least aggressive baskets respectively hits the nail on the head, I believe.

National Security, a relatively new basket in the Fund, did the poorest, contributing -1.3% to Fund NAV. Energy security is a subset of national security, and energy prices fell dramatically as the quarter progressed in response to President Trump's desire to talk energy prices down. We remain quite bullish on energy prices, though, particularly on natural gas prices and, for that reason, have no desire to change anything.

In late May/early June, we made several changes to the portfolio, generally increasing the portfolio's equity beta (risk). We exited Consumer Staples completely whilst increasing the risk in some of the higher equity beta baskets (e.g. *Electrification & Cooling* and *Nuclear Energy*).

Looking forward, we continue to believe commodities will outperform equities, possibly for many years to come. Consequently, we continue to add to our commodity investments. It would obviously be preferable if one could invest in all those commodities directly, but that is not always possible. As far as certain commodities are concerned, we therefore seek exposure through appropriate equity investments instead.

Between direct commodity investments and commodity-linked equity investments, almost 30% of the Fund is now exposed to various commodities – in no particular order, to copper, nickel, uranium, rare earths, gold, aluminium, natural gas, water rights and palladium.

Geographically, we 'entered' the Middle East war with an overallocation to Europe and Asia vis-à-vis USA. That strategy had worked well in 2025 and early 2026 but not since the Americans went to war in Iran. The reason? The insulated nature of U.S. energy markets when compared to the rest of the world probably explains the newfound optimism in USA. Unlike in Europe and Asia, the Americans do not need to import fossil fuels anymore. They have in fact become net exporters of oil and gas, i.e. the higher prices in Q2 provided a boost to the overall economy, although U.S. consumers suffered.

Now, as we enter Q3, crude oil prices (though not refined oil prices) are pretty much back to pre-war levels, i.e. the overall U.S. economy no longer benefits but U.S. consumers still suffer. That should be a recipe for a selloff in already overpriced U.S. equity markets, but that hasn't happened yet. A sign of a bubble?

As always, should you have any questions, we are more than happy to address them. I can be reached at the email address below, should you have something on your mind.

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