

**James Thomson**

Portfolio Manager

Fund	YTD 2025	Q3 2025	1 Year	3 Year	5 Year	10 Year
Starlight Global Growth Fund, Series F	8.3%	3.2%	12.3%	21.0%	8.3%	11.4%

Source: Starlight Capital, as of September 30, 2025.

Performance Summary

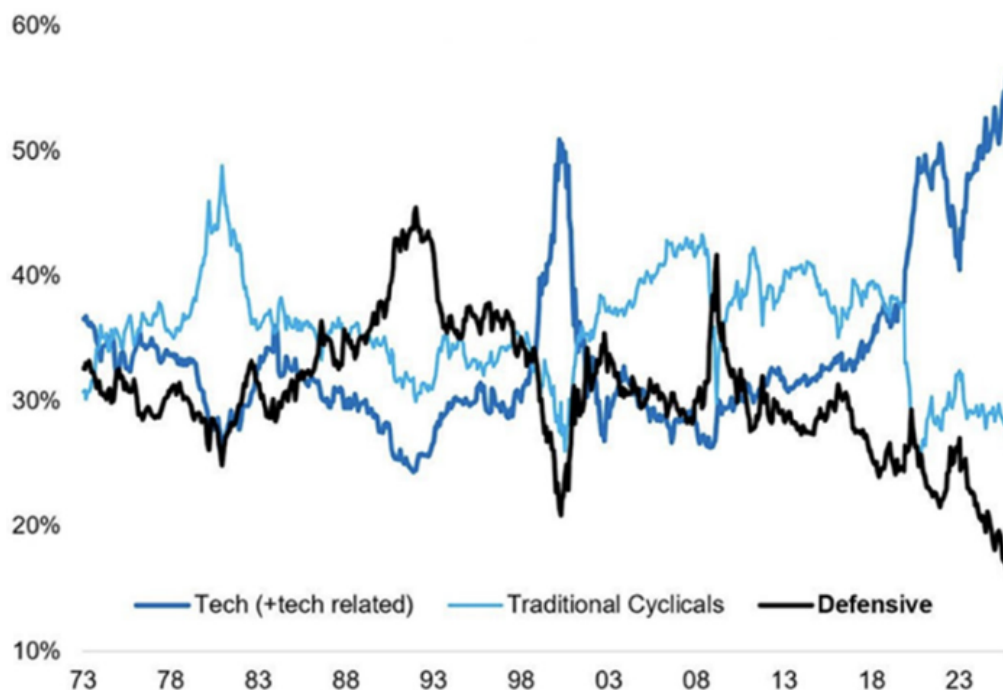
- Over the third quarter of 2025, Starlight Global Growth Fund, Series F (the Fund) returned 3.2%. Year to date, the Fund returned 8.3%.
- Thirty of the most AI-centric stocks account for almost all the S&P 500's year-to-date gains. Approximately 43% of the S&P 500 has been labelled an "AI stock" according to analysts at JPMorgan — an unlikely reality in the shakeout to come. We are firm believers that AI is a new computing generation that will probably be the most important investment theme of our careers. But we want to keep euphoria and our risk exposure to this theme in check.
- Information Technology, Consumer Discretionary and Communication Services were the top sector contributors to Fund performance in the quarter, which was slightly offset by a decline in Financials, Health Care and Consumer Staples.
- While several of our stocks have posted sensational returns this year, our weatherproof bucket and our resilient, reliable, repeatable compounders have lagged a market that's only looking for positive earnings surprises and earnings recovery. We want to remain broad and balanced in our end-market exposure as even the AI theme will run into indigestion that could trigger a meaningful correction.

We underperformed this quarter as we didn't own enough AI stocks despite Nvidia being our largest holding for several years. Thirty of the most AI-centric stocks account for almost all the S&P 500's year-to-date gains. Approximately 43% of the S&P 500 has been labelled an "AI stock" according to analysts at JPMorgan — an unlikely reality in the shakeout to come. We are firm believers that AI is a new computing generation that will probably be the most important investment theme of our careers. But we want to keep euphoria and our risk exposure to this theme in check. Era-defining technological inventions are often accompanied by hype, overinvestment, unclear business models and snake oil salesmen. We have approximately 20% of our Fund exposed to this AI theme and have been careful to trim position sizes into strength — most recently with our holdings in high-end chip designer **Nvidia** and connectors, wiring and sensors supplier **Amphenol**.

Amphenol is a hidden play on the datacentre boom that's the epicentre of the AI buildout. It makes connectors, controllers, cable assemblies and other peripherals that are vital components in datacentre server racks. In 2016 when I first met with this company, I proudly proclaimed it one of the most boring companies I'd seen in many moons. Since then, its sales have trebled, earnings per share have jumped 290% and its share price soared 10-fold. It has been one of the most important outperformers for our Fund in the past decade. By boring I must have meant that these products are low-value but mission-critical: no customer wants to substitute them and risk product malfunctions — especially if the savings are de minimis.

While several of our stocks have posted sensational returns this year, our weatherproof bucket and our resilient, reliable, repeatable compounders have lagged a market that's only looking for positive earnings surprises and earnings recovery. This has driven the weighting of the tech (and tech-related) super sector to almost 60% of the market while traditional cyclicals have flatlined and defensives were crushed. We want to remain broad and balanced in our end-market exposure as even the AI theme will run into indigestion that could trigger a meaningful correction.

MARKET CAP WEIGHTINGS (SUPER SECTORS): USA



Source: Topdown Charts, LSEG.

Q3 2025 Top Five Contributors			Q3 2025 Top Five Detractors		
Stock	Average Weighting	Contribution to Return	Stock	Average Weighting	Contribution to Return
AMPHENOL CORP-CL A	3.2%	0.8%	INTUITIVE SURGICAL INC	1.8%	-0.3%
ALPHABET INC-CL C	2.3%	0.8%	INTUIT INC	2.1%	-0.3%
NVIDIA CORP	3.6%	0.7%	ACCENTURE PLC-CL A	0.5%	-0.2%
SHOPIFY INC - CLASS A	1.5%	0.4%	BOSTON SCIENTIFIC CORP	2.3%	-0.2%
ESSILORLUXOTTICA	2.0%	0.4%	ASML HOLDING NV	0.4%	-0.2%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2025.

Sector	Portfolio Weight %	Top %Q/Q Changes
Consumer Discretionary	16.9%	1.0%
Communication Services	5.9%	0.7%
Industrials	15.2%	0.5%
Financials	9.9%	-0.2%
Information Technology	20.2%	-1.1%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2025. Excludes Cash and Cash Equivalents.

AI capex: has the machine bitten off more than it can chew?

With fear of upcoming AI indigestion in the air, the market has punished many stocks for their potential to lose out to AI as IT budgets are rerouted and disrupted. Traditional packaged software is a key controversy: the software-as-a-service model was a key feature of the digital transformation upgrade over the past 20 years. But software businesses are now fighting a bear case that many investors believe is too difficult to completely disprove at this point. Will customers still subscribe to software tools if AI becomes the portal for most tasks, both at home and at work?

Our holdings in book-keeping tool **Intuit** and IT service desk platform **ServiceNow** have been knocked back on this unproven threat because many believe that AI agents will boost efficiency (and therefore workers) at its customer businesses. That means fewer licences for companies like Intuit and ServiceNow, which charge by the user, so less revenue. Could AI directly replace software functionality rather than merely enriching it? And will large enterprises replace expensive software solutions with customisable AI-driven alternatives? These software stocks are selling off just on the potential rethink of business models and monetisation strategies, while the financial benefits for the semiconductor stocks are immediate and tangible.

Our holding in business consultancy **Accenture** was also hit by AI fears that do seem clear, present and credible. As an IT consultant that has IT service revenue lines and business process outsourcing segments, some of Accenture's software development and application testing revenue may be severely cut if replaced with generative AI solutions. The consulting business — which normally benefits from enterprises that need advice, prerequisite work and fine tuning of large language models to aid corporate AI adoption — may in fact be a net loser this time around. Again, the problem is that the business' model has been priced on seat-based expansion. This volume-driven solution is the opposite of the AI productivity promise and severely dents the consultants' investment case. We have sold the position.

Trying to age gracefully

Finally, we suffered during the quarter from a sell-off in our medtech stocks **Intuitive Surgical** and **Boston Scientific**. In a market that likes to run red hot or ice cold on ideas, these stocks were both heroic outperformers in recent years. But they have since been sold to provide cash as this new computing era soaks up investor capital. There are few credible stock-specific concerns that we have other than some minor tariff headwinds from imported equipment and parts. The healthcare sector has been one of the worst performers year-to-date as investors look for hyper growth alternatives. We think the long-term future is bright for these companies and that an eventual broadening of the market will lift their stock prices meaningfully.

Many of our quarter's top performers were 'AI plays', including chip designer Nvidia, wiring and connectors manufacturer Amphenol and search giant **Alphabet**. Although, it's important to remember that, for most, AI is just a part of their business, not than the sole driver.

Our long-standing holding in Nvidia continues to shine brightly as the backbone of the AI buildout and the benefits for the company are immediate and tangible. The valuation of this company is not outrageous, with the price approximately 30x the earnings expected in the next 12 months. However, we're keenly aware of the risk of leftfield events and the outsized impact they can have on stock prices that have gone parabolic, so we have trimmed our position recently. A potential hurdle to overcome in the years ahead for all the AI plays will be power shortages. By 2027, global data centre power consumption is expected to rival that used by the entire state of California in 2022. If power and chip efficiency don't make meaningful strides to do more with less, then the whole AI complex will short circuit.

We benefitted from a new holding in **Shopify** that we bought during the Trump tariff tantrum earlier in the year. This is a full suite retail e-commerce platform for smaller merchants. It incorporates website design tools and themes, sales and marketing tools, 16,000 individual apps for business customers, billing, payments and payroll functionality. The next leg of growth will come from short-form content monetisation, social commerce, where product sales are integrated into TikTok and YouTube videos. Shopify becomes the central hub for small merchants to sell anywhere.

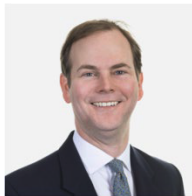
The surprise AI beneficiary this quarter was sunglasses giant **EssilorLuxottica**. A sunny and fashion-first summer drove significant sales in its vision and sun segment. Ray Ban's partnership with Meta to develop new AI glasses lifted growth and the traction should continue. These Ray Ban Meta glasses feature eight-hour battery life, an ultra-wide 12-megapixel camera for capturing videos and can be paired with prescription lenses and open-air speakers to amplify the voice of the person you're talking to. EssilorLuxottica seems to be successfully combining fashion with medtech solutions — and as none are getting any younger, so we need all the help (on both fronts) we can get.



Source: Meta.

Investment Management Team

 **RATHBONES** Starlight Global Growth Fund is sub-advised by Rathbones Asset Management Limited.



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Portfolio Manager



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Investment Management Team

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