Rothschild & Co
Wealth Management

LongRun Swiss Small & Mid Cap Fund

QUARTERLY LETTER

Advertising communication

JANUARY 2026

Investment philosophy

"Make things as simple as possible, but not simpler" – Albert Einstein

Welcome to the ninth LongRun Swiss Small and Mid-Cap fund letter. We kept the structure of previous editions which includes three sections: A description of our investment philosophy followed by a review of the quarter and finally an investment discussion such as a company case study. The section on our investment philosophy will not change in content but we may from time-to-time sharpen the wording. The review of the quarter covers performance and portfolio changes. The investment discussion focuses on a different topic each time. In the present issue we take a closer look at the business of online business. Feel free to skip to whichever section interests you most.

Our aim is to invest in a concentrated portfolio of high quality Swiss small and mid-cap businesses and hold these for the long-term. Put differently, we simply want the best. More detail on our investment philosophy below.

Long-term business owners

We want to own high-quality businesses which will be around and prospering for decades. Hence, we pay little attention to short-term price moves and rather focus on a business's sustainable competitive position. This means we search for companies with enduring superior business models that can compound their earnings. Consequently, we avoid companies in commoditized industries where price is the main differentiator. We seek solid companies in control of their own destiny, immune to external prices swings. A key consideration is often management's allocation of capital as if it were their own, with a dedicated emphasis on achieving sustainable superior returns.

We care about valuation but are not dogmatic about it. If a great business continues to prosper, we are convinced that its share price will eventually follow. Furthermore, an obsessive focus on valuation often fails to identify truly exceptional businesses. We are determined to avoid this mistake.

Warren Buffett's advice "It's far better to buy a wonderful business at a fair price than a fair business at a wonderful price" is gospel to us. We are long-term business owners, which, in essence, implies that we envision acquiring a business and happily owning it for decades, if not longer.

Deep research on few companies only

As follows from the previous section, we do not continuously screen our investment universe for "cheap" companies nor do we buy and sell based on short-term price changes. Instead, we leave this to machines which go through publicly available data to identify and exploit perceived arbitrage opportunities.

Our research process is thorough. Once we consider buying a company, we invest a lot of time reading its annual reports, conducting expert calls, talking to management and constructing our own financial models. We also read books on companies and their leaders, industry newsletters and listen to podcasts. In short, we leave no stone unturned to better understand a business.

We prefer to analyse and own fewer companies, ensuring a deeper understanding. To us, this deep understanding of business models is absolutely necessary even if it is no guarantee for superior long-term performance.

Wealth preserving portfolio

Avoiding permanent capital loss is essential to long-term investment success. Consequently, we conduct deeper research on fewer companies. Also, it's an ongoing process, never truly finalised. We always strive to learn more and assess whether a business will be around and prospering decades from now, considering environmental, social or governance risks. Only companies of high quality, firmly in control of their own destiny, make the cut.

Our approach stands in stark contrast to benchmark-relative investing, where the allocation to each company is determined by the benchmark. In this method, any particular company then receives a higher or lower or even no allocation depending on a portfolio manger's view. This frequently results in a portfolio with – we would claim – too many positions. To us, the benchmark serves as a yardstick only, and when looking at its constituents, we select simply the best. That is why our portfolio's deviation from the benchmark as measured by the active share commonly exceed 65%.

On a portfolio level, our selection of businesses is complementary, as they serve different end markets across various geographies, generating sales in multiple currencies. To us, this represents true diversification. We are cautious about merely adding more businesses to achieve diversification by quantity. This results in a robust portfolio.

A robust portfolio is also what then allows us to compound returns over the long-term. Just like we expect our businesses to compound their earnings, we also want to compound our clients' wealth.

Portfolio review

A look at performance and changes over the quarter

Performance

The fund gained +1.5% over the fourth quarter and +2.2% for the year 2025. In comparison, the SPI Extra, serving as the fund's yardstick, gained +6.0% and +16.9% over the same periods, respectively. Annualised returns since the strategy's inception stand at +5.0% for the strategy and +5.1% for the benchmark.

12 of the 24 companies in our portfolio delivered positive share price returns this quarter. The main positive contributors were VAT Group (+22.7% share price change over the quarter), Galderma (+17.2%) and Comet (+16.9%). The main detractors were Burckhardt Compression (-11.4%), Interroll (-11.5%) and Swiss Marketplace Group (SMG) (-19.8%). We discuss these in turn.

VAT Group performed extremely well over the fourth quarter. During the earnings call management reiterated its guidance for the last quarter and pointed towards positive momentum for memory and logic demand. Additionally, many semiconductor related companies' share prices benefitted from Nvidia's strong results released at the end of November – a rising tide lifts all boats. For more information on VAT read our Q1-24 letter.

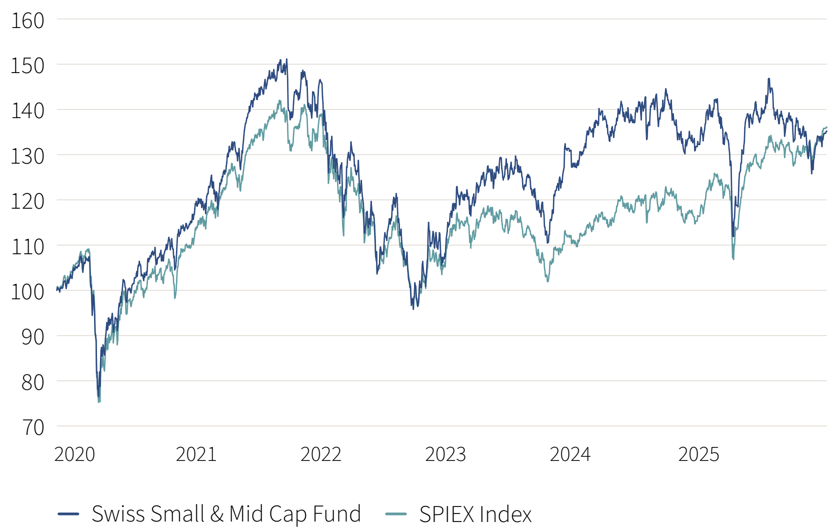
Galderma, the topic of our Q3-25 letter, continued to deliver. Reported record sales for the first nine months were strong across all segments and management raised full year sales guidance from 13% to above 17%. Further, in early December L'Oréal announced the acquisition of an additional 10% stake in Galderma.

Comet's share price had lost more than 20% over the third quarter and so was on a relatively low level. At a mixed capital markets day in mid-November, management lowered guidance but remained optimistic on its general market outlook. Similarly to VAT, Comet profited from Nvidia's results later in the quarter.

Burckhardt Compression reported its half year results in early November with mixed trends and lower order intake. However, the share price started to decline at the beginning of September due to risks regarding US imports, low energy prices and possible tariffs.

During the third quarter of 2025, Interroll's share price increased by over 25% and thus, the company was entering the fourth quarter on a relatively high level. During the

FIGURE 1: PERFORMANCE (%)[1]



	Fund	Benchmark	Difference
2025	2.2	16.9	-14.7
2024	1.0	3.8	-2.8
2023	21.9	6.5	15.3
2022	-26.6	-24.0	-2.5
2021	22.9	22.2	0.7
2020	14.1	8.1	6.0
2019	4.4	4.9	-0.5
Cumulative return	35.2	36.1	-0.9
Annualised return	5.0	5.1	-0.1

[1] Performance based on a certificate from its inception on 2019-11-06 until the fund's inception on 2023-06-11 and the fund's performance thereafter.

quarter there was not much news flow, however, investors still seem to wait for the market environment to improve.

SMG went public in mid-September. Soon after, the stock came under pressure due to fears that AI may make classifieds obsolete. In the UK, Rightmove, a property portal, announced it needed to increase capital expenditure to be prepared for AI. This will lower its previously unmatched margins substantially over the coming years. As you will read later in this letter, SMG's investment case rests on different drivers, making this a, at least partially, misled read-across by the market.

Over the year, our investment style was a drag on performance. Following the surprise announcements of 39% tariffs for Switzerland by Donald Trump on Liberation Day (it is still unclear to us who was actually liberated), the market favoured domestically focussed businesses. These tend to be value style investments such as local banks and insurers, which we tend to not invest in. The situation reminded us of 2015 when the SNB removed the cap of 1.20 CHF per EUR, which led to a sharp appreciation of the CHF. In the aftermath, predictions were that Swiss internationally oriented business would forever lose their competitiveness. Yet, a decade later many are still around and even flourishing. It is not a certain exchange rate or tariff level, which make businesses competitive, rather long-term planning, innovation and solid execution. These qualities, when all combined, also allow businesses to pass on some price increases. Eventually, tariffs were reduced to 15% later in the year, so that too blew over.

Activity

During the fourth quarter we added Kardex and Amrize, which we describe below. We feel comfortable with our concentrated portfolio of now 24 outstanding businesses. Further changes to the portfolio will likely be replacements rather than additions.

This year's rotation away from quality towards value still presents us attractive entry points for businesses we have previously been reluctant to invest in due to valuations.

Kardex is a Swiss-based intralogistics solutions provider operating through two main segments, Automated Products and Standardised Systems, supported by a robust life-cycle services business. The company designs and manufactures automated storage and retrieval solutions and also integrates third-party technologies into broader warehouse systems. Kardex's business model balances new equipment sales with recurring service revenue. The company serves customers in over 30 countries and has an installed base exceeding 140,000 units.

Amrize is a new North American market leader in building materials and building-envelope solutions, created through a spin-off from Holcim and listed on both the Swiss stock exchange and NYSE in June 2025. The company provides a broad portfolio including cement, aggregates, ready-mix concrete, asphalt, advanced roofing and wall-system technologies, organised in two core segments, Building Materials and Building Envelope. It is the latter segment which provides ample opportunities for organic and inorganic growth. With its CEO Jan Jenisch, who was instrumental to the rise of construction chemicals giant Sika, we believe Amrize to have a great future.

Result

Our portfolio comprises high-quality businesses, as evident from the financial metrics: Cross-cycle sales growth of 9%, an operating margin of 21%, an operating return on invested capital of 22%, a net debt to EBITDA leverage ratio of 0.1x, and a strong cash conversion rate of 85%. We consider the current valuation attractive, with the portfolio offering a free cash flow yield of 3.3%, slightly ahead of the benchmark's 3.2%.

The business of doing online business

As you may expect, this section focuses on a single investment. We do this because after researching a business and eventually investing in it, we like to share some of our insights. This time, we examine how to best find what you are looking for – easiest done online, at least for homes and cars in Switzerland. As it turns out, online classifieds not only create a lot of business but are good businesses.

Coronation of the Swiss classifieds king

The modern classifieds industry emerged when static advertisements in print media lost out to the capabilities of the internet – a textbook example of digital disruption. Put simply, digital marketplaces match buyers' demand and sellers' supply most efficiently. For instance, to buy a new car you likely search an online platform, compare results in your vicinity before viewing cars physically.[1] This is a clear improvement on visiting car dealerships and studying newspaper ads just to say "I still haven't found what I'm looking for".[2] Importantly, the platform with the most listings attracts the most buyers, which in turn attracts more sellers, creating a flywheel effect. The "winner-takes-most" dynamic results in quasi-monopolies with high barriers to entry. In numbers, the leading platform typically has around 80% market share. Swiss Marketplace Group (SMG) is the undisputed king of this model in Switzerland.

SMG was formed in November 2021 when two of Switzerland's largest media companies, Ringier and TX Group merged their classifieds platforms. Thereby, ending years of battling over market share which only increased customer acquisition costs and depressed margins. Hence, the merger rationalised the sector by uniting the leading platforms. Eventually, SMG listed a minority stake of 22% on the Swiss stock exchange in September 2025, with the remainder being held by TX Group, Ringier, Mobiliar and General Atlantic, holding about 30%, 20%, 20% and 8% respectively. General Atlantic and Mobiliar will likely reduce their holdings at the right price, increasing the free float. The strategic media owners remain committed over the longer term.

The crown jewels

Living in Switzerland, you can find a home, car and various hard goods, even furniture for your home, on SMG's portals. In the following, we outline the company's activities, or in other words, the best places to find what you are looking for.

Real Estate (50% of revenue) serves buyers and renters via several portals, including the "jewels" Homegate and ImmoScout24. Together, SMG's portals receive about eight times more monthly visits than their nearest competitor, Newhome. Beyond property listings, value-added services increase customer retention. These include a CRM tool (Casasoft), data-driven property valuations (IAZI) and digital rental management solutions (integrated in FlatFox). Thereby, SMG captures value across the entire property lifecycle, from valuation to listing and tenancy management. Revenue comes almost exclusively from real estate agents' subscriptions.

Automotive (25% of revenue) is one single portal, AutoScout24, the undisputed market leader. It has almost 30 times more monthly visits than its closest competitor. Here too, new and enhanced products increase customer retention. For instance, an AI showroom feature allows dealers to present cars as if they had been brought to a showroom. Also, a new auction service enables private sellers to sell vehicles directly to dealers, capturing additional transaction value. Revenue comes mostly from auto dealers' subscriptions.

General Marketplaces (20% of revenue) comprises various portals including Ricardo, Tutti and Anibis. Overall, they enjoy almost 20 times more traffic than their closest competitors. The marketplaces differ in their monetisation strategies. Ricardo is a transactional marketplace, monetising successfully sold items via a 10% commission. Meanwhile, Tutti and Anibis are free, relying on advertising revenues.

Ancillary services (5% of revenue) complement the auto and real estate offering by leveraging the high purchase-intent traffic to cross-sell financial products. This segment has only recently reached breakeven.

[1] We searched on SMG's portal, AutoScout24.ch, for VW Golfs and found 3,347 cars. Admittedly, this is also one of the most common models in Switzerland. When limiting the search to black cars which are 3 to 5 years old, we found 154 in Switzerland, 76 within 50 km of Zurich city centre and 25 within 20 km. There are almost limitless other filters making digital marketplaces the most efficient starting point for, at least, a car search.

[2] As you may know, we embed references to popular culture in the letters. The current issue's song choice is U2's 1987 song "I still haven't found what I'm looking for, which allegedly is about personal growth, but could as well be about a house or car. In fact, a rumour is that Bono's lyrics may have been inspired by looking for his car keys, which is not impossible.

Three key advantages of operating across several verticals are: operational synergies, cross-listing and diversification. Only the latter two warrant further explanation. Coss-listing enhances traffic and the potential for successful transactions. About 50% of real estate and 40% of auto listings also appear on SMG's general marketplaces. Diversification refers to the benefit that if one segment faces a difficult environment, the others may not.

Subscription pricing follows a similar model for real estate and auto activities. There are four tiers (i.e. starter, experienced, professional, expert) differing in included listing volumes and services. Prices are slightly lower for autos and the distribution across tiers differs, yet both have about 70% in the middle tiers. Subscriptions typically re-new annually, providing an opportunity to upsell. SMG completed a "contract harmonisation" exercise last year, migrating legacy customers to new standard rates. While this initially caused some churn, it has since stabilised to near zero, proving that the offering is sticky. The value provided by SMG is tremendous and prices appear low. For instance, the average Swiss real estate agent generates about CHF 900,000 in revenue per year. To make these sales, she spend about 3.5% on SMG's services, in addition to office rent and other employee expenses. Clearly, this is a small share to use the best place to sell homes (and cars) in Switzerland.

Despite its dominance, SMG's monetisation lags international peers, a relic of previous price wars. The company's "take rate", defined as the percentage of the total value generated in a transaction captured by a platform, is only around 2%, lagging best-in-class peers like AutoTrader (UK auto listings) and Rightmove (UK real estate listings) who achieve take rates of 6% and 8%.

Inside the fortress

SMG's formation via a merger made some management changes inevitable. The current leadership was involved in building a strong operating platform and is determined to now drive further growth. We have met the core team and believe they can succeed. We did not know that classifieds companies exchange ideas and even help one another. This may sound odd at first, but as quasi national monopolies, they lack real competition and do not fear their international peers. To give one example, at the end of November, some met in Zurich for an exchange. This collaboration is unlike any other industry we know of. Maybe they shared some insight on tech platforms in the past.

Classifieds are by no means technology laggards, most companies invest heavily, assuring smooth portal and service operation and insightful data analytics. Also, rolling out new features is much quicker with state-of-the-art technology. At SMG some recent launches include Tenant+, a subscription service for apartment searches, which allows tenants earlier access to listings, or Seller Leads which provides agents with promising leads on new properties.[3] This helps SMG remain the innovation leader.

To maintain its lead, SMG has in the past invested heavily and put all offerings on new technology platforms. This shows in its R&D spend, which was about 10% over the past years, more than many competitors. Also, SMG employs around 900 people with the majority in technology positions. SMG has achieved greater cost efficiency by nearshoring about 35% of its workforce allowing it to hire developers without the Swiss high-cost burden.

SMG has achieved operating margins slightly below 50% in the past. This can clearly be improved via revenue growth and cost discipline. Importantly, investments in R&D should be lower going forward because heavy investments have already been made. We therefore see margins rising to 60%. The earnings quality is high as seen by its solid cash conversion, leaving room for future dividend increases.

AI evolution, not extinction of the crown

SMG's IPO occurred amidst a "perfect storm". In the UK, Rightmove, which was long admired for its industry leading margins of around 75% announced massive technology investments over the next years. This will reduce the margin profile and suggests that these margins were achieved by underinvesting in the tech stack. A state-of-the-art tech platform is essential facing the rise of AI. Whilst a comprehensive analysis of AI disruption exceeds the scope of this letter, we want to offer some insights. The king is dead. Long live the king!

Currently, AI models rely on scraping, which often yields delayed or inaccurate data – a critical flaw in fast-moving rental markets. Whilst direct API feeds may emerge, unresolved monetisation questions suggest inventory won't be freely available.

Crucially, dominant portals have moats that AI cannot easily replicate. First is proprietary data: AI lacks verified transaction data, risking valuation errors of about 20%, versus a portal's 2%. Second is ecosystem lock-in: by embedding essential software such as CRM for agents, platforms create stickiness. Third is the visual experience: real estate is inherently image-centric, a weakness for currently text-heavy AI.

[3] Seller leads is a service identifying potential home sellers through platforms like Immoverkauf.ch , which was acquired from SMG's German peer Scout24. There homeowners register and use a free tool to value their property (IAZI). SMG sells these high-quality leads to real estate agents, giving them a valuable opportunity to win new sales mandates.

Moreover, purchasing a home is an emotional process of elimination. Unlike general marketplaces or even autos, property buyers demand to see every alternative to ensure they have found the best version of what they were looking for. This psychological need for comprehensive inventory offers real estate portals unique protection against AI curation.

We do not view AI as a risk for the next five to ten years. Also, SMG is well protected with about 90% organic traffic, meaning people going to their apps or sites directly and not via search engines. Currently, about 9% of traffic comes from search engines and only a negligible 1% from AI. Interestingly, half of the AI traffic is from FlatFox, a service often used by young people to find shared housing, who can be assumed to be more tech savvy. Consequently, we expect SMG to remain AI resilient as it also integrates AI as a productivity feature rather than being displaced by it.

Heavy wears the crown

Most classifieds portals receive some regulatory scrutiny which comes with their success. SMG actively engages with regulators to avoid unnecessary disturbances. In 2021 the company voluntarily contacted the Swiss Competition Commission which cleared the merger. However, scrutiny has since intensified. SMG's IPO prospectus altered its risk language to warn of active investigations, alarming investors. This stems from the Swiss Price Supervisor looking into pricing for general marketplaces and real estate. Fortunately, they found an amicable agreement in January 2026, putting the topic to rest for now.

A walled garden worth tending

We like classifieds for their asset-light business model, high cash conversion, and durable moats. SMG is a prime example of this quality. It holds an undisputed monopoly in a wealthy, stable country. One could claim that the company operates in a walled garden! While the "AI-loser" stigma may take time to shake off, the underlying fundamentals tell a different story.

We usually do not comment too much on share prices but this time it may be worth it. The IPO price was set at CHF46, and the day after shares closed at CHF49, a good start! However, within two months, the shares fell below CHF 29 (no, this is not a typo) and we opportunistically added to our position. What had changed was the above narrative around AI disruption and some idiosyncratic issues reported by its peers. After the announcement of the agreement with the Price Supervisor, shares closed above CHF 43. Mr. Market sometimes just cannot make up his mind – we can and cherish our king!

Business owner's portfolio

A deeper look into the strategy and its companies

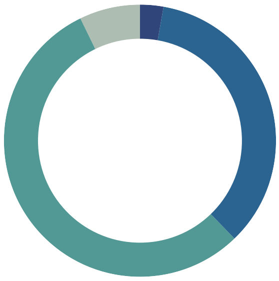
SALES BY BUSINESS (%)

Materials	1
Machinery	19
Other cap goods	13
Transportation	4
Semiconductors	14
Health care	22
Food	8
Real estate	1
Asset management	4
Other	15

Based on internal analysis.

By weight in portfolio, excluding cash.

DEGREE OF PRICING POWER* (%)



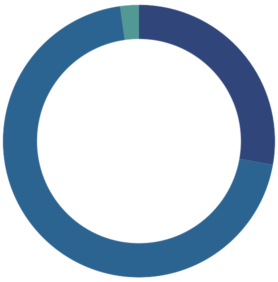
High	4
Medium	35
Low	54
None	7

*In the investable universe, approximately 5% of companies have medium or high pricing power.

Based on internal analysis.

By weight in portfolio, excluding cash.

STRENGTH OF COMPETITIVE ADVANTAGE (%)



High	28
Medium	70
Low	2

Based on internal analysis.

By weight in portfolio, excluding cash.

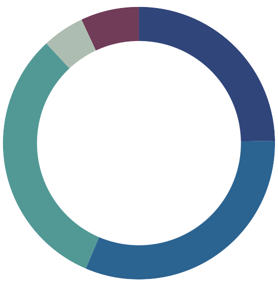
STRENGTH OF SWITCHING COSTS (%)

High	40
Medium	47
None	13

Based on internal analysis.

By weight in portfolio, excluding cash.

ESG RATING BREAKDOWN (%)



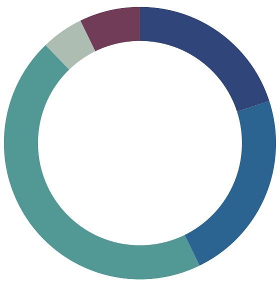
AAA	25
AA	32
A	32
BBB	5
not rated	7

The ESG rating summarizes the ESG performance of a company across environmental, social and governance topics compared to its industry peers.

Data retrieved from MSCI ESG Research LLC.

By weight in portfolio, excluding cash.

IMPLIED TEMPERATURE RISE BREAKDOWN (%)



1.5°C Aligned	20
2.0°C Aligned	23
Misaligned	45
Strongly Misaligned	5
No Rating	7

Implied Temperature Rise (ITR) shows the alignment of companies with global temperature goals. This represents the global warming amount if everyone replicated the measured company's practices. Categories range from less than or equal to 1.5°C Aligned to more than 3.2°C Strongly Misaligned. Data retrieved from MSCI ESG Research LLC.

By weight in portfolio, excluding cash.

Notes

At Rothschild & Co Wealth Management we offer an objective long-term perspective on investing, structuring and safeguarding assets, to preserve and grow our clients' wealth.

We provide a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

In an environment where short-term thinking often dominates, our long-term perspective sets us apart. We believe preservation first is the right approach to managing wealth.

To follow a wide set of timely and insightful publications, podcasts and videos please visit our Wealth Insights www.rothschildandco.com/insights

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Values: all data as at 31 December 2025.

Sources of charts and tables: Rothschild & Co and Bloomberg, unless otherwise stated.

Past performance is not indicative of future performance and investments and the income from them can fall as well as rise. Strategy performance is shown in CHF, after all fees, in total return, combining income and capital growth.

Important information