Rothschild & Co
Wealth Management

LongRun Swiss Small & Mid Cap Fund

QUARTERLY LETTER

Advertising communication

APRIL 2026

Investment philosophy

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

Welcome to the 10th 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 examine how it is better being safe than sorry, not only in 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

Portfolio performance and changes

Performance

The fund lost -2.6% over the first quarter 2026. In comparison, the SPI Extra, serving as the fund's yardstick, lost -1.0% over the same period. Annualised returns since the strategy's inception stand at +4.5% for the strategy and +4.8% for the benchmark.

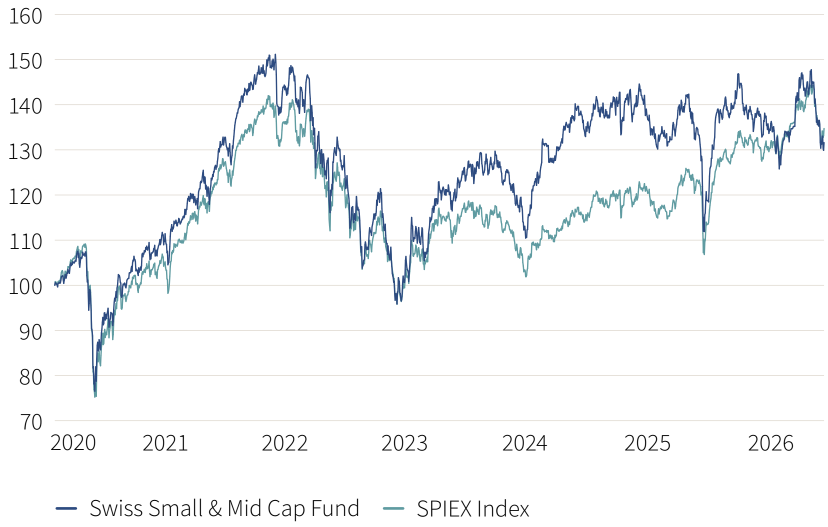
10 of the 26 companies in our portfolio during this period delivered positive share price returns. The main positive contributors were VAT (+25.4% share price change over the quarter), Accelleron (+15.8%) and Comet (+9.9%). The main detractors were Belimo (-17.8%), Skan (-20.0%) and SMG (-24.6%). We discuss these in turn.

VAT's share performed extremely well over the first quarter, like the quarter before. During the earnings call management reaffirmed its 2026 guidance. Additionally, the order intake was very strong, giving good visibility for the near term. On the last day of March, the company warned of some delays in revenue due to supply chain disruptions caused by the Iran war. This delay will only change the timing of the revenue by some weeks. For the time being, semiconductor related shares benefit from some tailwinds. This is no surprise given the fact that the capital expenditure plans of hyperscalers gives the industry and its supply chain good revenue visibility. For more information on VAT read our Q1-24 letter.

Accelleron has been going from strength to strength and reported great 2025 results. The company is profiting from the high energy usage of data centres, where their turbo chargers are now used for primary energy generation. Management expects this trend to continue and drive solid organic growth for 2026 and probably even beyond. The company increased its dividend and announced a share buyback programme. We acknowledge, that the past years were exceptional for Accelleron. Whilst we know this will not continue forever , we regard the firm as one of the highest quality businesses in Switzerland – read more in our Q2-25 letter.

Comet entered 2026 with a strong order book and is benefitting from continued semiconductor momentum. We remain invested for now but are watching the commercial traction of its Synertia platform. Sales are either immanent or unlikely to materialise at all, the next earnings release will bring more clarity.

FIGURE 1: PERFORMANCE (%)[1]



	Fund	Benchmark	Difference
2026	-2.6	-1.0	-1.7
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	31.6	34.7	-3.1
Annualised return	4.5	4.8	-0.4

Belimo's share price decreased significantly after record 2025 figures met a cautious 2026 outlook. Demand for data centres remains solid and the management expects mid-teens revenue growth for 2026. However, management is known to guide conservatively. Like many high-quality Swiss businesses, Belimo is comparatively highly valued and increased market uncertainty due to the Iran war and currency headwinds led to some profit taking and a derating of the shares.

Skan's 2025 results were widely expected to be underwhelming. There was a clear difference between the two segments: Equipment & Solutions suffered from project postponements whilst Services & Consumables grew strongly. Overall revenue and profit decreased which led management to cut the dividend. However, the increased order book suggests that many customer projects moved from 2025 to 2026, providing some silver lining. The new CEO, Jonas Greutert joined at the beginning of the year from Mettler Toledo and he seems confident about Skan's future.

SMG remains under pressure due to fears that Artificial Intelligence (AI) may make its business obsolete. We do not think this is true and outlined the business in our previous Q4-25 letter. The share price rose up to CHF 44 at the beginning of the year due to an agreement with the price supervisor. Subsequently, it declined to between CHF 25 and CHF 30 on very little volume. The company's 2025 results were solid and the outlook promising. We continue to like the investment case and the (future) cash generation of the business. Also, a member of management bought some shares as soon as the blackout period ended – a good sign.

2025 was difficult for our quality investment style as tariffs and a preference for domestically focused, often value-oriented businesses weighed on performance. The first quarter of 2026 came with its own challenges and a rise in geopolitical uncertainty. Investors rushed towards defensive, domestically oriented companies with stable earnings, while high-quality global businesses – many of which trade at premium valuations – saw disproportionate share price pressure.

At the same time, the growing influence of AI continued to drive dispersion within global markets. A small number of AI-linked companies attracted most of the investor attention. While such rotations can be uncomfortable in the short term, they do not alter the underlying strengths of the companies we invest in. We remain focused on businesses for the long run.

Activity

During the first quarter we added SIG Group and Temenos to the portfolio, which we describe below. Additionally, we sold Interroll, Sika, and Kuehne + Nagel. We feel comfortable with our concentrated portfolio of 23 outstanding businesses. Further changes to the portfolio will likely be replacements rather than additions. We still see some attractive entry points for some outstanding businesses.

SIG Group is a global aseptic packaging leader. A key advantage is easy handling and extended shelf life, for instance milk in aseptic carton packaging does not require uninterrupted cooling and lasts up to a year. Together with their competitor Tetra Pak, SIG Group covers 90% of the addressable market. The company operates a razor-razorblade business model, selling filling machines and the packaging materials. The latter provides recurring revenue. However, SIG should sound familiar since we owned the shares previously but sold due to uncertainties around restructuring plans, a legal case linked to a previous acquisition and changes in management. At current share prices, improved communication and a stake of an activist investor, we are confident to add it back to our portfolio.

Temenos is a global leader in banking software serving more than 1,000 financial institutions globally. The company offers a comprehensive suite of cloud-native, AI-enabled platforms covering core banking, digital banking, payments, wealth management and financial crime mitigation. Temenos maintains one of the industry's highest R&D budgets and is recognized as a consistent market leader in global core banking. We invested in the company after its shares declined at the beginning of the year. We believe that the company will prosper under the leadership of its new CEO and former CFO Takis Spiliopoulos.

Result

Our portfolio comprises high-quality businesses, as evident from the financial metrics: Cross-cycle sales growth of 8%, an operating margin of 21%, an operating return on invested capital of 22%, a net debt to EBITDA leverage ratio of 0.4x, and a strong cash conversion rate of 88%. We consider the current valuation attractive, with the portfolio offering a free cash flow yield of 3.7%, ahead of the benchmark's 3.2%.

Better safe than sorry

As some readers – particularly returning ones – may expect, this section focuses on a single investment. We write such case studies because after researching and eventually investing in a business, we want to share some of our insights. This time, we inspect the business of providing peace of mind.

Trust is good, knowing is better

Consider the following example: When a Chinese manufacturer ships a plastic infant toy to a Swiss retailer, somebody must verify that the paint is lead-free, that a toddler cannot choke on the small parts and that the electrical components do not interfere with a pacemaker. That somebody is a Testing, Inspection and Certification (TIC) company. Société Générale de Surveillance (SGS) was founded in 1878 to inspect grain at European ports. Since then, an entire industry has emerged around the principle that an independent third party should verify that goods, infrastructure and processes meet applicable standards[1]. Clearly, having to say "(…) is it too late now to say sorry"[2] is not good for business. In the following, we examine the TIC industry, SGS's past, present, and probable future.

The global TIC market has been growing slightly ahead of economic activity for as long as anyone cares to measure. The largest listed TIC companies – SGS, Bureau Veritas, Eurofins and Intertek – together command about 15% of their addressable market of USD 150 billion[3]. They compete with regional champions and a long tail of small, often family-owned labs. Regulation deters new entrants because obtaining all necessary authorisations is often costly. For reference, SGS is said to be the most broadly accredited competitor with over one thousand authorisations worldwide. Even after overcoming such hurdles, a new player has no reputation, and its certificates are not as highly valued as one by an established player. This suggests that switching costs are high, especially for tightly regulated industries such as pharmaceuticals, where qualifying a new testing provider is cumbersome and likely to delay sales. Further, customers only pay a tiny fraction of their total cost for TIC, yet failure can be catastrophic and potentially deadly[4]. Hence, established players have some pricing power above and beyond inflation. To sum up, demand for TIC services is ever increasing whilst the competitive environment is benign and more consolidation, albeit slow, seems overdue.

The sleeping beauty

In 2025, SGS employed 100,000 people in 2,500 laboratories and offices across 115 countries[5]. Importantly, TIC is a local business, and customers choose a provider based on proximity, local accreditations and relationships with the on-the-ground team. This may explain why the industry is slow to consolidate and why larger international players, like SGS, have an advantage in winning contracts from multinationals.

SGS's revenue is broadly diversified across industries and geographies having the largest service portfolio and widest global reach in its industry. Yet, contribution from the Americas is comparatively low but about to change with a large acquisition described later. The majority of revenue is quasi-recurring due to multi-year contracts and retention rates of up to 80%. A great set-up, though not without its drawbacks. For the better part of the past decade, SGS grew steadily but at an underwhelming rate and suffered from lower margins than its peers. Corporate management had become complacent. One anecdote illustrates this well: A

[1] Historically, TIC-responsibility rested with governments. In the Roman empire public weighers verified correct weights and grain. The Assize of bread and ale in medieval England intended to protect consumers. Yet, independent entities only emerged with globalised trade.

[2] Justin Bieber's "Sorry" reached #1 on the US Billboard in 2016. The song about forgiveness in a relationship could easily be adapted to a company apologising for unintended consequences of product failure.

[3] The total testing market may be double in size but includes internal (i.e. non third party) testing as well.

[4] There are countless examples, we mention one each for T, I and C. Testing: In 2013 ready-made meals across Europe labelled as 100% beef in fact contained horse meat. Simple ingredient testing would have revealed that. Inspection: The 2023 derailing of a freight train in the Gotthard tunnel was caused by a cracked wheel which bypassed ultrasonic inspection and left one worker dead. Certification: Ill-designed Boeing 737 MAX planes potentially pitched up due to heavy engine weight. This was corrected with a software system. To speed up certification, Boeing downplayed the role of this system and excluded it from pilot training. In 2019/2020 two planes crashed causing 346 casualties.

[5] SGS trumps peers in size and scale as indicated by overall facility or laboratory count, market capitalisation and revenue, to mention but a few. For instance, SGS has ca. 1,800 laboratories, Bureau Veritas 1,400, Eurofins 900 and Intertek 850.

laboratory needed a Covid-19 testing machine and more than 10 approval signatures later, final signoff was about to be granted after the pandemic had ended – too late now (to say sorry)[6]. Lab workers are overwhelmingly loyal – many stay for decades or entire careers but as rational scientists, they may change for better facilities or pay. Clearly, SGS was having issues.

Awakening the sleeping beauty

In early 2024, Géraldine Picaud became CEO and wasted no time. Her strategic vision was to reinvigorate growth and improve profitability through consolidation and organisational efficiency, articulated in "Strategy 27". Operational changes followed quickly. The corporate structure was simplified. Recall that Testing & Inspection are local activities, hence they were re-organised into five key geographies, pushing accountability closer to the customer. Buying a testing machine should be much quicker now! Certification was carved out as a global business segment. A dedicated global key-account team was established to better cross-sell to multinationals. Duplicate roles were cut, and the executive committee was reduced from more than 20 to 12 members. Géraldine met with regional, country, and business line heads to decide if they were right for the job. Crucially, senior-leader incentives were re-aligned with shareholders' interests[7]. When SGS announced the sale of its trophy headquarters in Geneva to relocate to Baar there was no more denying that things were changing[8].

Thus far, results were excellent: By 2025 sales reached almost CHF 7 billion, the margin had improved, and cumulative cost savings already amounted to the CHF 150 million target years ahead of schedule[9]. A good chunk of these come from building shared-service centres in lower-cost locations, such as moving US payroll processing to Bogotá, Colombia. Since January 2024, SGS has completed 36 bolt-on deals showing a good cadence of expansion. Additionally, the company completed the transformative USD 1.3 billion purchase of Applied Technical Services (ATS). As the largest deal in the company's history, ATS adds specialised expertise in high-margin sectors like aerospace, defence, and precision calibration. The exclusive focus on the US expands SGS's regional revenue by 50% and total group revenue by 5%. With minimal client overlap, the acquisition creates significant cross-selling opportunities at profit margins well above the group average. The deal came at the cost of increasing leverage temporarily by a third[10]. To preserve cash to continue to grow whilst paying down debt, for 2025 shareholders are offered a script dividend, just like for the year before. Effectively, this provides the choice between a payment in shares or cash, a pragmatic solution which leaves the dividend "untouched".

What may be lost in these figures is the profound cultural change: SGS abandoned indiscriminate growth for clear market leadership, aiming for a top three spot in any country and segment. Where operations lack scale or returns management needs to find revenue or take cost out within three months. This may lead to a slow tilt towards higher-margin activities.

The beauty rises

We expect SGS to grow at +3-7% in reported currency in the longer term. This is composed of +5-7% organic growth in-line with the global TIC market, +1-2% from bolt-on acquisitions, and -2-3% from currency headwinds. This excludes any potential but unpredictable large deals. We acknowledge, that currency headwinds are also impossible to forecast precisely but are confident, that efficiency improvements will provide some offset. The structural trends underpinning the strong organic growth include increased regulation, supply chain near-shoring, proliferation of connected devices and rising consumer safety needs.

The business is also more resilient than many expect. Testing volumes held up during the pandemic as companies did fewer but not zero transactions, and the backlog recovered swiftly. Geopolitical disruptions such as near-shoring increase testing intensity, because new factories and new suppliers need to be qualified. The physical, accreditation-heavy nature of the work provides a natural moat against Artificial Intelligence (AI) disruption: A large language model cannot be trained to operate lab equipment or conduct an on-site safety inspection. If anything, AI is a net positive, boosting demand through data centre construction and cybersecurity testing, while providing administrative productivity gains such as report writing and audit preparation. Indeed, SGS's auditors will use AI-assisted tools as soon as regulators approve them.

A detailed analysis of end markets or reporting segments seems futile given the vast diversification. Importantly, SGS is slowly improving its margin profile

[6] The tune is stuck in our heads.

[7] Short-term bonuses are now directly tied to growth, profitability and cash generation.

[8] The Geneva headquarter was 13,000 square metres, oversized for today's 160 staff, as well as for the 240 when Géraldine took office. The relocation to Partners Group's old headquarters in Baar came with two reductions: Floorspace ("only" 10,000 square metres) and, potentially the tax rate.

[9] Strategy 27 was announced in early 2024. Comparing these goals with the five years prior (2019-2023) and the two years since (2024-2025) shows strong progress. Organic growth p.a.: +4% prior, +5-7% goal, +6.5% since. Margin: -100 basis points prior, +150 basis points goal, +130 basis points since. Cash conversion: 35% prior, >50% goal, >55% since (using the company definition of free cash flow / (EBITDA – leases)).

[10] Another way to look at leverage is the number of years it would take to fully repay debt from operations (net debt to EBITDA ratio), which temporarily rose from 1.7x to 2.1x following the ATS acquisition.

by pruning low-margin contracts – now likely below 2% – and emphasising higher value activities. Two higher margin areas are: Life Sciences, where SGS is particularly strong in biosafety and pharmaceutical testing; and Digital Trust, where SGS is a leader in cybersecurity evaluation and data certification. For example, the former includes the testing of vaccines, and the latter includes specialised AI audits to verify algorithmic integrity and ensure unbiased databases. By shifting from labour-heavy traditional testing to more tech-driven services, SGS ensures that as AI and robotics proliferate, humans remain protected by rigorous, independent verification. The more sceptical amongst us may acknowledge the need for caution when dealing with AI and humanoids. In other words, there is a non-zero probability, that "one day the AI's are going to look back on us the same way we look at fossil skeletons (…)"[11]. We need to prevent that.

On valuation, SGS is valued at a premium to its peers on many measures, for instance roughly 21 times forward earnings versus 15 to 18 times for its listed European peers. We believe this is justified by its larger and more diversified lab network, its industry-leading return on invested capital and the fact that the self-help story may only be in its early innings. There remains meaningful upside from here as the growth profile improves, margins converge with – and eventually surpass – those of peer, and strong cash generation continues. In short, the sleeping beauty has woken up, and the fairy tale is only in its opening chapter[12].

[11] In the 2014 film Ex Machina, the young programmer Caleb Smith is invited by his reclusive tech CEO, Nathan Bateman, to test the consciousness of an advanced humanoid AI. Nathan predicts that "One day the AI's are going to look back on us the same way we look at fossil skeletons on the plains of Africa. An upright ape living in dust with crude language and tools, all set for extinction." A good film, worth watching just to see if the prediction comes true.

[12] Well, "(…) is it too late now to say sorry", for all the footnotes?

Business owner's portfolio

A deeper look into the strategy and its companies

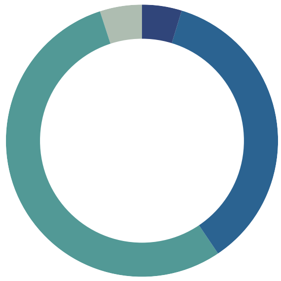
SALES BY BUSINESS (%)

Materials	3
Machinery	21
Other cap goods	12
Transportation	4
Semiconductors	8
Health care	21
Food	6
Real estate	2
Asset management	4
Other	19

Based on internal analysis.

By weight in portfolio, excluding cash.

DEGREE OF PRICING POWER* (%)



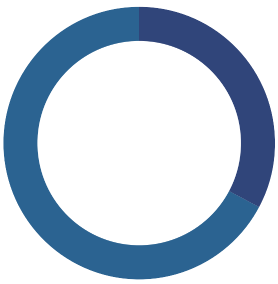
High	5
Medium	36
Low	55
None	5

*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	33
Medium	67

STRENGTH OF SWITCHING COSTS (%)

High	45
Medium	43
None	12

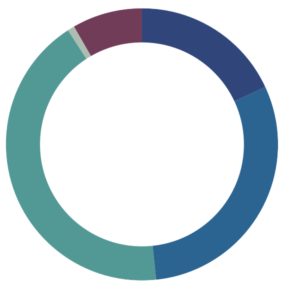
Based on internal analysis.

By weight in portfolio, excluding cash.

ESG RATING BREAKDOWN (%)

AAA	36
AA	19
A	28
BBB	10
not rated	8

IMPLIED TEMPERATURE RISE BREAKDOWN (%)



1.5°C Aligned	18
2.0°C Aligned	30
Misaligned	42
Strongly Misaligned	1
No Rating	8

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 March 2026.

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.