

SVS RM Defensive Capital Fund

Webinar

September 2025

Institutional Investors Only



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Agenda

- Fund overview
- Performance
- Low risk yield
- Inexpensive tail-risk hedging
- Macro and outlook



SVS RM Defensive Capital Fund Objectives

The Defensive Capital Fund strategy was launched in 2010 and was acquired by RM Funds in 2024

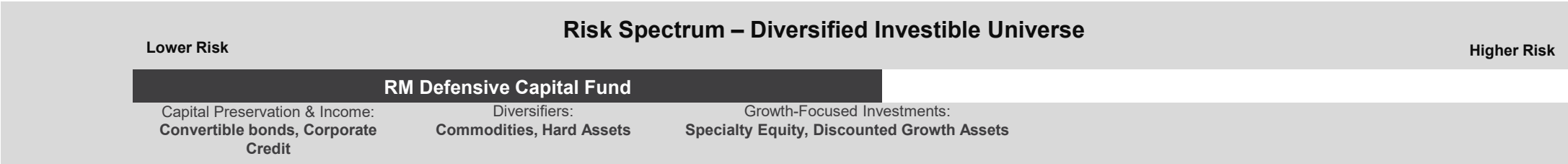
Investment Objectives:

- Preserve capital
- Positive absolute return over a rolling three-year period
- Generate capital growth over the long-term (5+ years)

The Defensive Capital Fund aims to deliver lower volatility returns relative to the wider market, by investing in assets that do not necessarily rely on market growth for positive returns.

It offers investors a diversified, actively managed fund which will provide exposure to a broad range of alternative assets.

Fund Information	▪ Diversified Alternative Assets Fund
	▪ Low-Cost Management Fee: 0.55%
	▪ Daily Dealing
Fund Manager	▪ IA Sector: Absolute Return
	▪ Lead Portfolio Manager: Dr Niall O'Connor
	▪ 25+ years of experience
	▪ Supported by Portfolio Managers and Investment Team



• Chart an indication of risks only and a summary of typical risks for different asset classes. Please see Key Information document for fund risk rating.

2025YTD performance

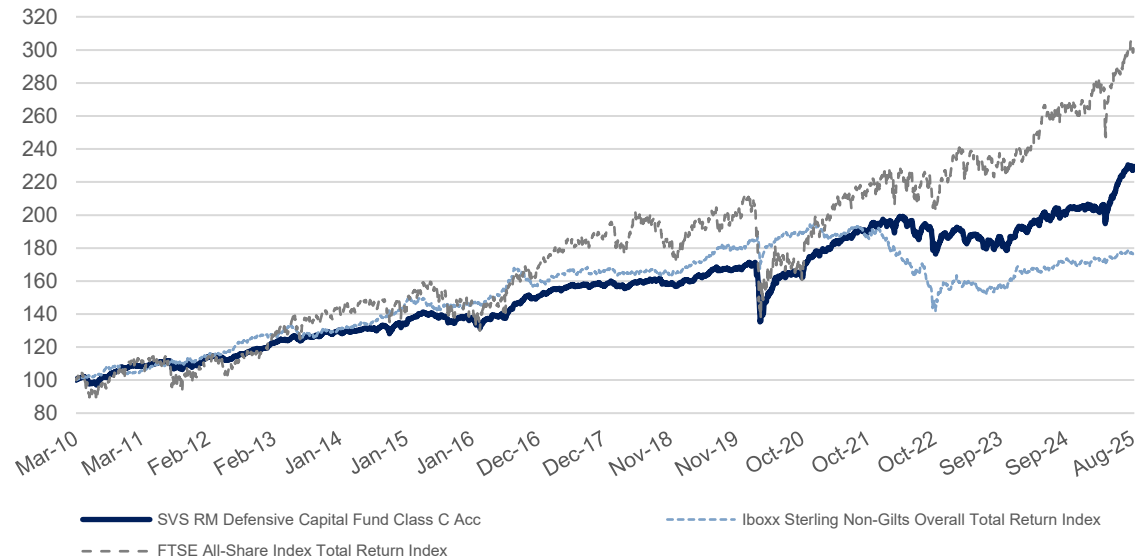
- Best year ever year-to-date
 - After a tricky January and February
- Real Assets, Discounted Assets and Other (gold miners) all big contributors
- Convertibles weak, but mostly from FX and so offset by FX hedging
- Structured Credit a small allocation, but +19%

<i>Asset class</i>	<i>Jan 25</i>	<i>Feb 25</i>	<i>Mar 25</i>	<i>Apr 25</i>	<i>May 25</i>	<i>Jun 25</i>	<i>Jul 25</i>	<i>Aug 25</i>	<i>YTD</i>
Other Structured Notes	0.1%	(0.1%)	0.0%	(0.0%)	0.2%	0.1%	0.1%	0.1%	0.6%
Convertibles	0.3%	(0.6%)	(0.2%)	(0.7%)	0.0%	0.4%	0.5%	0.0%	(0.2%)
Discounted Assets	(0.0%)	0.1%	(0.4%)	0.2%	0.3%	0.8%	1.1%	0.1%	2.2%
Structured Credit	(0.0%)	0.1%	0.0%	(0.1%)	0.2%	0.0%	0.1%	0.0%	0.3%
Specialist Lending	0.1%	0.2%	(0.2%)	(0.0%)	0.5%	0.0%	0.3%	0.0%	0.8%
Fixed Return	0.0%	0.0%	(0.1%)	0.0%	0.1%	(0.0%)	0.1%	(0.1%)	(0.0%)
Real Assets	(1.4%)	(0.4%)	1.5%	0.6%	2.1%	2.6%	0.4%	(0.7%)	4.8%
Hedges	-	-	-	-	-	-	-	(0.0%)	(0.0%)
Other	0.3%	(0.0%)	0.3%	0.0%	0.1%	0.0%	0.2%	0.4%	1.4%
Liquidity	0.0%	0.0%	-	-	-	-	-	0.0%	0.0%
FFX	-	-	-	0.4%	0.1%	0.2%	(0.3%)	(0.2%)	0.2%
reconciliation (incl OCF, timing, FX, divis, tax)	(0.1%)	0.0%	0.5%	0.8%	(0.6%)	0.2%	(0.2%)	(0.1%)	0.7%
DCF class C	(0.6%)	(1.0%)	1.5%	1.2%	3.1%	4.3%	2.3%	(0.3%)	10.9%

Source: Bloomberg Data as at 31st August 2025.

Strategy Performance (Longer Term)

Defensive Capital Fund Strategy vs Asset Classes



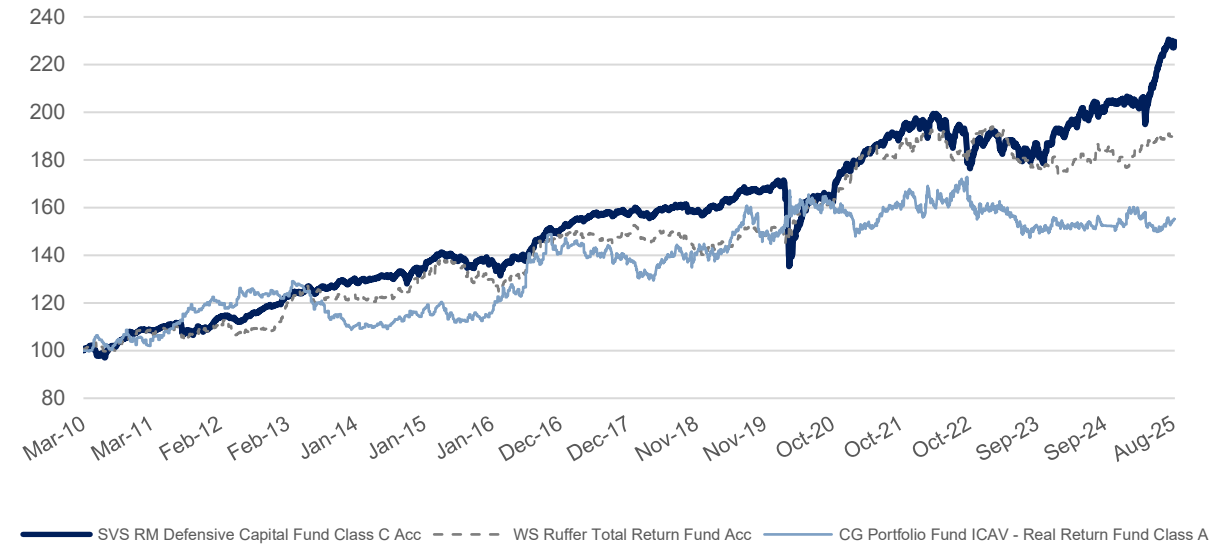
Comparative Performance	Total Return (inception)	Volatility (30 day)	Sharpe Ratio (1Y)	Correlation (2Y/1Y)
SVS RM Defensive Capital Fund Acc	129.5%	5.2%	1.5	1.00
iBoxx Sterling Non-Gilts Overall Total Return Index	78.1%	3.0%	(0.6)	0.3 / 0.3
FTSE All-Share Index Total Return Index	202.4%	7.2%	0.9	0.6 / 0.7

Comments:

- Volatility sits between bonds and equities, but with better risk-adjusted returns.
- “New” era of higher rates combined with unusually attractive valuations.

Source: Bloomberg Data 15th Mar 2010 to 9th September 2025 inclusive.

Defensive Capital Fund Strategy vs Peer Group



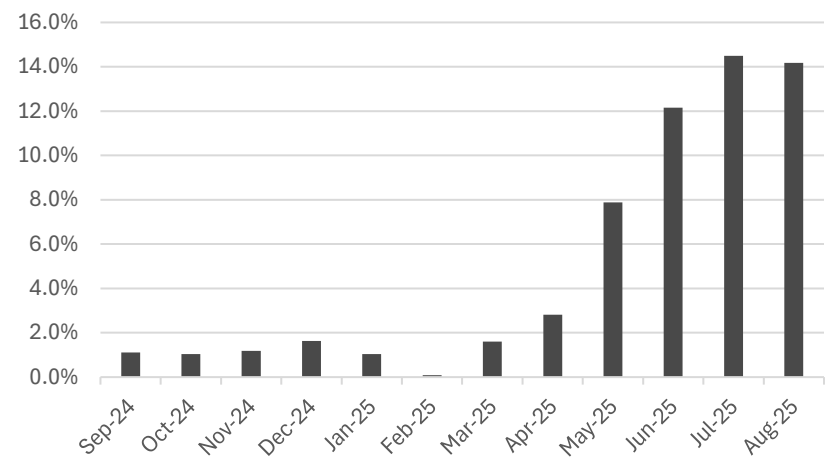
Comparative Performance	Total Return (inception)	Volatility (30 day)	Sharpe Ratio (1-yr)
SVS RM Defensive Capital Fund Acc	129.5%	5.2%	1.5
WS Ruffer Total Return Fund Acc	91.8%	#N/A	0.9
CG Portfolio Fund ICAV - Real Return Fund Class A TR	55.1%	5.2%	-0.6

Comments:

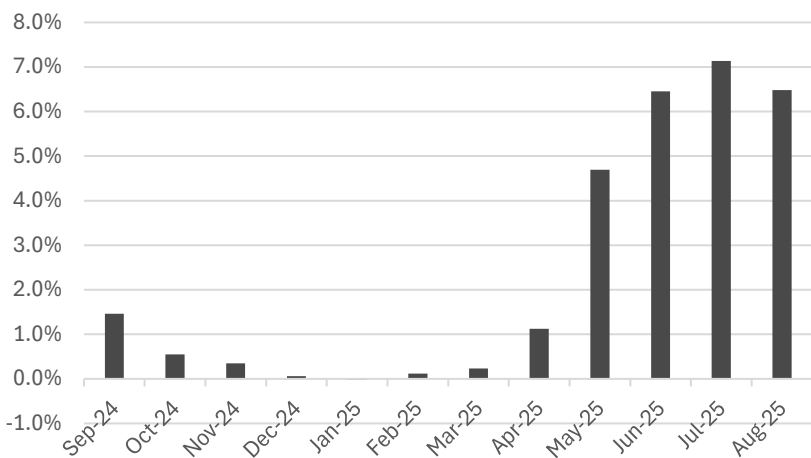
- Downside protection from valuations - not buying protection saves premium.
- Buying higher-yielding assets in anticipation of short-term rates declining.

Performance Contribution: Last 12 Months Cumulative

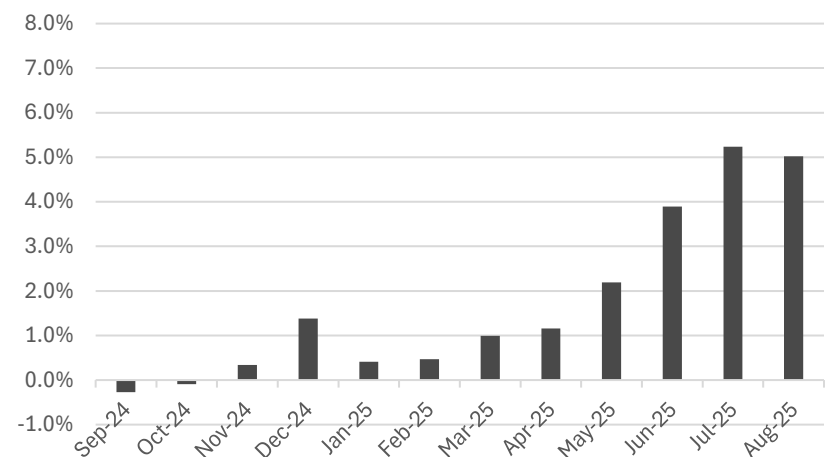
Fund



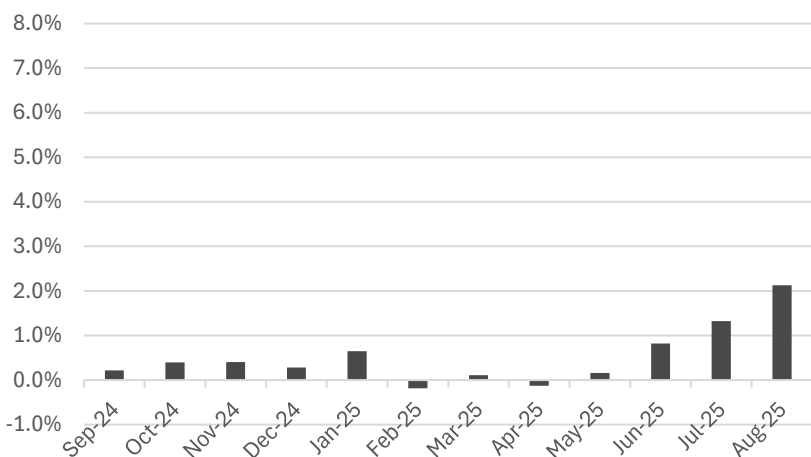
Capital Preservation & Income



Capital Growth



Diversification



Performance

- +12.7% 12-month performance (to 30th August 2025)
- Similar contributions from Capital Preservation & Income and Capital Growth; positive contribution from Diversification segment

Capital Preservation & Income – Top 3

- Care REIT +0.9%
- Aquila Energy Efficiency +0.5%
- VH Global Energy Infrastructure +0.5%

Capital Growth – Top 3

- Georgia Capital +1.7%
- Gresham House Energy Storage +1.0%
- Topix Call Spread +0.6%

Diversifiers – Top 3

- Gold Shares Note +1.7%
- Amedeo Air Four Plus +0.5%
- CQS Natural Resources +0.3%

Source: Bloomberg to 31st August 2025.

Low risk yields

- Many convertible bonds nearing maturity and now with very low chance of conversion
 - so basically just plain debt instruments
 - And consequently, ignored by many convertibles funds?
- Some interesting yield pick-ups. If you know where to look...

AMS 0% 03/2025

- Semiconductor and lighting manufacturer for automotive, industrial and iPhone facial recognition
- Still recovering from disastrous 2019 acquisition of Osram
- And end markets were weak
- Added in early January at 10% yield (in euros!)
- Despite the company holding **3x** more cash than the outstanding bond principal

in EUR million	Note	December 31, 2024
ASSETS		
Cash and cash equivalents	> Note 8	1,098

Following initiation of a further buy-back program in 2021, the outstanding amount of the EUR 2025 convertible bond declined further to EUR 447.4 million.

- We owned the bond already
- But were perplexed as to why the bond price wasn't reflecting the strong credit metrics



Avation 8.25% 10/2026

- Aviation leasing company with mostly narrow-body and regional jets leased to Asian airlines
- “Near-death” experience after COVID led to bonds being restructured, and are consequently still rated CCC+ (since 2022!)
- BUT! Now out of the woods and buying back the bonds. \$400m debt repaid
- Parent company rated B- stable
- Assets are easily sellable/fungible (ATR72, A320)
- Likely to call the bonds at 100 in November. 9% yield to call

- We owned other aviation leasing companies, e.g. Doric Nimrod Air 2, which returned cash
- Looked at other aviation leasing companies: AerCap and Air Lease too expensive, but Avation looked interesting
- Equity looked cheap but risky. Debt had a much better risk-reward ratio in our view

SGL Carbon 5.75% 2027

- High-tech producer of graphite, carbon-fibre and composite products
 - End markets of wind turbines, automotive and chemicals industries were all weak at the start of 2025
 - Bond was pricing like CCC-rating
 - But: low leverage (net debt/EBITDA 0.7x) and free cash flow positive
 - And end markets not that bad: e.g. automotive is high-end and electric vehicles
 - Yielding nearly 9% (converted to Sterling)
-
- Had looked at the equity before, so knew the company
 - Credit metrics strong despite gloom in customer markets

Tail risk hedging: equity index put options

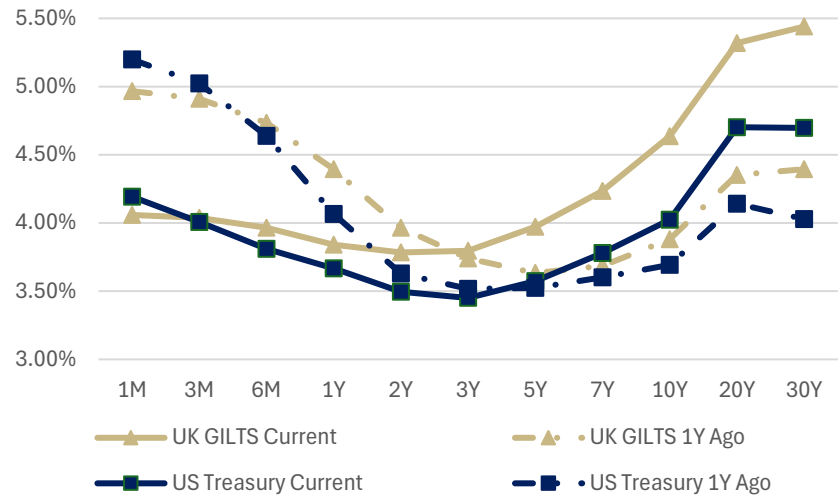
- We've held in the past to hedge equity downside and reduce volatility.
- effective e.g. during covid,
- But:
 - generally more buyers than sellers so they are expensive
 - high “cost of carry”. a 1-year put will lose 100% of its value over 1 year if the index stays above the strike price. e.g. cost the fund -1pp in 2021

Tail risk hedging: Long Gamma

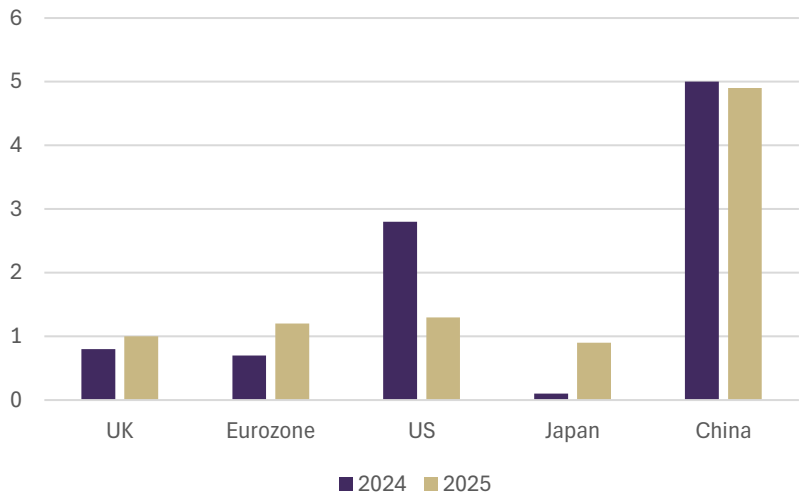
- “Long Gamma” strategy: downside protection but with a much reduced cost of carry
 - buys protection via 1 year out-of-the-money puts on the S&P500
 - hedges the market risk (delta), so the overall market exposure is close to zero
 - Two benefits:
 - 1) the strategy shouldn’t lose money in flat markets (unlike a plain vanilla put) and
 - 2) the strategy should lock in gains during volatile periods rather than going up and then down again.
- Historic returns:
 - +120% returns in covid, and
 - nearly +20% around Liberation Day
 - +140% returns in 2008-2009 (backtested)
 - all with around zero overall cost of carry.
- Adding this tail risk hedge should help materially reduce any future drawdowns

Macro

UK GILTS & Treasury Yield Curves (%)

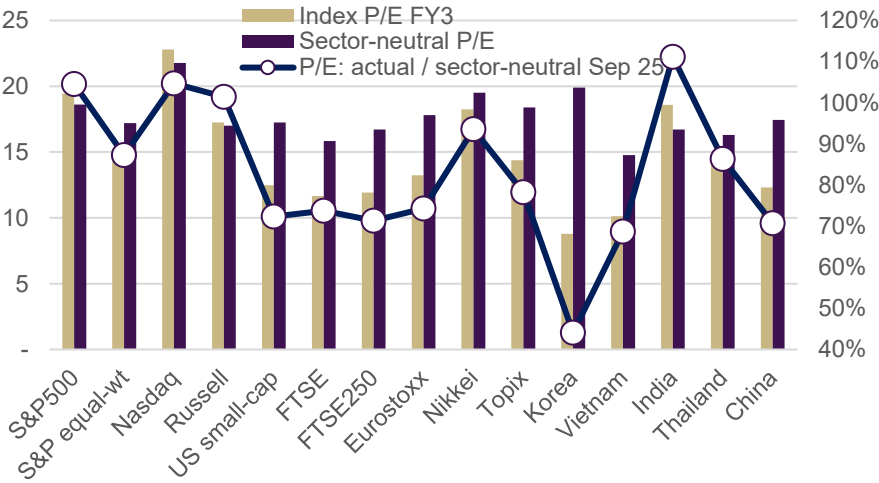


GDP Forecast



Macro vs Fundamentals

- Rate cuts still coming, but priced in
- Economic growth, although moderating, remains solid
- Many valuation extremes remain. The market doesn't seem to worry, until it does (China, Yen carry trade)
- Budget deficits (very) high against this background. But QE will save the long end
- Long duration (>10y) now being rewarded. Especially in the UK



	Current-account balance (% of GDP, 2025)	Budget balance (% of GDP, 2025)
United States	-3.9	-5.9
China	1.7	-5.9
Japan	4.3	-3.4
Britain	-3.0	-4.9
Canada	-0.9	-2.0
Euro area	3.2	-3.3

Fund positioning

- Moderate nominal GDP growth so credit looks good. But spreads getting tight now
- Still favour under-valued markets: less downside risk, with material upside potential. Equity markets looking more full too
- De-risking a little

Source: Bloomberg, Economist. As at 8th September 2025

Market and Portfolio Outlook

- **Outlook**

- **#1 Monetary Policy & Inflation:** Much lower oil price esp in GBP should put downward pressure on UK CPI
- **#2 Rate cuts:** UK likely to cut more due to above. US mixed signals: job market weakening, but tariffs likely to impact September/October?
- **#3 Investment trust headwinds clearly turning to tailwinds:** “negative demand” over, with M&A and wind-ups putting a floor on discounts and cash to invest in others. Seeing new interest from abroad

- **Fund Positioning**

- **Cautiously positioned, and becoming more cautious** as spreads are tighter and valuations equity valuations higher
- **Fund at all-time high.** Despite positioning. Discounts still wide by historical standards so there is still upside
- **We can still find high reward:risk assets.** But we’re focussing more on the lower risk end of the spectrum

Q&A

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