SUSTAINABLE VALUE PERSPECTIVES

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Compounding Quality

Better Businesses. Better Value. Better Results.

Executive Summary

In our previous edition of Taking AIM, published in April 2026, we argued that equities, particularly the shares of high-quality businesses, have historically been a superior vehicle for long-term wealth creation. The reason is fundamentally economic: equities represent ownership of productive enterprises that earn, reinvest, adapt and compound. This edition takes the next step by asking: if equities are the foundation, what kind of equities should investors own?

Our starting point is the broad market. Over almost a century, U.S. equities delivered annualised returns materially ahead of bonds, bills, gold and property. Yet market exposure is only the first layer of the return equation. Certain systematic characteristics, or factors, have historically produced differentiated outcomes. Among them, Quality stands out. In our global analysis over the last 25 years, Quality returned 9.2% per annum versus 7.4% for the broad market, while exhibiting the lowest volatility and the strongest consistency across rising and falling markets.

Quality does not outperform all the time, nor should investors expect it to. Persistent investment premia survive precisely because there are periods when they become difficult to own. The discipline to remain invested through relative underperformance is therefore part of the economics of the premium itself.

Quality, however, does not explicitly address the valuation question. A superior business can still be an inferior investment if too much is paid for it. Our analysis therefore extends to Quality at a Reasonable Price, or QARP, combining business quality, durable competitive advantage and valuation discipline. Academic evidence supports this logic, showing that profitability and valuation can work effectively together over the long term, even through substantial relative drawdowns.

This leads to the framework developed in the pages that follow: equity beta provides the foundation; Quality refines that exposure; QARP adds valuation discipline; and active management adds judgement, security selection and portfolio construction. Together, these layers form our approach to long-term equity investing. That is what we mean by Compounding Quality.

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The Foundation: Why Equities?

Investors spend considerable time debating which sectors, countries, factors or managers are likely to outperform. Yet for long-term wealth creation, an even more fundamental decision comes first: which asset class provides the strongest foundation for compounding capital over time? The historical evidence has been remarkably consistent.

From 1928 through 2025, U.S. equities generated an annualised return of approximately 10.0%. Gold returned 5.6%, bonds 4.5%, property 4.2% and Treasury bills 3.4%. Those annual differences are already substantial. Once compounded across generations, they become almost difficult to comprehend. A $100 investment in U.S. equities at the beginning of 1928 would have grown to approximately $1.16 million by the end of 2025. The same $100 would have only become roughly $21,000 in gold, $7,700 in bonds, $5,600 in property and $2,600 in Treasury bills.

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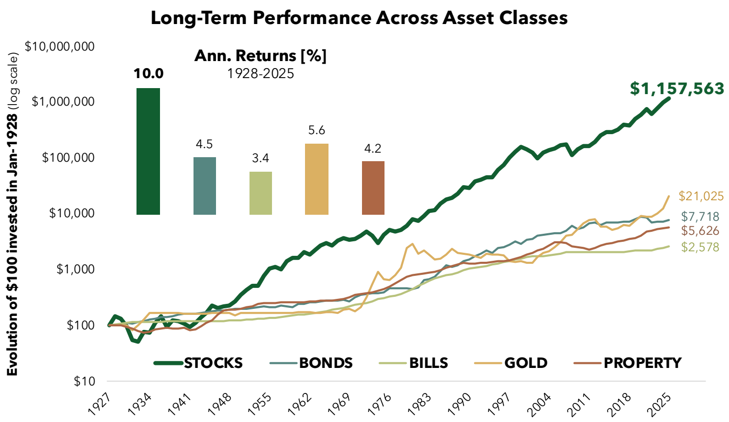
THE CASE FOR EQUITIES



Stocks Have Dominated Long-Term Wealth Creation

- **Almost a century of evidence:** From 1928 to 2025, U.S. equities delivered 10.0% p.a., materially ahead of Gold (5.6%), Bonds (4.5%), Property (4.2%) and Bills (3.4%).
- **From $100 to >$1,000,000:** A $100 investment in U.S. equities grew to approximately $1.16 million, versus just $21,025 in Gold, $7,718 in Bonds, $5,626 in Property and $2,578 in Bills.
- **Higher returns came with greater short-term volatility:** Equities experienced periods of volatility, but over long horizons their superior returns rewarded patient investors.

The difference is not coincidental. It reflects the economic nature of what an equity represents. A share is a claim on a productive enterprise, and productive enterprises have the capacity to create value from within. They generate cash flows, reinvest capital, innovate, improve productivity, make acquisitions, distribute dividends and, in the best cases, steadily increase their intrinsic value over time.

This internal engine is what makes compounding possible. A business able to reinvest earnings at attractive rates does not merely add value from one year to the next; it earns returns on an expanding capital base. The effect becomes increasingly powerful with time. A five-percentage-point difference in annual returns may appear modest over a single year, but over several decades it can separate meaningful wealth creation from little more than capital preservation.

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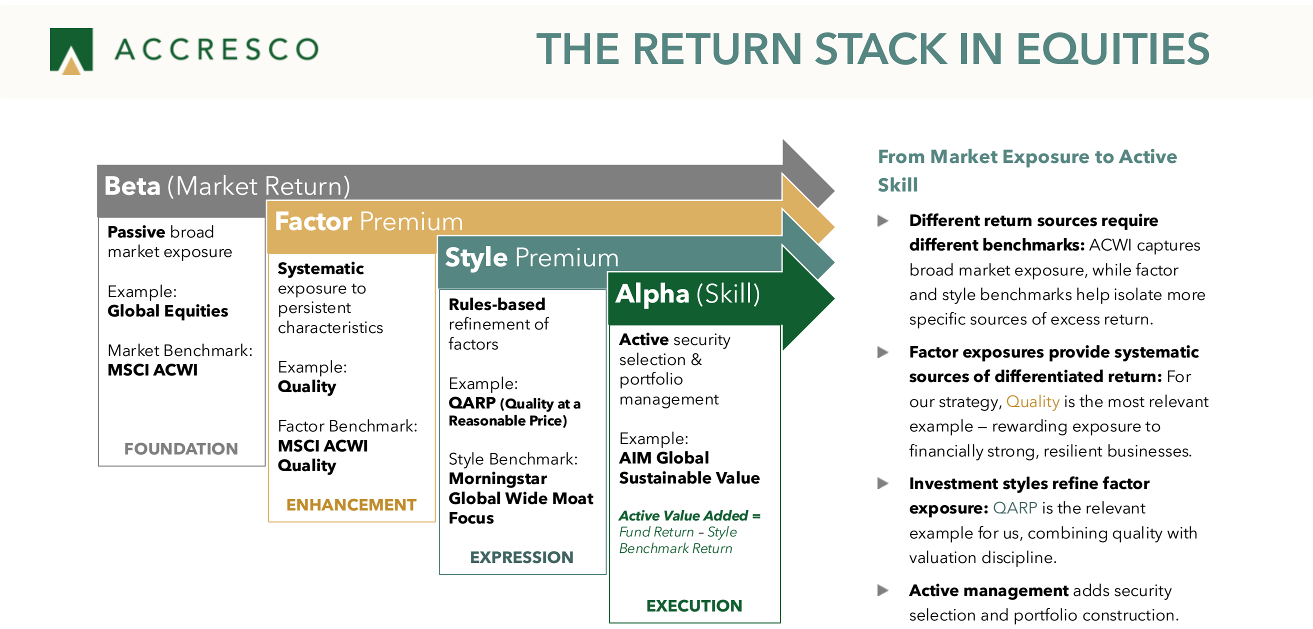
None of this makes equities comfortable investments. Their prices fluctuate, often sharply. Recessions occur, valuations compress, crises emerge without warning and investor confidence can evaporate quickly. The long-term equity premium has never been delivered in a straight line, nor should investors expect it to be. However, investors willing and able to tolerate short-term uncertainty have historically been rewarded for participating in the long-term growth of productive businesses. Volatility describes the path; compounding determines the outcome.

If equities are the foundation for long-term wealth creation, the next question is not whether to own them, but which equities offer the most attractive characteristics for compounding over time.

From Market Return to Investment Skill

When investors talk about equity returns, they often treat them as though they were generated by a single source. In reality, it is more useful to think about them as a series of layers. The first is beta, the return available from broad ownership of the equity market. For a global investor, the MSCI ACWI provides a reasonable representation of that opportunity set. The second layer consists of factor exposures. Factors systematically tilt a broad universe towards particular characteristics such as Value, Growth, Momentum, High Dividend Yield or Quality. They do not require a forecast about an individual company, but they do alter the economic characteristics of the portfolio. Factors can then be refined into broader investment styles. QARP is a relevant example for us because it combines the Quality characteristics of the underlying businesses with an explicit assessment of valuation. Finally, there is alpha: the value that active security selection, fundamental judgement, position sizing and portfolio construction may add beyond the underlying style.



The framework is conceptual rather than mechanical. These sources of return overlap, and their precise contributions cannot be isolated with perfect accuracy. Even so, the hierarchy is useful because it helps

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investors distinguish between different sources of return and, importantly, identify the appropriate benchmark at each stage of the process. This distinction becomes increasingly important as we move from broad market exposure to factors, styles and ultimately active management. Each layer introduces a different source of return and therefore requires a different lens through which to assess it.

The first step beyond broad market exposure is the factor that forms the foundation of our investment philosophy: Quality.

The Case for Quality

The intuition behind Quality investing is straightforward. Over time, companies with high and persistent profitability, stable earnings and prudent balance sheets should be better equipped to withstand adversity, finance growth internally and continue investing when weaker competitors are forced to retrench. In the best cases, these characteristics reinforce one another, allowing strong businesses to compound their intrinsic value over long periods.

Historical evidence is consistent with that intuition. Across the global equity factors in our analysis since the end of 2000, long-term outcomes varied considerably. Value generated 6.5% per annum and High Dividend Yield 7.1%, compared with 7.4% for the MSCI ACWI. Growth returned 8.1%, while Quality delivered 9.2% and Momentum 10.4%. Quality therefore outperformed the broad global market by approximately 1.8 percentage points per annum, ranking second only to Momentum on absolute return.

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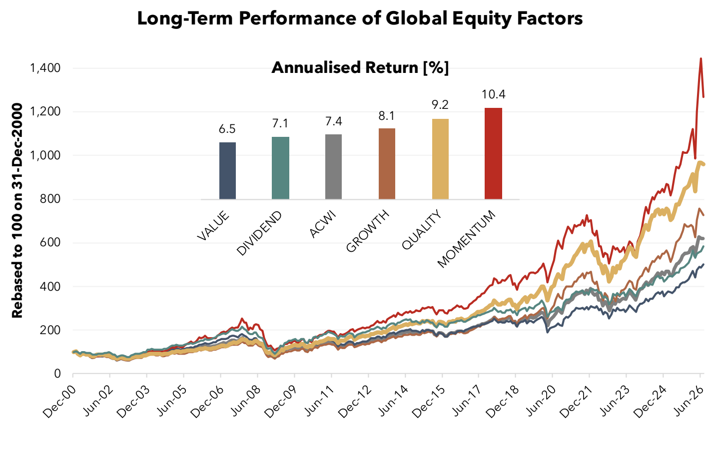
LONG-TERM FACTOR RETURNS



Long-Term Factor Returns Have Varied Widely

- **Return outcomes have differed significantly:** Annualised returns range from 6.5% for Value to 10.4% for Momentum, versus 7.4% for ACWI.
- **Three of the five factors out-performed the broad market:** Growth (8.1%), Quality (9.2%) and Momentum (10.4%) delivered higher annualised returns than ACWI.
- **Quality stands out as one of the strongest long-term performers:** It delivered around 1.8 percentage points of outperformance p.a. vs ACWI, second only to Momentum on absolute return.

On absolute return alone, Momentum appears the stronger factor. But long-term investment outcomes cannot be assessed on return in isolation. Momentum generated the highest return in our analysis, but also exhibited the highest volatility, at approximately 16.8%. Quality, by contrast, delivered the second-highest

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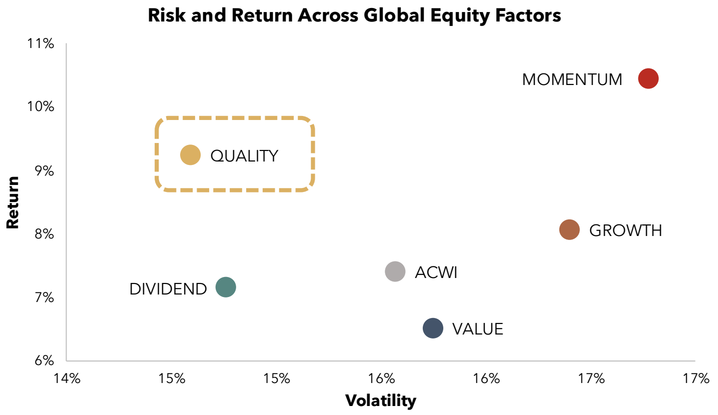
return while recording the lowest volatility, at approximately 14.6%. It therefore captured much of Momentum's return advantage with a materially more stable return profile.

FACTOR RETURN-RISK PROFILE



Quality Stands Out on Both Return and Risk

- **Quality combined high returns with the lowest volatility:** It delivered the second-highest return (9.2% p.a.) of the factors shown, while exhibiting the lowest volatility (14.6%).
- **Momentum delivered more return, but at a higher risk:** Its return of 10.4% p.a. was the strongest, but it also came with the highest volatility (16.8%).
- **Quality in the truest sense:** Through its combination of high returns, the lowest volatility, greater consistency & superior drawdown resilience, the Quality factor exhibits the strongest risk-adjusted profile of the factors analysed.

This matters because the path of returns influences an investor's ability to remain committed through difficult periods and ultimately capture the premium being pursued. Lower volatility can reduce the severity of portfolio impairment, support faster recovery and make compounding more resilient over time.

Yet volatility alone does not fully explain the attraction of Quality. What stands out most in our analysis is the consistency with which Quality generated relative returns across different market environments.

The Quality of the Return

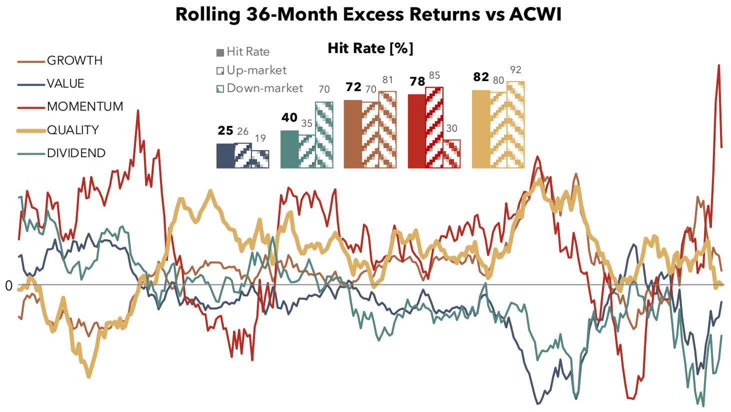
Over rolling 36-month periods, Quality outperformed the MSCI ACWI in 82% of all observations, the highest overall hit rate among the factors analysed. Momentum followed at 78% and Growth at 72%. However, the significance lies not only in how often Quality outperformed, but in the breadth of market conditions in which it did so.

Across rising markets, Quality outperformed in approximately 80% of observations, while in falling markets its hit rate increased to 92%. Momentum showed a markedly different pattern: it outperformed in 85% of rising-market periods, but in only 30% of falling-market periods.

This suggests that Quality's historical excess returns were less dependent on a particular market regime. Rather than deriving its success primarily from favourable market direction, Quality demonstrated an unusual degree of consistency across both advancing and declining markets.

This distinction goes to the heart of what we mean by Quality. Momentum is a powerful return phenomenon, but it relies on price trends persisting. Growth tends to benefit when investors are willing to place a higher value on future earnings, while Value often depends on the closing of a valuation gap, with the added risk that some companies remain inexpensive because their underlying economics have deteriorated.

ACCRESCO FACTOR CONSISTENCY

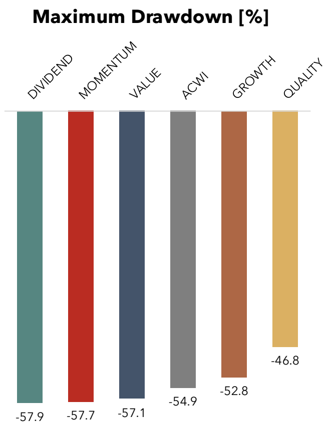


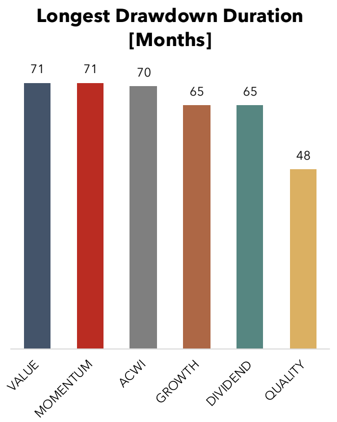
Consistency Sets Quality Apart

- **Quality has the highest overall hit rate:** It outperformed ACWI in 82% of all rolling 36-month periods, ahead of Momentum (78%) and Growth (72%).
- **Quality has been resilient across market environments:** It outperformed in 80% of up-market periods and 92% of down-market periods – the strongest balance of the factors shown.
- **Momentum's stronger returns have been more regime-dependent:** It outperformed in 85% of up-market periods, but only 30% of down-market periods, highlighting the distinction between highest return and most consistent outperformance.

The same pattern is visible in drawdowns.

ACCRESCO FACTOR DRAWDOWNS





Quality Has Been More Resilient in Market Drawdowns

- **Less severe drawdowns:** Quality recorded the shallowest maximum drawdown at -46.8%, around 8 percentage points better than ACWI (-54.9%) and materially stronger than the other factors.
- **Faster recovery profile:** Quality also spent the least time underwater, with its longest drawdown lasting 48 months, versus 70 months for ACWI and 65–71 months for the other factors.
- **A stronger compounding profile:** This combination of solid long-term returns, high hit rates, and better downside resilience makes Quality particularly attractive across full market cycles.

In our analysis, Quality experienced the least severe maximum drawdown among the principal factors

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examined and demonstrated comparatively strong drawdown resilience. Combined with high long-term returns, the lowest volatility and the strongest overall rolling hit rate, this produced the most attractive overall risk-adjusted profile among the factors in our study.

There is therefore a useful symmetry between the underlying businesses and the returns they have historically generated: a factor designed to identify higher-quality companies has also produced what might reasonably be described as a higher-quality return stream.

That strength, however, should not be mistaken for inevitability. Quality can and does underperform, sometimes for meaningful periods, which brings us to an equally important part of the investment case: the role of patience.

No Premium Without Patience

One of the dangers of looking at long-term investment results is that hindsight compresses the difficult periods and makes successful strategies appear easier to own than they actually were. A long-term chart shows the destination, but it often obscures the stretches of underperformance that investors had to endure along the way.

Looking at Quality year by year provides a more realistic picture. It outperformed ACWI in 16 of the 25 full calendar years shown through 2025, equivalent to 64% of the time. In those winning years, median excess return was approximately +4.0%, compared with a median shortfall of -2.6% in the years when Quality lagged. The asymmetry has therefore been favourable: Quality historically outperformed more often, and by more, than it underperformed.

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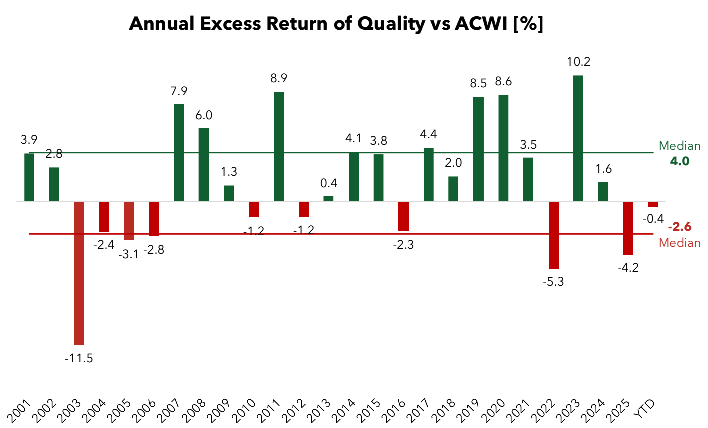
QUALITY THROUGH THE CYCLE



Long-Term Outperformance Requires Patience

- **Quality has outperformed more often than not:** Quality beat ACWI in 16 of the 25 full calendar years shown through 2025 – 64% of the time.
- **The upside has historically outweighed the downside:** Median excess return in outperforming years was approximately +4.0%, versus -2.6% in underperforming years.
- **Periods of underperformance are part of the journey:** Quality has not outperformed every year underscoring the importance of patience, discipline and a genuinely long-term investment horizon.

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But 64% is not 100%. Quality has experienced disappointing years and, at times, consecutive periods of underperformance. Investors living through those episodes do not have the benefit of hindsight or the reassurance of a long-term chart extending decades into the future. They experience only the present, often while competing styles are performing better and plausible explanations are emerging for why the historical relationship may no longer hold.

This is not peripheral to factor investing; it is central to it. A premium that delivered positive excess returns with complete reliability would quickly attract capital and, in time, be arbitraged away. For a return source to persist, there must be periods when investors are either unwilling or unable to remain committed to it. Sometimes the reason is economic, but often it is behavioural.

Periods of underperformance therefore become the real test of conviction. Investors must distinguish between a strategy that is temporarily out of favour and one whose underlying economic logic has genuinely deteriorated. There is no simple formula for making that distinction.

Patience, in this context, should not be confused with passivity. It is the discipline to remain committed while the original thesis remains intact, combined with the intellectual flexibility to change course when the evidence no longer supports it.

A persistent premium is rarely earned without discomfort. In many cases, that discomfort is part of the price investors must be willing to pay to capture it.

From Quality to Superior Quality

Factor indices are valuable analytical tools because they isolate systematic characteristics and allow us to examine their historical behaviour. But the way a factor is implemented matters. Universe selection, portfolio concentration, weighting methodology and investment constraints can all influence the outcome.

The Accresco Superior Quality 50 Portfolio ("ASQ 50"), starts from the same Quality foundation and seeks to refine its implementation. It focuses on large-cap companies, incorporates responsible-investment criteria, concentrates the portfolio in 50 holdings and equal-weights those positions. The result is a more focused and deliberate expression of the Quality factor.

Importantly, ASQ 50 remains a systematic Quality strategy and does not apply an explicit valuation filter. This allows us to isolate the effect of refining Quality itself from the additional valuation discipline introduced at the next stage of the framework.

The historical comparison is encouraging. Over the period shown, ASQ 50 generated an annualised return of approximately 16.0%, compared with 13.5% for the MSCI ACWI Quality Index, suggesting that the way Quality is implemented can materially influence the investment outcome. However, no sensible investor should extrapolate historical performance mechanically into the future. The more useful conclusion is that factor design and implementation matter. A systematic strategy may begin with a common underlying factor, but

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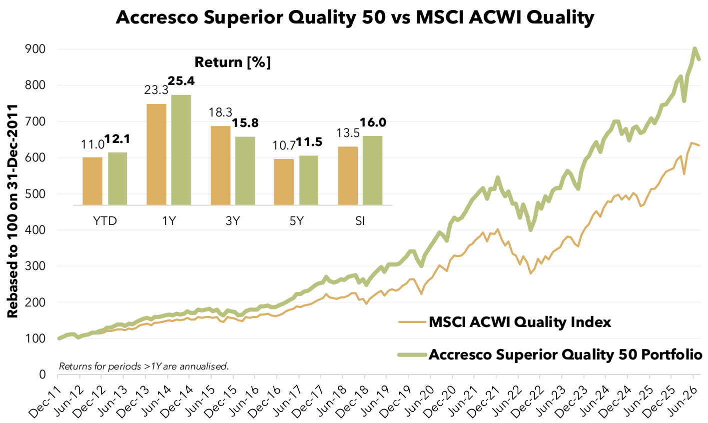
choices around universe construction, concentration, weighting and rebalancing can materially influence the outcome.

FROM QUALITY TO ASQ 50



Our Quality Implementation Has Added Value

- **Same Quality foundation, refined implementation:** ASQ 50 retains the core Quality characteristics while adding large-cap focus, responsible-investment criteria, concentration and equal weighting.
- **The refinements have improved the outcome:** Since inception, ASQ 50 has outperformed the MSCI ACWI Quality Index, delivering 16.0% p.a. versus 13.5% p.a., demonstrating that its modified portfolio construction has added value beyond the pure Quality factor.

Even a carefully refined Quality strategy, however, leaves one fundamental question unanswered: what price should an investor be willing to pay for a superior business?

Quality helps identify the companies we would like to own. Valuation determines whether they are attractive investments at the price available.

When a Great Business Becomes a Poor Investment

Some of the most expensive mistakes in investing begin with an observation that is entirely correct: this is an exceptional company.

A business may possess an outstanding competitive position, enviable margins, a long runway for growth, a strong balance sheet and first-class management. Yet none of these attributes, however desirable, guarantees an attractive investment outcome at the prevailing share price. The distinction between a great company and a great investment ultimately comes down to valuation.

If the price already discounts many years of future success, the business can continue to perform exceptionally well while the investment itself disappoints. The return an investor ultimately earns therefore depends not only on the quality of the business, but also on the price paid for that quality.

None of this weakens the case for Quality in its own right. Indeed, ASQ 50 demonstrates how thoughtful portfolio construction can improve on a pure Quality exposure. Its equal-weighting and periodic rebalancing

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discipline prevents past winners from becoming progressively dominant simply because their share prices have risen, thereby reducing the implicit momentum bias that can develop when constituent weights remain linked to market capitalisation. This introduces an element of price discipline, but not explicit valuation. ASQ 50 does not attempt to determine what a business is intrinsically worth or whether its shares trade at a sufficient discount to that value. That is a different question altogether.

Bringing that question into the investment process leads us to a broader style: Quality at a Reasonable Price, or QARP. It retains the emphasis on strong businesses, while adding an explicit assessment of the relationship between price and value. The resulting investment decision therefore rests on two complementary considerations: 1) is this a business we would be comfortable owning for many years, and 2) is the current price sufficiently attractive to justify owning it today?

The Morningstar Global Wide Moat Focus framework provides a useful illustration. Like MSCI Quality, it seeks financially strong businesses, but it goes further by assessing the durability of competitive advantage and explicitly incorporating valuation through the relationship between market price and estimated fair value. Its more focused construction and reduced dependence on market-capitalisation weighting reinforce that discipline.

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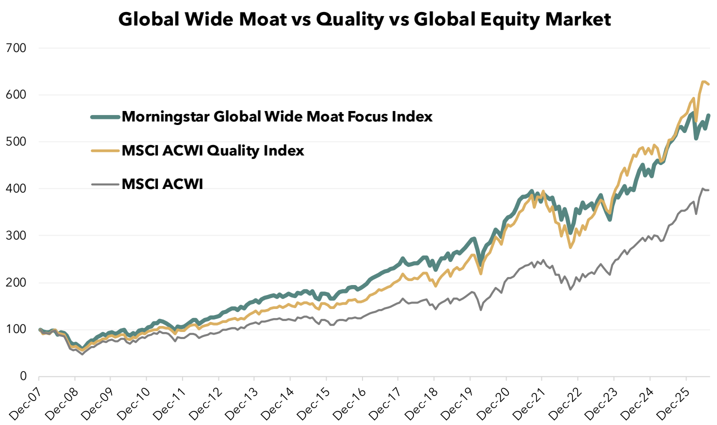
FROM FACTOR TO STYLE



Moat Extends Quality with Valuation Discipline

- **A common foundation in quality:** Both approaches favour strong businesses with durable economics, helping explain their broadly similar long-term return patterns.
- **Global Wide Moat Focus adds valuation discipline:** It selects competitively advantaged companies trading at attractive prices relative to estimated fair value.
- **From Factor to Style:** Combining Quality with valuation discipline moves beyond a single factor exposure to a broader investment style – Quality at a Reasonable Price (QARP).

The move from Quality to QARP is therefore more than the addition of another screening criterion. It broadens the investment question. Quality seeks to identify businesses with the financial strength and economic characteristics to compound value over time; QARP adds an explicit assessment of whether the price being paid allows the investor to participate in that compounding on attractive terms.

That distinction can appear unimportant for surprisingly long periods. In powerful bull markets, valuation discipline may seem unnecessarily restrictive as expensive companies become more expensive and recent

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winners continue to lead. Investors who insist on a relationship between price and value can therefore incur a very visible opportunity cost while the market continues to reward what they have chosen not to chase.

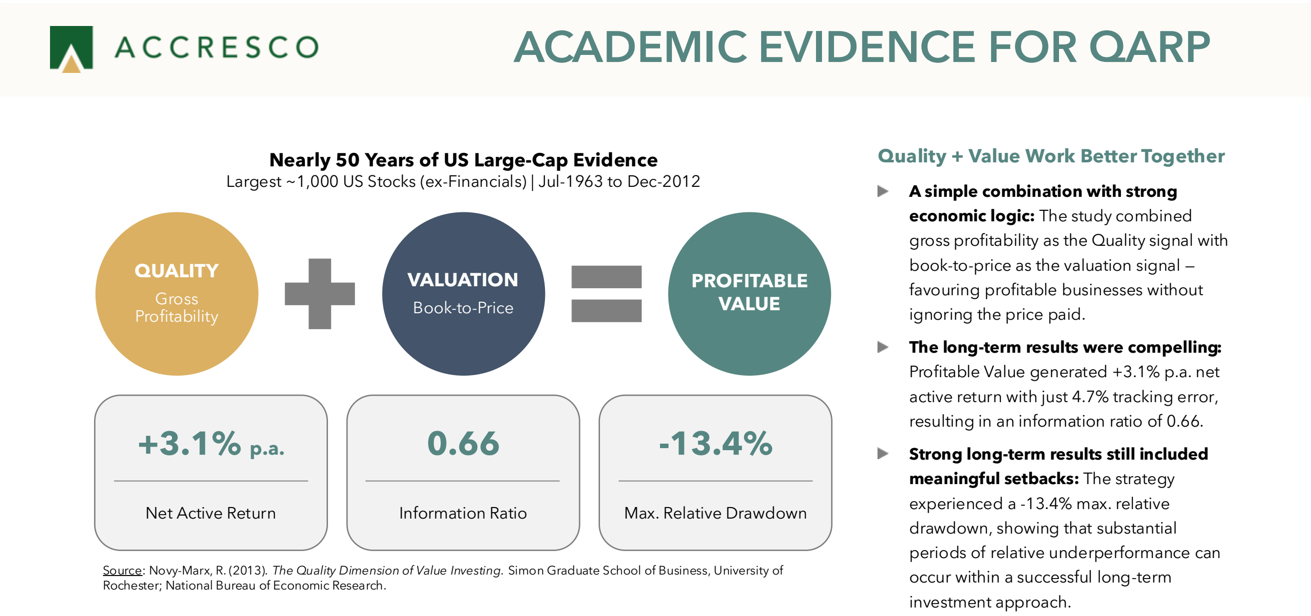
Yet the starting valuation remains an important determinant of the return ultimately available to the investor. Exceptional business economics can justify a premium price, but they cannot make price irrelevant. The question, therefore, is whether the historical evidence supports the intuition that Quality and valuation discipline are more powerful when considered together.

Quality and Value: What the Academic Evidence Tells Us

The economic logic of combining business quality with valuation discipline is intuitive. But intuition alone is not enough. If the relationship is to form part of a durable investment philosophy, we should also expect to find evidence that it has worked across different market environments and over long periods of time.

Robert Novy-Marx's 2013 paper, *The Quality Dimension of Value Investing*, provides particularly relevant evidence. Studying the largest approximately 1,000 U.S. stocks excluding financial companies from July 1963 through December 2012, Novy-Marx combined gross profitability as a measure of Quality with book-to-price as a measure of valuation. Rather than treating Quality and Value as competing investment styles, the analysis examined what happens when the two disciplines are brought together.

The resulting Profitable Value strategy produced approximately 3.1% per annum of net active return over nearly five decades, with tracking error of 4.7% and an information ratio of 0.66.



The long-term results are compelling, but one statistic is particularly instructive: the strategy experienced a maximum relative drawdown of 13.4%.

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In other words, a strategy that ultimately produced substantial excess returns over almost half a century still went through a period of significant relative underperformance. That observation matters because the difficulty of investing is rarely apparent when looking at a completed historical record. With hindsight, we can see the recovery, calculate the eventual information ratio and place the drawdown within the context of nearly five decades of successful results.

The investor experiencing that period in real time had none of those advantages. There was no certainty that the strategy would recover, no knowledge of the long-term outcome and no assurance that the underlying relationship between profitability and valuation remained intact. There was simply a strategy that appeared to be struggling while other approaches were working better.

This is one of the central challenges of long-term investing. Identifying a strategy with sound economic logic and attractive historical evidence is only part of the task. Investors must also be able to remain committed through the periods when that logic is not being rewarded by the market, while continually assessing whether the underlying thesis remains valid.

A strategy can be successful over the long term and still be underperforming today. Those two observations are not contradictory.

QARP Through the Cycle

The recent experience of QARP provides a useful contemporary example of that same principle. A strategy can possess sound economic logic and a strong long-term record while still passing through periods in which the market rewards a very different set of characteristics.

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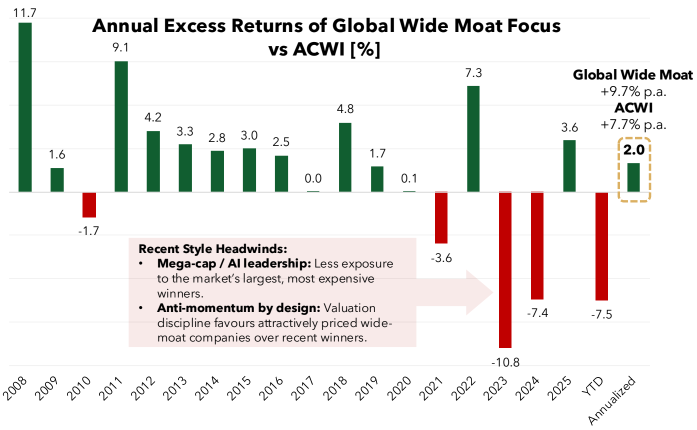
QARP THROUGH THE CYCLE



Strong Long-Term Record, Challenging Recent Style Cycle

- **Outperformance has been meaningful and frequent:** Global Wide Moat Focus beat ACWI in 14 of 18 full calendar years, delivering 9.7% p.a. vs 7.7% p.a. over the period shown.
- **Recent years have been unusually challenging:** The style lagged materially in 2023–24, recovered in 2025, and has again trailed YTD 2026.
- **Style cycles matter when assessing active managers:** When QARP itself underperforms the broad market, the style benchmark provides important context for judging whether active management is adding value.

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Using the Morningstar Global Wide Moat Focus Index as a systematic proxy for the style, we observe annualised returns of approximately 9.7% over the period shown, compared with 7.7% for the MSCI ACWI, with the index outperforming the broad market in 14 of 18 full calendar years. The long-term evidence has therefore been compelling.

More recently, however, the environment has been considerably less favourable. The style underperformed materially in 2023 and 2024, recovered some relative ground in 2025, and has again lagged the broad market year to date in 2026.

There are understandable reasons for the style's more recent underperformance. Equity-market leadership has become unusually concentrated in a relatively small number of very large technology and AI-related companies. Many are exceptional businesses, but some have also traded at valuations that make it difficult for a valuation-conscious strategy to own them at benchmark-like weights.

QARP also has an inherent tension with Momentum. When a share price rises materially faster than the investor's estimate of intrinsic value, valuation discipline will naturally reduce the attractiveness of the investment. Momentum, by contrast, responds positively to the persistence of the price trend itself. During prolonged periods of momentum-led markets, the two approaches can therefore produce meaningfully different outcomes.

This is neither an argument against Momentum nor an attempt to explain away every period of QARP underperformance. It is simply a consequence of investment styles being designed to respond to different characteristics. A valuation-conscious approach will inevitably appear conservative when increasingly expensive winners continue to lead, just as Momentum will appear particularly powerful while established trends remain intact.

The more important question is whether a period of underperformance represents a temporary consequence of the style's design or evidence that its underlying economic logic has deteriorated. No single statistic can answer that question. But the current relative drawdown of approximately 10%, while uncomfortable, should be viewed in a broader historical context. Novy-Marx's almost 50-year study of profitability combined with valuation experienced a maximum relative drawdown of 13.4% despite ultimately producing substantial long-term excess returns. The two strategies and datasets are not directly comparable, but the evidence provides a useful reminder that significant relative drawdowns can occur within successful long-term approaches.

Style Is Not Skill

A period of underperformance against the broad market does not, by itself, tell us whether an active manager has added or destroyed value. To make that assessment, we first need to distinguish between the return generated by the investment style and the return generated by decisions made within that style.

Consider two QARP managers during a period in which QARP itself is out of favour. If the first trails the MSCI ACWI by 12 percentage points and the second by 7, both appear unsuccessful when judged solely against

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the broad market. But if the relevant QARP style benchmark has itself lagged ACWI by 10 percentage points, the interpretation changes materially. The first manager has underperformed the style, while the second has added value within it.

The choice of benchmark is therefore critical to understanding performance. It separates the return generated by the investment style from the value added through active management.

AIM Global Sustainable Value Cell ("AIM SV") is the flagship fund advised by Accresco and the vehicle through which we implement our focused active equity strategy. It builds on the same Quality foundation developed throughout this paper, while adding explicit valuation discipline, responsible-investment criteria, a concentrated portfolio and fundamental judgement in security selection and position sizing. Within the Return Stack, it therefore sits at the point where style meets active management.

For AIM SV, the Morningstar Global Wide Moat Focus Index provides a particularly relevant style comparator because it reflects many of the same underlying principles: financially strong businesses, durable competitive advantages and explicit valuation discipline. It therefore provides a useful benchmark for assessing whether active implementation has added value beyond the underlying QARP style.

Since inception, AIM SV has generated approximately 9.5% per annum compared with 8.7% per annum for the VanEck Morningstar Global Wide Moat ETF, the investable expression of the index we use for this comparison. The strategy has also outperformed the ETF this year so far as well as over one-year and five-year horizons, while the three-year outcome has been broadly in line.

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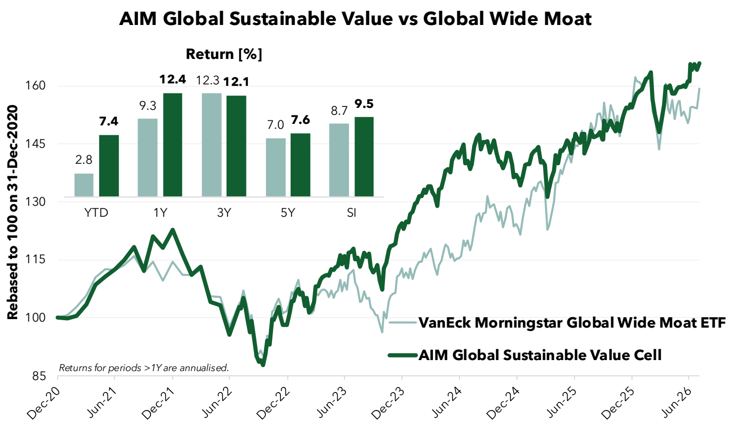
FROM QARP TO AIM SV



Our QARP Implementation Has Added Value

- **Same QARP foundation, active implementation:** AIM SV retains the core principles of Quality and valuation discipline, while adding large-cap focus, responsible-investment criteria, a concentrated portfolio, fundamental judgement, and active position management.
- **The active implementation has improved the outcome:** Since inception, AIM SV has outperformed the Global Wide Moat comparator, delivering 9.5% p.a. versus 8.7% p.a., demonstrating that active portfolio management has added value beyond the underlying QARP style.

Relative to its style comparator, AIM SV has therefore added value. But active managers are not judged against

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benchmarks alone. Investors also need to understand how a strategy has performed relative to other managers pursuing broadly similar investment philosophies.

That comparison provides an important additional perspective. If a strategy not only outperforms its style benchmark but also ranks strongly among comparable peers, it becomes more difficult to attribute the result to style exposure alone.

The Peer Test

No peer group can provide a perfectly like-for-like comparison. Mandates differ, portfolio construction varies and the boundaries between investment styles are rarely exact. Even so, a carefully selected peer group provides a valuable additional perspective by showing how a strategy has performed relative to other investment teams pursuing similar philosophies.

Our analysis compares AIM SV with 19 peer strategies. We believe these are relevant comparators because their investment approaches emphasise high-quality businesses, durable franchises, concentrated portfolios and valuation-conscious investing. Taken together, the group provides a meaningful reference point for assessing AIM SV against strategies operating within similar investment territory.

Across each investment horizon shown, AIM SV has outperformed the peer median. Year to date, the strategy returned 7.4% compared with 0.7% for the peer median. Over one year, the respective figures were 12.4% and 4.4%. Over three years, AIM SV returned 12.1% annualised compared with 8.7% for the peer median, while over five years the corresponding returns were 7.6% and 4.6%.

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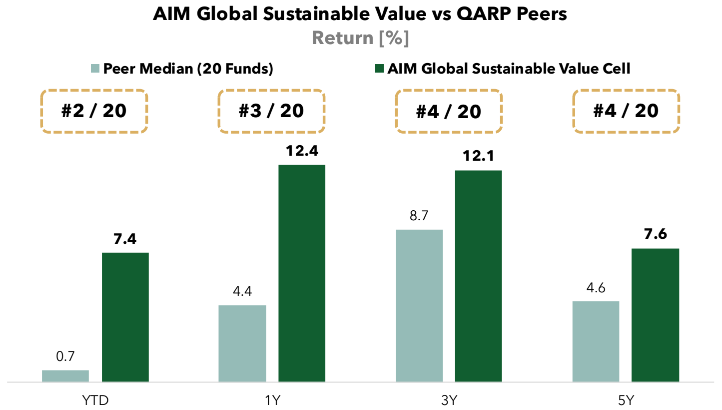
AIM SV vs QARP PEERS



Returns for periods >1Y are annualised.
Peer Group: BNY Mellon Long-Term Global Equity Fund, Brown Advisory Global Leaders Fund, Comgest Growth Global, Fundsmith Equity Fund, GMO Quality Investment Fund, GuardCap Global Equity Fund, Harding Loevner Global Equity Fund, Heptagon WCM Global Equity Fund, J. Stern & Co. World Stars Global Equity Fund, Lazard Global Equity Franchise Fund, Lindsell Train Global Equity Fund, Morgan Stanley Global Quality Fund, Ninety One Global Franchise Fund, Sanlam Global High Quality Fund, Seilern World Growth, Stonehage Fleming Global Best Ideas Equity Fund, Veritas Global Focus Fund, Vontobel Fund – Global Equity, Waverton Global Equity Fund.

Consistently Top Quartile Among QARP Peers

- **Outperformance extends beyond the style benchmark:** AIM SV has delivered returns above the peer median across every investment horizon shown, with particularly strong relative performance YTD and over 1 year.
- **Consistency is reflected in the rankings:** AIM SV ranks 2nd YTD, 3rd over 1 year and 4th over both 3 and 5 years, placing it firmly in the top quartile across all key periods.

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The ranking reinforces the same conclusion from another angle. AIM SV ranked 2nd out of 20 year to date, 3rd over one year, and 4th over both three and five years, placing the strategy in the top quartile across all four periods.

This peer evidence matters because it complements the style comparison. Outperformance relative to a single style benchmark could partly reflect the particular construction of that benchmark. Strong performance against a relevant group of comparable strategies therefore provides an important additional reference point.

Taken together, the evidence is more informative. AIM SV has added value relative to its QARP style comparator and has also ranked strongly against relevant peers, even during a period in which the style itself has faced headwinds. Neither comparison can tell us what future performance will be, but together they support the view that active security selection, portfolio construction and judgement have contributed meaningfully to the outcome.

Within our Return Stack, that is the contribution we describe as alpha attributable to the active manager's skill.

Putting the Return Stack Together

We can now return to the framework introduced near the beginning of this paper and consider the evidence supporting each layer of the Return Stack.

The foundation remains broad equity ownership. In the long-term U.S. dataset examined earlier, equities generated approximately 10% per annum over almost a century, materially outperforming the other major asset classes considered. This market return, or beta, has historically provided the principal engine of long-term wealth creation.

The next layer is Quality. In our global factor analysis, Quality generated approximately 1.8 percentage points per annum more than the broad equity market, which we round to roughly 2 percentage points for the purposes of the framework. Importantly, that excess return was accompanied by lower volatility, greater consistency across market environments and comparatively resilient drawdown characteristics.

Adding explicit valuation discipline provides the next potential source of return. The QARP evidence examined throughout this paper, including the long-term Morningstar Global Wide Moat Focus record and the academic evidence from Novy-Marx, suggests that combining Quality with price discipline can further improve the investment proposition. The periods, universes and methodologies differ, so the contribution cannot be measured with precision, but the evidence is consistent with an incremental return of approximately 1 percentage point per annum as a reasonable conceptual representation.

The final layer is active management. Here, the objective is to add value beyond the underlying style through fundamental security selection, valuation judgement, portfolio concentration, position sizing and ongoing portfolio management. As our comparison of AIM SV with both its QARP style benchmark and relevant peers

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illustrates, these decisions represent the part of the return equation that we describe as alpha attributable to active manager skill.

Before putting the full stack together, an important qualification is necessary. The individual components are not mechanically additive and should not be interpreted as a forecast. They are drawn from different periods, universes and methodologies, and factor, style and alpha exposures inevitably overlap. The active value-add component, in particular, represents an ambition informed by historical experience rather than a guaranteed future outcome. The purpose of the framework is therefore conceptual, not predictive.

What the framework does capture is how we believe returns should be pursued. The objective is to build a portfolio around sources of return that have a clear economic rationale and that are not dependent on any single market theme or regime. Market leadership will change, narratives will evolve and periods of relative underperformance will occur. A durable investment framework should therefore be anchored in return drivers that can persist through those shifts and continue to support compounding across full market cycles.

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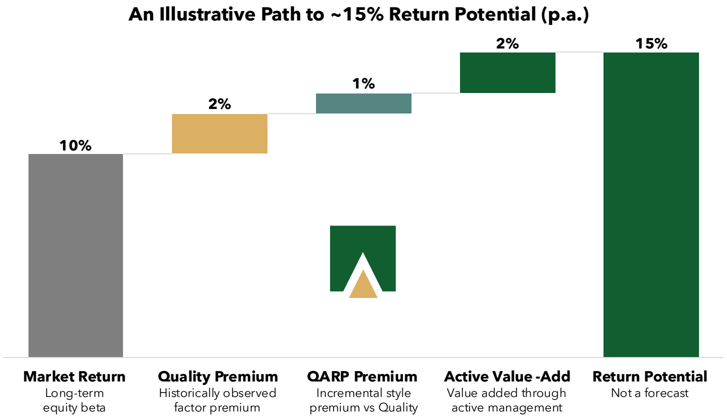
ILLUSTRATIVE RETURN STACK



Illustrative only. Based on long-term historical return premia observed across different periods, universes and methodologies, plus a conceptual active-alpha layer. Components are not mechanically additive and do not represent a forecast or guarantee of future returns.

Our Framework for Value Creation

- **Equity beta is the foundation:** Over the long run, stocks have delivered returns of roughly 10% p.a.
- **Quality and QARP can enhance the baseline:** Historically, Quality added about 2% p.a., with QARP contributing roughly a further 1% through valuation discipline.
- **Active implementation is the final layer:** Outperformance versus the QARP style benchmark is where responsible investment criteria, disciplined stock selection and active portfolio management seek to add incremental alpha.

Compounding Quality

Investing is often presented as an exercise in prediction. Considerable attention is devoted to where interest rates will be twelve months from now, which economy will surprise, how artificial intelligence will reshape industries, whether the dollar will strengthen or weaken and which part of the market will lead next. These questions can matter, but for the long-term owner of capital they are rarely the most important ones.

The more relevant questions concern the sources of value creation themselves: which assets possess the capacity to compound capital from within; which businesses are best equipped to sustain that process; what

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price should an investor be willing to pay for those economics; and where can thoughtful portfolio construction and active judgement improve the outcome?

The framework developed throughout this paper reflects our answers. Equities provide the foundation because they represent ownership of productive enterprises. Quality refines that exposure by favouring companies with stronger economics, greater financial resilience and more consistent profitability. QARP adds explicit valuation discipline, recognising that the prospective return from even an exceptional business ultimately depends on the price paid. Active management adds the final layer through security selection, valuation judgement, portfolio concentration and position sizing.

None of these sources of return will work equally well at all times. Equities will experience bear markets, Quality will periodically lag other factors, valuation discipline can be a headwind when expensive winners continue to lead, and active managers will inevitably make mistakes. Periods such as these do not, by themselves, invalidate the framework.

In fact, they are part of what allows long-term return premia to persist. If a strategy outperformed consistently and without meaningful periods of relative weakness, investors would quickly crowd into it and much of the opportunity would be competed away. The willingness to remain committed through less favourable periods is therefore part of the price of capturing the long-term return potential.

The challenge, therefore, is not to avoid periods of underperformance, but to understand what they represent: temporary cyclicality or a genuine deterioration in the underlying investment fundamentals. Making that distinction requires evidence, perspective and patience. Compounding takes time, and the disciplines designed to capture it must be evaluated with the same long-term perspective.

For us, that philosophy can ultimately be distilled into three ideas: Better Businesses. Better Value. Better Results. – The first two describe the choices we make: what to own and what price to pay. The third is the outcome we seek through disciplined execution and a long-term perspective.

The path will never be linear, but the objective remains constant: to grow capital over time by applying that philosophy consistently. That is what we mean by Compounding Quality.

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