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Jupiter UK Dynamic Equity Fund

The Engine Room

Volume VI – Q1 2026

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The Value of Active Minds



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Dear clients,

The past quarter recalled a very simple phrase: It's complicated.

Bethlem Royal Hospital, better known as Bedlam, is the world's oldest psychiatric institution, founded in 1247. It has evolved over centuries, with Bedlam becoming the byword for chaos and confusion.

Chaotic is the only way we can describe this second presidency of Donald Trump. On February 28th the US and Israel launched a range of airstrikes against Iran, killing the Supreme Leader Ali Khamenei. The subsequent war and closure of the Straits of Hormuz have been more than chaotic for the world. It has caused bedlam.

Rapidly evolving AI developments are threatening incumbent (and once coveted) business models at an accelerating rate, and very few sectors have been spared the scrutiny.¹ This quarter, software vendors and data providers were most under the microscope.

But it is the collective and concurrent changes across multiple sectors that are most vexing for analysts and investors alike. Trying to define what the future looks like is fraught with uncertainty. The stock market as usual is defaulting to the worst possible outcome for some sectors, like media and recruitment.

Chaos and confusion have abounded in the stock market for many months and years, not just the last quarter. We are amid a polycrisis with many uncertainties.

This Fund's process was set up to benefit from uncertainty, with 'profit from uncertainty' being the first foundational principle of the Fund's philosophy. In the main we are focused on idiosyncratic uncertainty, but increasingly we have been asked to deal with the collective uncertainties of shifting economic and political tectonic plates.

Whilst there is opportunity from the current collective uncertainty, rampant but narrow financial markets do not discount it and complicate the picture. On February 27th the FTSE 100 and FTSE All Share (essentially the FTSE 100 nowadays) hit all-time highs.²

A tough backdrop, with mis-pricings aplenty but a complicated and febrile set-up.

This quarter we look at how we are managing these markets and how we had been preparing for a bit of volatility by shifting our mindset – *from playing to win, to playing not to lose too much.*

This is never permanent, but some markets call for a slightly different shorter-term approach. It worked ok. Why just ok? Well, as ever, it's complicated.

Thanks for your support and enjoy the read.

Alex, Steph and Sid

Sources:

1. See FT, Feb 11 <https://www.ft.com/content/5904b66f-2144-44d7-af24-66c075677d92?syn-25a6b1a6=1>

2. Bloomberg, as at 2.3.26.

From playing to win to playing not to lose (too much)

Managing money for the last 18 months has often felt like a constant state of surfing from one wave to another, trying to avoid the closeouts. The market has lurched from one crisis to another leaving us with the feeling that eventually the collective crisis wave would be so big that it would be overwhelming.

But by the end of February, it had not happened. There have been warning signs. Intra-month and intra-quarter volatility has been noteworthy since we joined Jupiter. We have commented on some of the extremes of monthly and quarterly performance outcomes since we took over the Fund, but four specific months stand out: May, July and November 2025 and February 2026. In these months the standard deviation of the monthly outcome was stark in the context of a long history. Never a good sign.

In February 2026 the Fund even benefitted from two bids and still underperformed. We will look at this in the performance section but suffice it to say that it was another month where only a few stocks mattered.

The waves of issues have been relentless, from global inflation and rate cycles to the UK on a domestic policy front, to the US and the chaotic second Trump presidency, to the disruptive global impacts of generative AI and finally to wars and energy security. Non-stop. No doubting we are in the midst of a polycrisis.

And yet markets in aggregate have continued to drive higher.³ The more some sectors have been hit the more the money has just been funnelled into other safer, more predictable winners, and the larger the better. The winners have continued to win, particularly where they have any sort of momentum, be it price or earnings. There has been an inescapable feeling of momentum surfing and complacency.



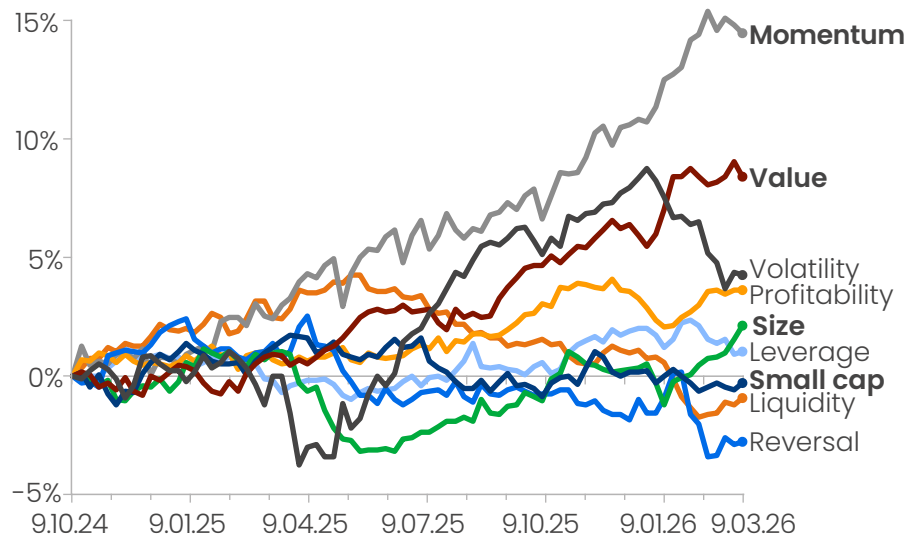
The winners have continued to win, particularly where they have any sort of momentum

Source:

3. See performance charts on page 25

UK style factor performance since October 2024

Source: Aladdin, UK style factors, October 2024 to March 2026, as at 9.4.26. Past performance does not predict future returns.



Eventually crowding in any direction creates the conditions necessary for a change. De-grossing, de-leveraging, natural rotation, call it what you want, the most bought stocks see sellers and the most shorted see buyers.

In expensive crowded sectors it highlights the undervaluation elsewhere. At the very least it highlights the difficulty of making a return from *that* valuation. Inverted, the extreme *undervaluation* and under *ownership* of some stocks and sectors highlights the extreme *overvaluation* of others.

Regardless, valuations come under increasing scrutiny and pressure and really start to matter. Momentum can break.

We do not try and build a track record by timing markets. That is difficult. We did a good job hedging during Brexit and we did a good job setting the strategy up in 2022 when the world became more inflationary. It is a matter of public record that our mindset went large cap from then on. If you look at our performance since that date, both at JO Hambro and now at Jupiter, it will tell the five-year story that we structured.

But the stock market weighing mechanism is starting to look stacked in a particular direction. Yes, there are winners and losers in this troubled world, but the application of momentum to success or failure is magnifying reality.

And there were signs in this first quarter that in some places the momentum has gone too far. There have been profound individual stock and sector performance impacts over the past few weeks and months as fear and greed have taken over. Or, as we prefer to call it, FOMO and FOBI have gone mad.



We shifted our mindsets from one of “how do we make money” in 2025 to (more) one of “how do we not lose money” in 2026.

We all know about the effect of FOMO (Fear-Of-Missing-Out) on expected winners, but it is the lesser discussed FOBI (Fear-Of-Being-In) the perceived losers that we as contrarian value investors are more interested in. And there are considerably more FOBI losers out there now.

The losers won't necessarily turn on a sixpence, but when the winners look stretched alarm bells start ringing. And so, ending last year and coming into this year, cognisant of all this we prepared ourselves for a trickier outlook. We wondered how long markets could continue in the same vein. We shifted our mindsets from one of **“how do we make money”** in 2025 to (more) one of **“how do we not lose money”** in 2026.

We are not considering locking down, that isn't what we do. This is a relatively fully invested *long-only* equity portfolio. But there are still ways to short-term hedge and risk manage and, in an ever-changing world, we want to keep the portfolio moving forward.

Where we allocate risk capital at an overall portfolio level we want to ensure we are taking the right type of risk where the business, valuation and outlook are rationally justifiable, not dependent on there being a momentum buyer or being overly reliant on a turn in conditions. Put simply, hope isn't a strategy.

More importantly, in a tougher backdrop we want to ensure the portfolio is not just focused on momentum, but on where there are idiosyncratic levers that can be pulled to aim for better financial outcomes regardless of the external backdrop. This is hard and doesn't have an immediate payoff.

It will put more capital into some winners, but it may put parts of the Fund into areas of discomfort, some with current negative momentum but there is real value out there and it should be worth it, we believe.

A review of what we have been doing and why

Point one

Extra vigilance on valuation and the rationality of our assumptions

Momentum is very alluring. No one likes to be in stocks going down. We all want to be in stocks going up. The question is working out when they pass from trading on fundamentals to trading on other factors, beyond the control of the company or investor and not explained by traditional valuation factors. At this point you are a

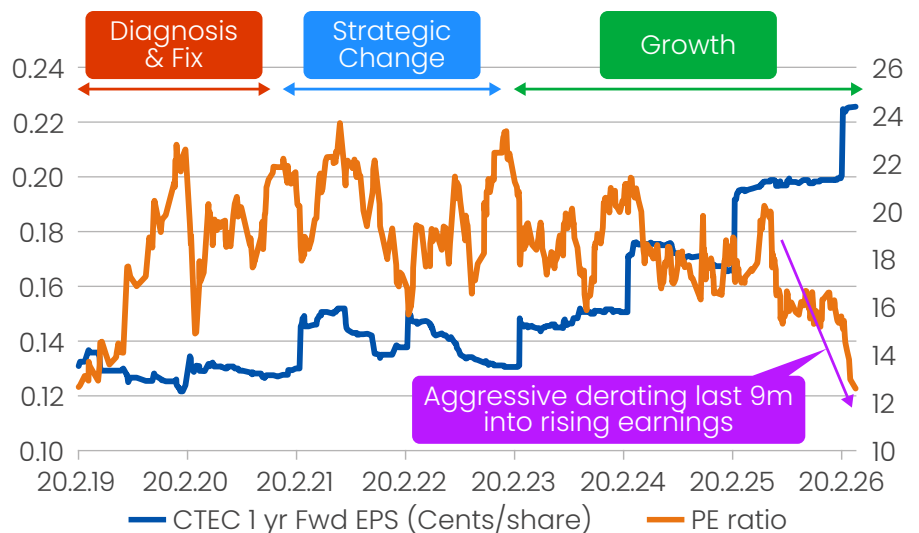
jockey on a runaway horse. It is almost impossible to identify this point consistently but a good rule of thumb we use is around a normalised (e.g. cycle adjusted) PE of 20x.

It is rare for this Fund to own a high PE stock, and in fact even those with a higher PE are rarely if ever bought there (again cycle adjusted).

It isn't a hard rule either, *but the justification above a PE of 20x must be strong and rational*. Critiquing our major disappointment from the last nine months, we thought it was strong at Convatec given the direction of revenue (compounding at 7%) and margins (rising consistently). The shares hit an all-time high in June last year but then look at what happened to the multiple when a number of unrelated issues came together. Earnings have been relatively stable, the multiple has been the release valve, and it has done a lot of damage.

Credibility needs to be rebuilt under the new management team and in response the position is half what it was.

Convatec: Multiple has been the release valve in the face of rising earnings



Source: Bloomberg and Jupiter, as at 9.4.26.

When we look at aggregate valuations across the portfolio, the average PE multiple on an FYI basis is 12.1x and a median of 11.9x (for median headline eps growth of c. 8%). This is below the market multiple which is around 13x (all as at 9th April).

At the lowest end we have those most impacted by AI threats, with WPP and YouGov on 4.4x and 5.3x, respectively, and MONY Group not far behind on 7.7x. GB Group, another AI-impacted stock, is on 9.6x (all as at 9th April). All of these companies have had mid or high teens multiples, and in some cases materially higher, in the last 5-10 years and have been serially de-rated.

At the other end of the portfolio, we have Burberry on the highest multiple of c. 28x; *however*, this is a recovery multiple with gross



Renishaw is one of the highest 'quality' companies in the portfolio (high gross margins, high market shares, engineering know how, high R&D) and one of the least appreciated transformations

margins and operating margins materially below their long-term history and revenues being rebuilt after some strategic errors through 2023 and 2024. Adjusted for this recovery opportunity we see a low double-digit to high single-digit multiple. The 28x multiple is unrepresentative. That said and cognisant of the vigilance we want to introduce, we reduced the holding in February *regardless of our maintained idiosyncratic conviction.*

The next two highest multiple stocks are Renishaw on 21x FYI and Babcock on 20x. Renishaw is on a recovery multiple, being in the early stages of its capital goods markets picking up, evidenced by the extremely positive interim results during February. Revenues in Q2 rose by 14% on Q1, and 11.5% in constant currency for the half.

What we like about Renishaw is that this growth is not just a cyclical market recovery, it is backed by new and genuinely differentiated products in recovering end markets (semiconductor, defence, industrial cap goods) but also giving them access to new markets where they can take share.

This is one of the highest 'quality' companies in the portfolio (high gross margins, high market shares, engineering know how, high R&D) and one of the least appreciated transformations. It flies under the radar as it looks to the outsider like the CEO has been in place for over seven years and that this is just business as usual. Nothing could be further from the truth.

In many ways the CEO's tenure started in 2024 with the sad passing of one of the co-founders Sir David McMurtrey. Despite relinquishing his role as CEO in 2018 he remained as Executive Chairman until mid-2024. He ran the company in a certain way. Whilst it has been successful, the company is capable of so much more. It is well-invested, over-costed and loaded with assets. The new, younger and energised executive team led by the CEO are willing to make changes to maintain the culture but be more commercial.

Renishaw has the best balance sheet across the portfolio, a legacy of its high family ownership history, and has cash holdings approaching £270m or c. 10% of market cap. They invest for the long-term, have high market shares with high quality products and strong brand reputations built over many years. They have never carried leverage. They also own huge swathes of freehold property carried at historic cost and is therefore a highly asset backed balance sheet.

Renishaw is *intrinsically valuable* and we feel very comfortable with this 21x multiple, (*Note: we built the majority of the position at 2900p which is some 30% lower than the current share price*) supported as it is by a refreshed product portfolio, early-stage cyclical recovery, bullet-proof balance sheet and emerging transformation initiatives targeting things that matter like gross margin, operating margin, cash and ROIC.

And then there is the optionality that could underpin this. What value do we ascribe to their Additive Manufacturing business? This has been a source of pain for investors as they have funded material losses to build the business, but it has now started to grow materially and take share. In H1 this year Specialist Technologies – the division housing Additive Manufacturing – grew sales by 22% and reduced losses by £7.3m to essentially breakeven. The order book grew even faster.

We are not going to predict the future, but there is a large market for shop floor industrial additive manufacturing machines, and they seem to have a differentiated product and an ambition to be a top 3 player. The market is estimated by some to be more than €3bn and growing at 20%, their segment is smaller but substantial. If successful, this optionality does not look properly priced.

Babcock started this year extremely well (in-line with its sector) and re-rated to a FYI PE of c. 24x. At that point we decided to structurally reduce the holding by 40% from 5% to 3% of the portfolio. We remain constructive on the UK's need to rebuild defence and nuclear infrastructure and Babcock's enviable position within the value chain, but we are unsure how much the substantial momentum flows into the defence sector more broadly (and remembering that this stock started 2025 on a PE of c. 10x), have affected valuation. The shares have since de-rated.

Elsewhere using the same risk management mindset, we also managed position sizes in a wide range of other companies: for example, Prudential, which re-rated materially during 2025 from 7x to c. 14x; Serco, which moved from 10x to 17x; and Everplay, which moved from 10x to 15x. We reduced the Everplay position fairly materially when the shares re-rated, understanding that it might get dragged into an AI debate and preferring to use any capital available for this basket elsewhere. The shares duly fell.

Overall, we feel comfortable with the portfolio valuation (nuanced as it is). Collectively, stocks with a PE above 20x account for less than 7% of the portfolio. Over 20% of the portfolio has a PE less than 10x forward; over 60% less than 13x and over 90% less than 17x including all the defensive growth stocks and all of the cyclicals.

When we say valuation is nuanced, we think also about some cyclicals. What's cheaper, RS Group on c.14x with <1x forward leverage after an extended period of low global growth and declining PMIs or a bank getting structural hedge upgrades on c.10x (you decide the leverage)? The answer for many is the one with the most momentum.

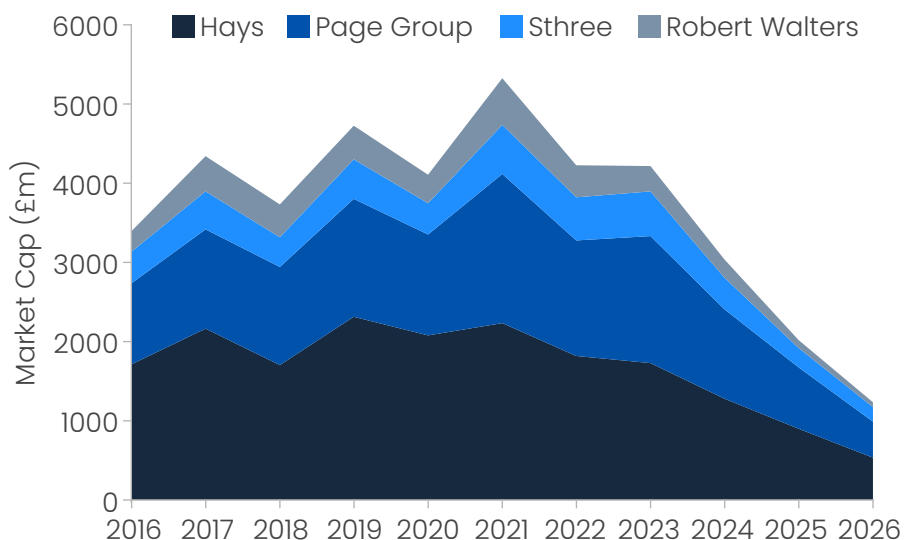
Managing thematic AI risk in the portfolio – profit from uncertainty?

Until the Iranian situation erupted, the overwhelming stock market complication related to the rapidly evolving world of Agentic AI. Business model risks are proliferating and deepening with recent successive new launches from various model developers, most notably Anthropic. Software vendors and data providers have recently been particularly under the microscope.

This continues a theme that started in 2022/2023 with the earliest ChatGPT launches which shone a spotlight on the AI thematic and the earliest identified sectors that faced challenges including online search, creative advertising and employment. The damage to these sectors since then has been extraordinary.

One big unknowable is how many jobs get either created or displaced by agentic AI. The current received wisdom is that more jobs will be lost than created by these changes. Just look at the performance of the UK listed recruitment sector over the last few years, undoubtedly suffering cyclically, but also from this deep AI overhang:

UK recruiters' market cap



Source: LSEG, as at 9.4.26.

Anthropic recently predicted a great recession for white collar workers⁴. Whilst we take articles like this with a pinch of salt – “Hey AI, can you predict the future please?” – any investments in this space remain tricky and we are not currently invested for UK Dynamic, but who can deny the value emerging?

We have been exposed to some AI losers over the last few years (who hasn't?) and it has cost some performance. But we hope we have not been cavaliering with the approach, generally taking a cautious and agile stance whilst remaining invested.

Source:
4. <https://fortune.com/2026/03/06/ai-job-losses-report-anthropic-research-great-recession-for-white-collar-workers>.



Until the Iranian situation erupted, the overwhelming stock market complication related to the rapidly evolving world of Agentic AI.

It is worth pointing out that at times in the last 18 months and even more recently we have chosen to *reduce* some weights despite share price falls and the lowly valuations. We discussed previously that we halved the Fund position in WPP; we were in Hays but exited after the shares had fallen 40% and they have since halved again; we have at times managed positions lower in MONY Group and Pearson (since rebuilt). Others, like GB Group and YouGov we have let shrink as they underperformed.

Why? We do not think it is right to dial the risk out completely.

Valuations are adjusting, companies are responding to threats where necessary and many are adamant that there is as much opportunity as threat – that AI becomes an enabler and differentiator for their business model. The certainty with which the market disagrees with the narrative from some boards is interesting to us.

As an example, the future for search-based and highly regulated financial services through aggregators like Mony Group is not as clearly broken to us yet. A PE of 10x, yield of 8%, a debt-free balance sheet, a recent app launch on ChatGPT and new AI-powered services in the core app meanwhile provide cover and growth opportunity.

Aggregate exposure to the AI loser theme – not including motor insurance providers, which have recently been dragged into an autonomous car debate (insurance deflation) – currently aggregate to c. 7.5% of the portfolio. These are Pearson at 2.5%, MONY group at 1.9%, WPP 1.7%, GB Group 0.8% and YouGov 0.7%.

Taken together they have cost the Fund c550bps of relative performance since the beginning of our tenure in October 2024. However, this needs to be offset against the material underweights of a wide range of prior perceived winners (and subsequently highly rated stocks) which are now deemed heavily AI threatened. RELX, Experian, LSEG, Rightmove and Autotrader as examples and therefore the net exposure to AI 'losers' has not been as severe an impact to relative performance as it may first appear.

From here our capital allocation will continue to be informed by the core process.

Whilst we are doing our utmost to *contain* the risks at an aggregate level, we are reminded that point one of the foundational principles of this strategy when the process was built in 2008 was to attempt to “*profit from uncertainty*”. There are a range of uncertainties in the current stock market, but *nothing* feels more uncertain than the AI thematic. There will be opportunity in uncertainty.

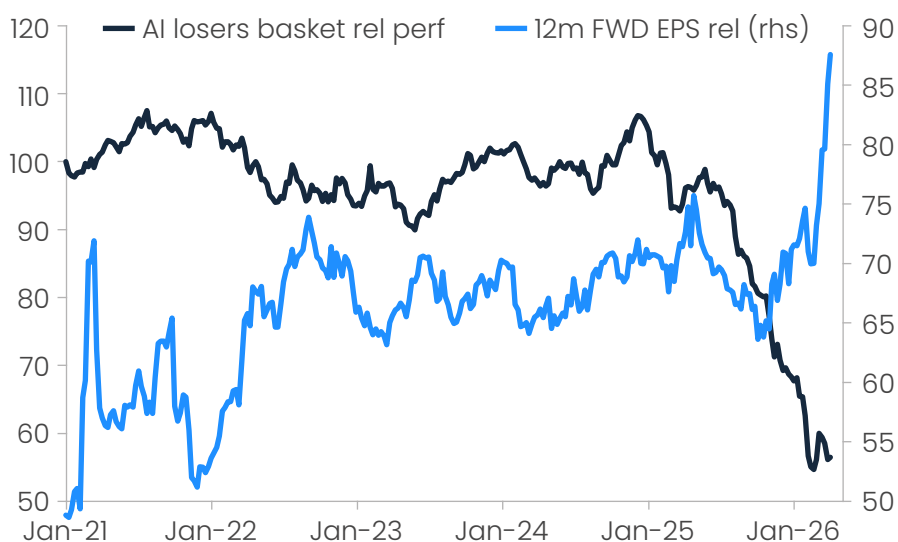
Business models will have to evolve; capital will have to be spent to keep up or to purchase the evolutionary technologies and services

that allow incumbent companies to meet and defeat their own challenges. We will look for boards that recognise this and act with the appropriate urgency and discipline.

But we are also cognisant that so much of the AI loser debate is a *prediction* of what will happen as much as the reality of what is currently happening. We are drawn to this chart provided by Barclays which shows this:

'AI losers' basket performance and earnings relative to MSCI Europe

Source: Barclays Strategy Research, as at 9.4.26.



Some valuations have, we think, corrected too far – some data production and ownership companies like YouGov have de-rated materially. In creative media a lot of damage has been done over the last few years, and WPP now trades on the lowest PE in the portfolio. There, confident of value to be unlocked from other parts of the portfolio under the *new new* strategy, we have added back some exposure.

We will not be contrarian for the sake of it but are acutely aware that whilst some stocks may not survive in their current form, others will survive and thrive. The potential payoff for some is skewing materially to the positive. But patience and fortitude will be needed.

Point three

Selective approach to UK economy and interest rate risk

As 2026 started there was a palpable sense among some commentators that despite all the political noise, the UK might be starting to turn a corner. Inflation was more under control, interest rates were falling, growth was picking up slightly and the worst effects of the 2024 budget were fading. With consumer balance sheets still in a good state there was widespread hope of recovering share prices for a wide range of UK consumer and rate-sensitive sectors.



The UK remains a volatile place both politically and economically whether we like it or not, and the international perception remains tarnished.

There is a conundrum here. There is extraordinary and real value in a wide range of UK consumer-exposed names. In fact, as recovery and transformation-focused investors our watchlist of interesting change situations had been building substantially, with a very clear UK consumer tilt to it. Whether in construction, distribution, housebuilding, food and general retail, recruitment or media, there were and are a wide range of interesting change candidates but with a very clear UK economic exposure.

With a value only stance and a different approach we can understand the allure of these stocks. But the UK remains a volatile place both politically and economically whether we like it or not, and the international perception remains tarnished.

We therefore remain highly cautious over the scale of overall exposure to the UK economy and interest rate cycle at this time. We do not want this Fund's outcomes driven by whether bond yields are 4%, 5% or 6%. We are value investors and recognise the benefit of having some exposure, but we must ensure that this Fund's outcomes at an aggregate level are defined by a level of management control.

This has been beneficial during the market melt-down in March and certainly contributed to the 2nd quartile performance where some Funds struggled with the big increase in UK bond yields and a major decline in the more UK-exposed FTSE 250. As a reminder we do have reasonable size exposure to the FTSE 250 c. 30% and to UK rate sensitives (Landsec, Travis Perkins, Crest Nicholson as examples). Within this, we selectively added to Travis Perkins through the quarter, using interest rate uncertainty to build a position in a business where early self-help actions, balance sheet strength and the prospect of market repair are not yet fully reflected in the valuation.

But these undoubted negative exposures did not define the Fund in March. Whilst at times we may tilt further in that direction, we will ensure that it does not leave the tail wagging the dog too much.

Point four

De-risking through position size management and increased breadth

So, strict on valuation and careful thematic AI and interest rate risk management to ensure balance in the portfolio whilst recognising the value there.

With that same mindset it follows that we should be very strict on position size management. This is a hypersensitive, anxiety ridden market where behaviours are short-term. We have discussed this at length in one of the Engine Room editions. Whilst it gives us the chance to practice 'time arbitrage' it also introduces volatility and offers trading opportunities.

Whilst we are new to Jupiter and do not have a body of evidence for you yet, it has been a theme over the life of this product that we have added value through position size management. We express conviction over long periods of time and are patient, but we have also been nimble in taking opportunities in a volatile market when they present themselves.

Recent examples have included Burberry (which remains extremely volatile as a share price), Serco, Babcock, Johnson Matthey, Prudential and Everplay, where substantial profits have been booked and positions either reduced whilst we await better re-entry points (should they come) or kept firmly at target weight despite outperformance.

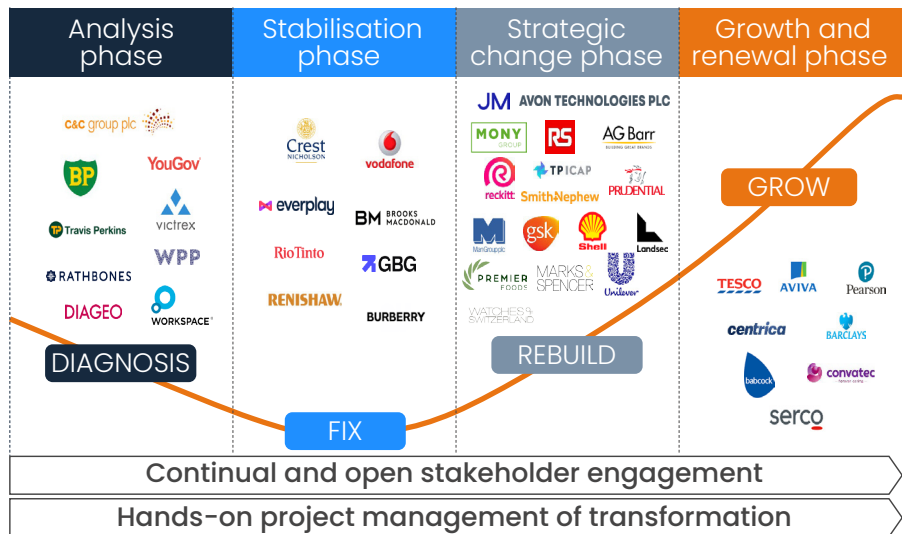
Any excess capital has been re-used elsewhere to fund new opportunities or to add to other positions where we think the market is under-pricing the opportunity – recent investments in Premier Foods and Diageo and well-timed additions into BP and Pearson being cases in point.

This process whilst a good discipline in more volatile conditions, has the added benefit of ensuring that we maintain a level of balance across the portfolio (see chart below).

Our process

Analysis – 16.24%,
 Stabilisation – 12.39%,
 Strategic Change – 45.95%,
 Growth & Renewal – 22.29%.

Source: Jupiter, as at 15.4.26. Company logos, images or trademarks are for reference only and does not imply any affiliation with or endorsement by them.



Increasing the number of positions is also something we have done at times to risk manage and provide optionalty and competitive tension. Yes, this is a Fund that preaches focus and concentration, but there are times where we purposefully choose to increase breadth before later shrinking it again. We have successfully done this in the strategy's history and typically ahead of a wider stock market fall.

We are usually in the range of 30–40 stocks with capital focused towards the top of the portfolio, giving an *effective* number of stocks of c. 25–30. During the later stages of 2025 and into 2026 the total positions increased to 44. We have no doubt that they will shrink again as the strongest survive.

Point five

Looking for defensive growth, undervalued quality

We have mentioned before and have written in The Engine Room about building a portfolio of assets with resilient revenue streams with defensive characteristics that trade at reasonable prices. This is particularly so at the top of the portfolio where a material amount of conviction capital is allocated.

It is this portfolio construction mindset and technique that has partially supported this portfolio through the last c.18 months. We have kept up with a rampant market, which has been driven in the main by a very narrow cohort of FTSE 100 companies to which we have had only partial exposure.

We are pleased to have delivered a 1st quartile performance since we took over management of the Fund, continuing a strong legacy for those that have been invested in this Jupiter Fund for longer.

Stocks that have played their part in the solid performance of this Fund include Babcock, Johnson Matthey, Centrica, Reckitt, GSK, Prudential, Serco, Tesco, Vodafone, Smith & Nephew, Rio Tinto. Many of these names have the defensive characteristics we look for and have been big positions in the portfolio – all have been top 10 or top 20 stocks at some point, and many have been top 5.

As well as in many cases having defensive and predictable revenue streams, several of these names are also heavily *tangible* asset backed; a theme that is starting to gain more airtime in the wider stock market and may still have materially further to run.

We did not get any inbound M&A in 2025 (excluding the bid for part of Johnson Matthey). But with the Schroders bid announced in February, we have now had three fairly material pieces of inbound M&A now with the sale of Direct Line to Aviva at a 75% premium in Q4 2024, Beazley at a c.60% premium in January 2026 and Schroders in February 2026 at a 30% premium.

Whilst the smallest announced premium, the Schroders bid cemented a highly successful and short 13-month holding period with a near 100% return from first purchase prices. It was a contrarian pick at the time to say the least!

We mention this because all these assets found their way into the portfolio at a point in time where their quality characteristics were



We are pleased to have delivered a 1st quartile performance since we took over management of the Fund.



We are being highly selective and sticking to our 5-pillar business transformation process.

being questioned, but which in each case we have no hesitation in saying were quality companies with high awareness brands, high market shares, strong balance sheets and highly cash generative. They also offered growth at very reasonable prices. Those attributes were lost on the market but not on their acquirers. In each case, we backed these businesses when their outlook appeared uncertain to many, taking a differentiated view that ultimately allowed us to capitalise on that uncertainty.

We have no doubt that the current bout of stock market volatility, concentrated as it has been amongst a specific cohort of low tangible, high gross margin, software and services related businesses will throw up future opportunities for us to allocate capital, but we are not biting just because some stocks have fallen a lot recently. *We are being highly selective and sticking to our 5-pillar business transformation process.*

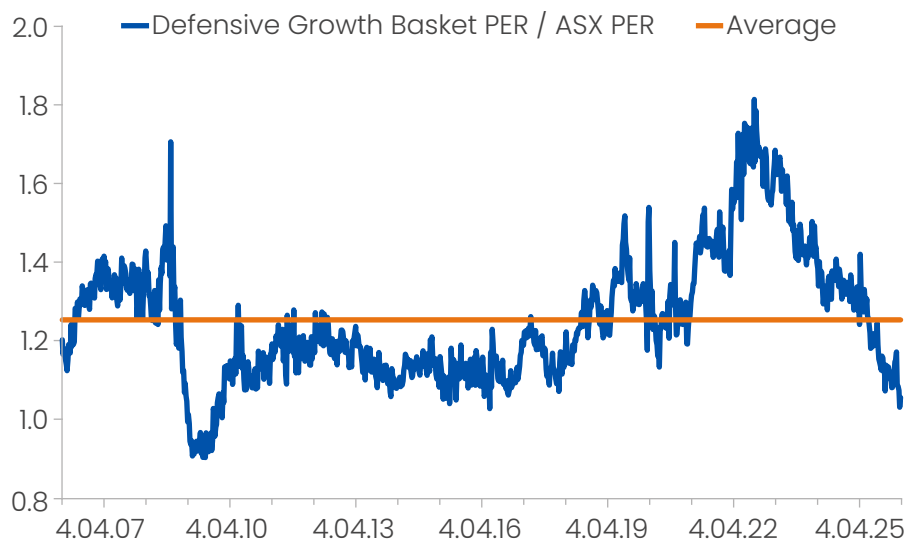
As examples of what we can find without having to take on some of these risks, we have recently (last six months) started new positions at low starting multiples in Unilever (PE 16x), Premier Foods (PE 12x), Diageo (PE 11x), Marks & Spencer (PE 10x), Watches of Switzerland (PE 9x).

There is a value case (absolute or relative to history/cycle adjusted) and an accelerating transformation case in all these stocks, as I am sure you would expect from us.

But there are also the characteristics that we are looking for currently in the blend of defensiveness, lower volatility revenue streams (in most cases), high cash generation, improving balance sheets and growth at a reasonable price.

Note however that through a combination of rising bond yields, investor positioning and some idiosyncratic news flow, we did not feel the full benefit of some of the more defensive positions in the portfolio during the course of Q1 and particularly in March. Unilever was a net benefit to the Fund given it is an underweight still, as was Diageo, but collectively names like Unilever, Reckitt, Convatec and Smith & Nephew performed surprisingly poorly. We write more about the specifics of Unilever and Reckitt in the performance section below, but what is interesting to observe is the opportunity that has emerged within this particular cohort of defensive quality names, all undergoing deep transformations with relative valuations close to 20-year lows seen during the immediate aftermath of the Global Financial Crisis.

Defensive growth basket valuations vs market



Source: LSEG, as at 9.4.26.

Point six

Managing overall market and price risk

Whilst this Fund is, in the main, constructed to focus on the idiosyncrasies of individual situations we always try to stay aware of the combined exposures we are building for the overall portfolio through the aggregated decisions we take.

One of the observations we made through the tariff tantrum in April 2025 was that the portfolio behaved with a higher-than-expected portfolio beta, both during the tantrum itself and in the subsequent market rally.

Our main conclusion from the post-event analysis we undertook was that the portfolio had too much overall exposure to 'pricing risk', i.e. that there were too many companies where the revenue line was ultimately driven by the exposure to an index 'price', for example an equity market index or a commodity or bond index.

Whilst the Fund had managed exposures to financials in the aggregate, the exposure to market levels, individual commodity prices and interest rates more broadly reverberated across many sectors.

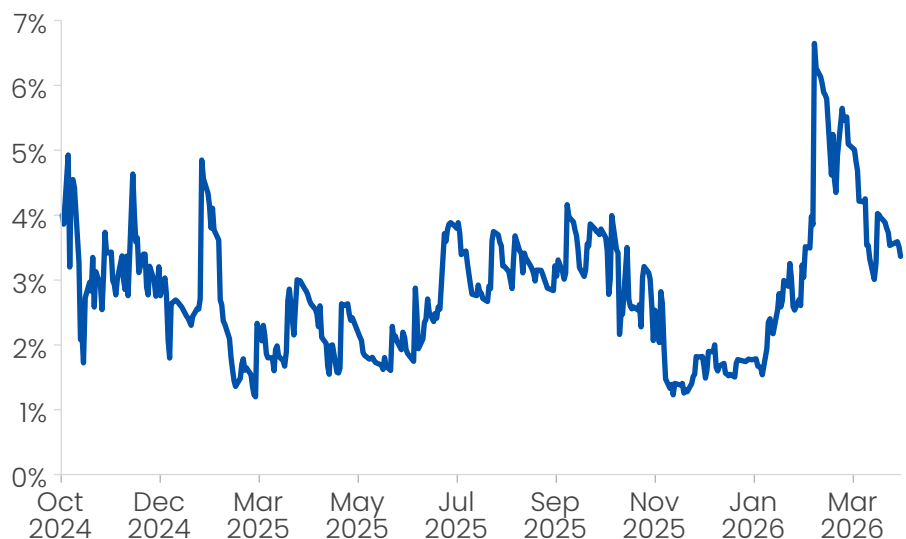
As the year progressed and the market, primarily through the consistent outperformance of the FTSE 100 continued to set new highs, we decided to make sure we were managing these exposures ahead of any new volatility event. The Fund recovered any underperformance during the tariff tantrum and ended up in-line with the FTSE All Share (read FTSE 100) for the year, but the journey there highlighted that it remained fairly sensitive to price moves and index levels.

Through the remainder of the year and into the first two months of Q1 we acted and when certain sectors and stocks hit new highs, we made changes. Insurance stocks like Prudential and Aviva were position size managed, as were wealth stocks like Brooks and Rathbones. When Beazley was approached by Zurich and a deal was done, we did not rush to reinvest the proceeds and essentially kept the cash.

For fund management companies with direct market exposures, although we maintained their weightings through the year and into Q1, when Schroders was approached by Nuveen, we sold out completely and again did not rush to reinvest the proceeds.

In combination we went into March with the highest cash exposure since we joined Jupiter. The Fund is typically in the 1-3% range and has since returned there.

Cash weighting in Fund



Source: Jupiter, as at 9.4.26.

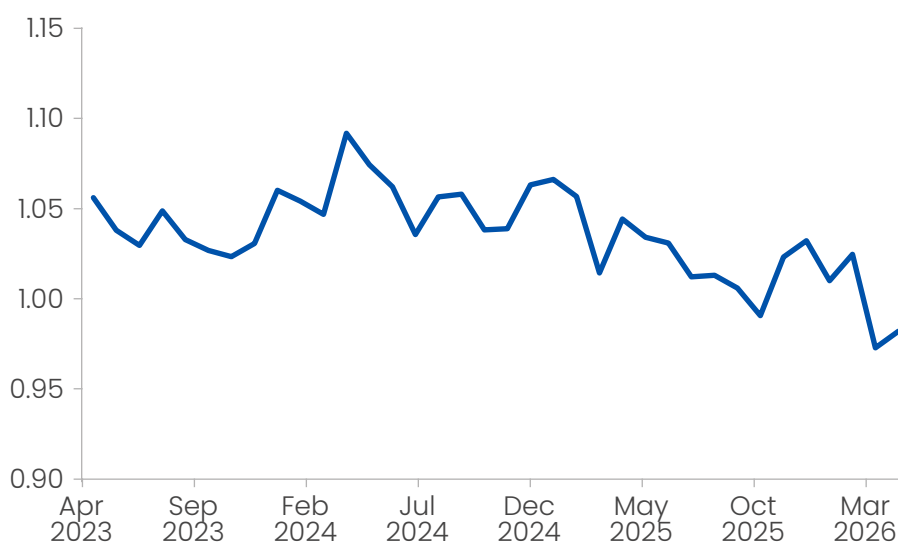
In the mining sector we exercised the same behaviours. We had reduced Anglo American after the announcement of the Teck deal but had maintained and slightly grown the weighting to Rio. That had gone well but when it emerged Rio were in talks with Glencore, we felt at risk from either Rio overpaying or BHP counterbidding.

We swapped a portion of the Fund's investment in Rio for Glencore just for the duration of the talks. When the talks fell apart, we immediately closed the Glencore position (a non-core deal hedge) and only re-invested less than half back into Rio as the price had moved on materially. That left us with a material sector underweight to mining but offset by holdings in chemicals companies Johnson Matthey and Victrex. These aggregate up to a fairly neutral basic materials position.

Any reinvestment of these proceeds, as mentioned, went elsewhere into different types of exposures that had more defensive characteristics, for example Premier Foods, Unilever and Diageo, collectively an investment of c. 5% of the Fund's assets.

As can be seen below, the effect of all these aggregated actions, plus the management of overall position sizes and the increase in cash holdings led to an observable reduction in Fund beta (*FWIW!*):

Fund portfolio beta



Source: Style Analytics, as at March 2026.

The Fund entered the recent bout of volatility with a lower exposure to 'price index' risk and the lowest beta since arriving at Jupiter.

We recognise why people buy this product: for exposure to a portfolio of transformation equities that over time can create compound value. Our preferred transformations at the margin have been inherently lower risk (for the last 9-12 months) and some earlier stage and smaller in market capitalisation.

Whilst it may have cost on a relative basis as the year progressed (to not materially be in banks for example), with the same narrow set of winners continuing to win and a touch of complacency setting in, we thought it was the prudent thing to do. Even more so in the face of stock markets continuing to hit new highs despite all the continuing geopolitical uncertainties.

So, given all this prior preparation, how did we do? Well, as the performance review will show, *it was complicated*.

Performance review

How to make sense of this quarter? By month it was a strange one for this Fund with a win, a loss and a draw. Pretty directionless to be honest, in part designed as such, but also in part the result of our own score-draw on idiosyncratic news.

The monthly 'win' came from a small outperformance in January, but the 'loss' was heavier, with underperformance of c. 280 bps in February. This defined the quarter and was the result of many interconnected things but in short, the Fund was not particularly set-up in a way that would have been beneficial in the prevailing conditions.

If it can be believed, this February underperformance came despite the Fund receiving two bids during February (one a confirmation of the earlier approach for Beazley in January, in turn contributing to that month's outperformance) which amounted to c.100 bps of relative performance, albeit these were offset by a very negative reaction to news from Johnson Matthey of a renegotiation of sale terms with Honeywell. The rest of the underperformance was to do with mix and momentum.

Conditions were dominated by a deepening of AI uncertainties, which fuelled a continuation of the 'winners winning more / losers losing more' theme that has been so dominant. The FTSE 100 led the charge rising by 7%, the highest monthly rise since 2022, and continuing an eight-month winning streak. The FTSE 250 and small cap indices lagged materially, rising in February by 2.3% and 2.9% respectively.

Interestingly, the 'draw' came in March in a heavily down market where again the FTSE 100 outperformed falling by c. 6.2% whilst the FTSE 250 fell by 10.5%. However, this time the moves were led by a very different mix of stocks with energy, utilities and materials being at the forefront of gains and cyclicals, particularly UK interest rate sensitives like housebuilders and retail bearing the brunt of the declines. For many market participants conditions were hard to navigate. What worked in January did not work in February. What worked in February very much did not work in March. This Fund closed the quarter barely in positive territory at +0.1%, yet the FTSE All share TR index was +2.4% with the FTSE 100 TR index +3.4% and the FTSE 250 TR -5.1%.

This left the Fund c. 250bps behind the FTSE All Share TR index on a relative basis for the quarter. Amazingly this was still a 2nd quartile outcome. The Fund remains 1st quartile since we took over management.



For many market participants conditions were hard to navigate. What worked in January did not work in February. What worked in February very much did not work in March.

As explained in the main Engine Room piece, the Fund was reasonably well hedged for the turmoil in March given that we had been preparing for a period of market volatility. We are pleased that at least some of the lay-up work we did had some benefit. But it could and potentially should have been so much better.

What worked?

Extraordinarily, given the underperformance, this was a quarter when the Fund benefitted from the receipt of two bids, for Schroders and Beazley, two stocks accounting for c. 4% of Fund capital at the time of the bids being received. We cannot remember an underperformance quarter in the Fund's history where there has been strong idiosyncratic news flow like this.

The Schroders bid from Nuveen (covered earlier), at a point in time where the new strategy was starting to make some progress was a little disappointing. However, rather than complain, given the seeming strong motivation to sell from the family shareholder and given that we had timed the Fund's investment so well, we were happy to move on after the announcement and lock in the large investment gain.

The Beazley bid was a larger premium, reflecting what a strong story it was. In all honesty it is a bit of a shame; the shares had started to underperform given a declining cycle in some of their core markets and a less than welcomed decision (by the market) to invest in a new Bermuda platform. We wrote the investment up last quarter and stated that we were very happy with the investment and the direction of travel from management. We were likely to rebuild the Fund's position higher. The large 60% premium does somewhat offset the slight disappointment.

It is interesting to us that both bids, and the bid for Direct Line last year, came from sector competitors rather than private equity. We believe that this will likely remain a theme in these volatile times.

Elsewhere the major positive contributors for this Fund came in the shape of Centrica and BP, both heavily impacted by the events in Iran in March, which sent energy prices meaningfully higher.

For Centrica, whilst less a direct beneficiary, although potentially so via the energy trading division, it has re-heated the debate around energy security for the UK. Centrica owns Rough Gas Storage, the UK's largest gas storage facility and has an interest in the UK's nuclear fleet. The market (and indeed we) is expecting the Government to agree life extensions to certain of these Nuclear

facilities, to assign further small modular reactor (SMR) and advanced modular reactor (AMR) contracts and to come to an agreement over an acceptable framework within which Centrica can keep Rough Gas Storage open.

Results for Centrica in February confirmed that the business continues on its multi-year transformation to an infrastructure-led, less volatile business with a substantially larger and more predictable earnings base.

BP exited the quarter as the Fund's largest position, in the main a result of the substantial re-rating given the dramatic change in the oil-price outlook. The Fund does not look to take on oil price risk and in fact, with an underweight position in Shell to finance the specific BP transformation, the Fund was neutral to the oil price move in performance terms through March. But this understates the opportunity that is emerging in BP. This is a rapidly improving transformation situation where fears over the balance sheet are likely to be replaced by the progressive and urgent re-shaping to a faster growing, higher margin and more cash generative company.

With that in mind, recent asset sales including Castrol and the Gelsenkirchen refinery in Austria (announced in March) have unlocked further balance sheet repair and cost savings. A recent change in CEO with accompanying step-up in restructuring urgency combined with a strong performance from upstream assets (with major recent exploration success) sets the transformation up well. The deferral of the buyback in March disappointed some market participants but was a decision we supported in pursuit of more rapid deleveraging.

The dramatic oil price rises since the recent Iran crisis have now ignited the investment case. BP has limited direct negative exposure in the region and has broadly unhedged production, and so is in a strong position to benefit from improved cash flows.

The share price has risen accordingly and in any peace deal oil prices will respond in the short-term and BP will be traded lower, but with prices likely to stay higher for longer the BP balance sheet repair is brought forward. The road to normalisation has just been accelerated. New CEO Meg O'Neill should now be able to continue and accelerate the positive changes.

What didn't work?

Messy divorces



Hidden value is not easy to find but it regularly exists in the stock market. But identifying the potential hidden value is one thing, creating value quite another.

This is a Fund process steeped in hidden value. We have discussed the idea of **focus** many times – not as an investment banker hungry for transaction fees, but in the pursuit of value creation through the idea of focusing on where you have a comparative advantage. The value creation often comes from the unwinding of the 'lowest common denominator effect' as described in Engine Room IV. We highlighted plenty of examples in that quarterly.⁵

Hidden value is not easy to find but it regularly exists in the stock market. But identifying the potential hidden value is one thing, creating value quite another. It is neither easy nor cheap to simplify and focus, and sometimes the shorter-term results are more akin to a messy divorce than a conscious uncoupling. You hope that in the end, all sides are happier.

This has been an apt analogy for UK Dynamic in the last quarter. Messy divorces aplenty with the effects of disentangling divisions at Reckitt, Johnson Matthey and Unilever all leaving a nasty stain on the short-term share price of all three companies.

Events at Johnson Matthey, where the deal signed to sell Catalyst Technologies division last year was renegotiated lower by Honeywell, left the biggest stain on Fund performance in Q1. Johnson Matthey shares fell substantially on the news that the price would fall from £1.8bn to £1.325bn. The market was not expecting the news, although as we wrote in a prior Engine Room, we were prepared for this to happen.

The renegotiated price was lower than we had expected, but only marginally. The market seemed more surprised. Deal closure is dependent on receiving regional approval in China and the long-stop date for deal closure is August. There remains a residual risk that the deal doesn't complete, and we sense that the market remains nervous. Underneath all this, the cash-focused restructuring continues.

Reckitt shares were also remarkably weak in March, unfairly so we think, after the full-year results and first formal forward guidance for the business post the sale and de-consolidation of their 'Essential Home' business unit (announced in a deal last year).⁶

Originally, Reckitt hoped for the deal to be earnings neutral, offset by other factors like the buyback, however the start to the year in some of the remaining businesses was slightly weaker, in both Europe and the US (but for seasonal factors) leading to marginal underlying

Sources:

5. <https://www.jupiteram.com/uk/en/professional/insights/engine-room-q4-2025-edition>
6. <https://www.reckitt.com/news/reckitt-agrees-to-divest-essential-home/>

downgrades. Some analysts waited until now to remove Essential Home from their numbers and so the downgrades looked larger.

Reckitt has a strong emerging markets business and is coalescing around a core set of brands that are higher growth and higher margin. They are investing behind these brands to drive a continuation and acceleration of that growth. Whilst earnings will be flat this year, the shares trade on a PE of c. 14x one-year forward. Low for the quality and longevity of growth on offer, particularly from their emerging markets business.

Staying on the defensive growth theme we have been revisiting an old UK Dynamic position, Unilever, and have been slowly increasing the position, attracted by the shrinking valuation and the commitment to more dynamic restructuring in pursuit of a future as a purer, higher margin beauty and well-being business. In March, the company announced the combination of their Food business with McCormick⁷. Initial reaction to the deal was lukewarm with the shares of both companies trading lower.

Given we have been building the Fund's position slowly, the underperformance of the shares was a small benefit on a *relative* performance basis for the quarter but was obviously an *absolute* performance headwind in a month where the defensive characteristics of the shares should have served us better.

We are in favour of the restructuring and recognise this could be a noisier divorce for a while. Unilever remainco is wasting no time getting on with its new life though and has already invested in Gruns, a health supplements brand in the US, for a reported \$1.2bn. We expect ultimately, they both benefit from going their separate ways.

One of the conscious uncouplings likely to add value if it happens is at YouGov. YouGov has been squarely caught in the crossfire of AI disruption with the added technical disbenefit of a failed opportunistic acquisition involving the issue of equity and debt, a succession of boardroom changes (for the better) and of course being AIM listed. A vicious cocktail.

Now you see me; now you don't.

Source:
7. <https://ir.mccormick.com/news-releases/news-release-details/mccormick-combine-unilevers-foods-business-creating-preeminent>

Since the acquisition of GfK's consumer panels business (completed in January 2024) for €315m, funded with a €280m debt facility and a £55m equity placing (4.9% of the then equity base),



In the face of concurrent and interlocked shifts in geopolitics, energy policy, inflation and interest rates, we believe making predictions, especially point estimates, is a fool's errand.

YouGov's market capitalisation has reduced by more than £1bn. Let us spell that out: one...billion...pounds.

We were not involved in the majority of that share price decline, only purchasing shares once the effective price of the acquisition had been c. twice removed in market capitalisation terms. The shares have fallen further since and now trade at a very lowly valuation. The new Chair Ian Griffiths along with new CFO and founder CEO Stephan Shakespeare are implementing a three-stage plan to improve the outlook, perception and share price.

One part of the plan will look at a sale of the previously acquired shopper division. We have no idea what value it now carries, revenue and profits are fairly similar, but we welcome the decision given the market value of the *whole group* is now c. £200m. The plan in its entirety looks credible to us and we are backing it.

WPP was another stock that underperformed in Q1. We have written plenty about this situation and continue to believe that there is a stronger plan in place to create value now. There is a new go-to-market approach for the media business which is already having benefits, cost cutting and asset sales to support profitability and repair the balance sheet (we see assets like CMI media as undervalued by the Group share price) and a more rational approach to group structure to try and maximise capability.

The destruction of market capitalisation at WPP has been similar in scale to YouGov. The now-you-see-me-now-you-don't disappearance of value has been large-scale. Whether the multiples of these companies re-rate quickly is a separate debate, but in both cases any self-harm is coming to an end.

Outlook

In the face of concurrent and interlocked shifts in geopolitics, energy policy, inflation and interest rates, we believe making predictions, especially point estimates, is a fool's errand. Equally, we also believe adhering to portfolio construction and investment process disciplines remain paramount, and that is what we are focused on to help guide your capital through the coming quarters. We hope the actions taken during the quarter and covered above helped bring that to life.

Since 2008, the evolutionary path of this investment process has very much been a case of navigating one crisis after another and we suspect this won't be the last. What has been most enduring

during that period has been our ability to thoughtfully reflect, learn and emerge stronger.

We are determined for that to continue to be the case through this crisis.

Performance

Jupiter UK Dynamic Equity Fund (I GBP Acc)

	01 Apr '16 to 31 Mar '17	01 Apr '17 to 31 Mar '18	01 Apr '18 to 31 Mar '19	01 Apr '19 to 31 Mar '20	01 Apr '20 to 31 Mar '21
Jupiter UK Dynamic Equity Fund (I Acc)	28.2	-2.2	2.8	-21.7	38.1
FTSE All-Share	22.0	1.2	6.4	-18.5	26.7
IA UK All Companies	18.1	2.8	2.8	-19.2	37.8

	01 Apr '21 to 31 Mar '22	01 Apr '22 to 31 Mar '23	01 Apr '23 to 31 Mar '24	01 Apr '24 to 31 Mar '25	01 Apr '25 to 31 Mar '26
Jupiter UK Dynamic Equity Fund (I Acc)	9.9	9.9	6.8	9.2	20.9
FTSE All-Share	13.0	2.9	8.4	10.5	21.5
IA UK All Companies	5.3	-2.0	7.6	5.0	12.7

	1 Month	1 Year	3 Years	5 Years	10 Years	Since FM Inception ¹
Jupiter UK Dynamic Equity Fund (I Acc)	-6.7	20.9	41.1	70.3	137.4	25.4
FTSE All-Share	-6.7	21.5	45.6	69.3	129.8	26.8
IA UK All Companies	-8.1	12.7	27.4	31.5	82.8	12.6

Past performance is no indication of current or future performance, and does not take into account commissions and costs incurred on the issue/redemption of shares. Returns may increase or decrease as a result of currency fluctuations.

Source: Morningstar, NAV to NAV, gross income reinvested, net of fees, in GBP, to 31.03.26.

Target Benchmark: FTSE All-Share. **Comparator:** IA UK All Companies. The highlighted column denotes periods managed by the current investment team.¹ 11.10.24.

Jupiter UK Dynamic Equity Fund risks

Pricing Risk

Price movements in financial assets mean the value of assets can fall as well as rise, with this risk typically amplified in more volatile market conditions.

Market Concentration Risk (Geographical Region/Country)

Investing in a particular country or geographic region can cause the value of this investment to rise or fall more relative to investments whose focus is spread more globally in nature.

Derivative risk

The Fund may use derivatives to reduce costs and/or the overall risk of the Fund (this is also known as Efficient Portfolio Management or “EPM”). Derivatives involve a level of risk, however, for EPM they should not increase the overall riskiness of the Fund.

Liquidity Risk (general)

During difficult market conditions there may not be enough investors to buy and sell certain investments. This may have an impact on the value of the Fund.

Counterparty Default Risk

The risk of losses due to the default of a counterparty on a derivatives contract or a custodian that is safeguarding the Fund’s assets.

For a more detailed explanation of risk factors, please refer to the “Risk Factors” section of the Scheme Particulars.

The value of active minds – independent thinking: A key feature of Jupiter’s investment approach is that we eschew the adoption of a house view, instead preferring to allow our specialist fund managers to formulate their own opinions on their asset class. As a result, it should be noted that any views expressed – including on matters relating to environmental, social and governance considerations – are those of the author(s), and may differ from views held by other Jupiter investment professionals.



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