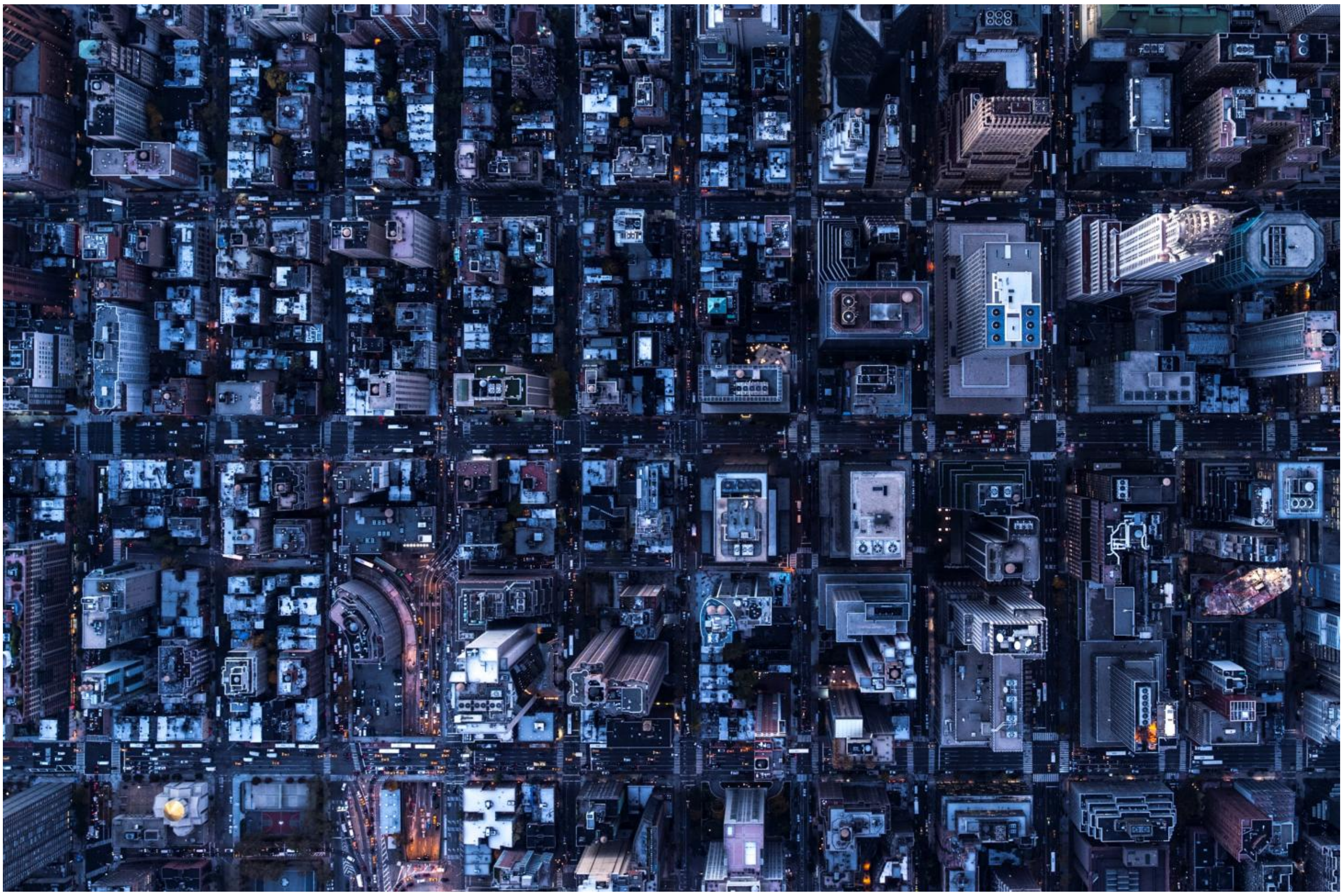
Generation Investment Management Global Equity Quarterly Investor Letter

January 2026



Dear fellow investors

Markets in 2025 were shaped by uncertainty and distortion. In this letter, we discuss why today's market dynamics strengthen the case for patient, quality-focused investing.

The past year has brought challenges. However, for reasons that we will outline in this letter, we strongly believe that the portfolio is set up for future success. Indeed, we think the very market trends that are causing underperformance today are helping us sow the seeds for outperformance tomorrow.

Many investors hope to make money by forming a judgment on whether or not the world is in an 'AI bubble.' We avoid prognosticating on such questions, partly because the term 'bubble' is loaded. We prefer to say 'AI boom,' but it does not really matter what we call it. It is not relevant to our task: identifying quality companies at the right price and then holding them for years. In our view these companies will thrive over time whatever booms and busts may come. We profile two of these holdings, MercadoLibre and Adyen, later in this letter.

Our process for investing in AI companies is the same as it is for any other industry. We look for companies providing goods and services that their customers find indispensable – and also push the world in a sustainable direction. These companies have strong pricing power, but they use it responsibly. Their management teams think for the long term. Crucially, a quality company is not a quality investment at any price. The compounding journey needs to start at a reasonable valuation.

Which sectors in AI offer long-term value? Based on our Roadmap research, we strongly believe that over the coming decades the world will need computing power – and lots of it. To give one illustration: if you assume that a third of internet users will start interacting with AI services via voice for about 20 minutes per day, global computing requirements could roughly triple.[1]

Some companies involved in the AI build-out look more robust than others, in our view. The business of chip design is becoming increasingly competitive. The cloud companies, led by Google, are designing their own chips. By contrast, companies that manufacture chips – especially TSMC – seem well positioned. ASML is the undisputed champion of extreme ultraviolet (EUV) lithography machines, which are used to print the tiniest features on modern computer chips. We also believe that the very best manufacturers of electrical equipment are well placed to benefit, over many years, from the build-out.

We have invested accordingly. Roughly one third of the portfolio, from Legrand to Schneider to Microsoft, is involved in the AI build-out in some way, from power to cooling to efficiency support.

[1] Internal research.

Part of the 'AI trade' involves choosing what *not* to invest in. We recently exited our stake in Gartner, because we worried that AI was already beginning to affect demand for its services. Selling was not an easy decision, but we believe it was the right one. And, of course, we keep the door open to holding Gartner again in the future.

Outside of AI, we have worked hard to increase the quality of our investments. This has involved removing some companies from the Focus List that we no longer deem good enough for us to invest in. We removed Twilio, a software company, in part because we had overestimated the importance of the product to its customers. We also removed JLL, not because its products or management worsened, but because its competition improved, such that we believe JLL is no longer a stand-out company in the industry. Over the past year we have created a narrower, more concentrated portfolio that we believe is better than ever before. Our internal measure of 'business quality' is at an all-time high.

Our approach does not guarantee excess returns in all years. The market does not always equate price with value, meaning that the short-term correlation between earnings growth and share-price growth can be surprisingly low. It is currently in one of those 'uncorrelated' moods. At present many investors seem to favour cyclical, high-volatility and high-beta names. They invest behind momentum, with price moves today encouraging price moves tomorrow. Investors are also liable to punish companies that even marginally miss guidance on revenue or earnings, even if the fundamentals of the business are strong.

In such an environment, it is not surprising that our returns differ from the benchmark. Since the inception of the fund, the majority of the names on the Focus List have outperformed the market. Over the past year, however, the balance has flipped, with more underperformers than outperformers. Moreover, external analysis finds that high-quality stocks have had one of their weakest relative performances in the past 15 years. For example, UBS HOLT's analysis of their so-called 'e-caps' and 'super e-caps' – their versions of quality and super-quality companies with strong economic profits – has highlighted similar underperformance.[2]

The market is currently punishing companies that do not play the 'beat and raise' game, even if they are strong businesses. Danaher saw weak share price performance in 2025, in part because investors were not sufficiently excited about its guidance. But we believe it is an excellent business. Or consider Workday. In our opinion conservative guidance has overshadowed healthy underlying demand. Something similar has happened with Salesforce.

The recent underperformance of quality has encouraged us to ask fundamental questions about our research process. Could our understanding of 'quality' be incorrect? We need to be open to this possibility. After all, the share of companies that UBS HOLT classifies as e-caps is twice as high as in the 1990s (though still only around 20% of firms).[3] Perhaps analysts are now being too generous with their 'quality' designation. To examine this possibility, we have doubled down on our financial analysis of the portfolio.

[2] HOLT/UBS Global Viewpoint,11 December 2025.

[3] Excluding financials, regulated utilities and REITs. "Quality is Down But Not Out," HOLT Industrials (20 November 2025).

Since the beginning of 2023, we find that earnings growth of the portfolio is approximately double the benchmark. Organic revenue growth of our portfolio is close to 10% per year. EBIT margins are high and rising. Companies in the portfolio have strong balance sheets and estimated earnings growth over the next five years comfortably in double digits. And they have passed our rigorous evaluation of sustainability metrics, making them system-positive companies.

What surprises us, in a positive way, is the contrast between these fundamentals and how the market is currently pricing them. Even as earnings have grown faster than the benchmark, the portfolio's valuation multiple has de-rated. In fact, our portfolio has almost never been so cheaply valued relative to the benchmark. We therefore own a collection of businesses that, in aggregate, grow faster and earn higher returns than the market but are priced more conservatively than they have been in the past. This, in our view, is a promising set-up for future success.

History suggests that the market will eventually 'turn,' coming to realise the value of quality companies. It has happened many times before, and indeed the long-term correlation between earnings and share-price growth is solid. We cannot, of course, predict exactly when the quality renaissance will happen, nor will we try to. But there are encouraging signs. In our last letter we quoted a column in the *Financial Times* that argued that valuation was no longer a useful investment strategy. More recently, the same newspaper has published an op-ed extolling the virtues of quality stocks.[4]

If and when a 'turn' does happen, we believe the portfolio is well positioned to benefit from it. Upside from current prices to our estimate of intrinsic value is reasonably high. The portfolio is highly concentrated, which is testament to the conviction we have in our companies.

We also believe that our investment process is getting better over time – in part because of our use of AI. Integrating AI throughout our process has two key benefits. First, it saves analysts time on routine tasks so they can focus on higher-value work. Second, it helps uncover insights that otherwise could be missed. We have trialled over 100 AI use cases across our investment process. We keep what works while quickly moving on from what does not. Every output has close human oversight.

A few examples bring this to life. By utilising a specialised, AI-enabled platform as our 'Knowledge Hub,' we have unlocked the capability to search and summarise 20 years of our deep research, turning decades of institutional knowledge into a living resource. Our 'First Looks' initiative serves a different function. When analysts evaluate a new company, we leverage AI to provide a snapshot overview with green, yellow and red flags drawn from sources like Glassdoor reviews, which used to take hours of manual work. Finally, our 'Deception Detection' dashboard analyses earnings call transcripts across the portfolio, flagging watchlist topics and potential areas for forensic accounting review.

For 20 years we have tried to build an organisation that values deep research, collaboration and learning from mistakes. That journey continues.

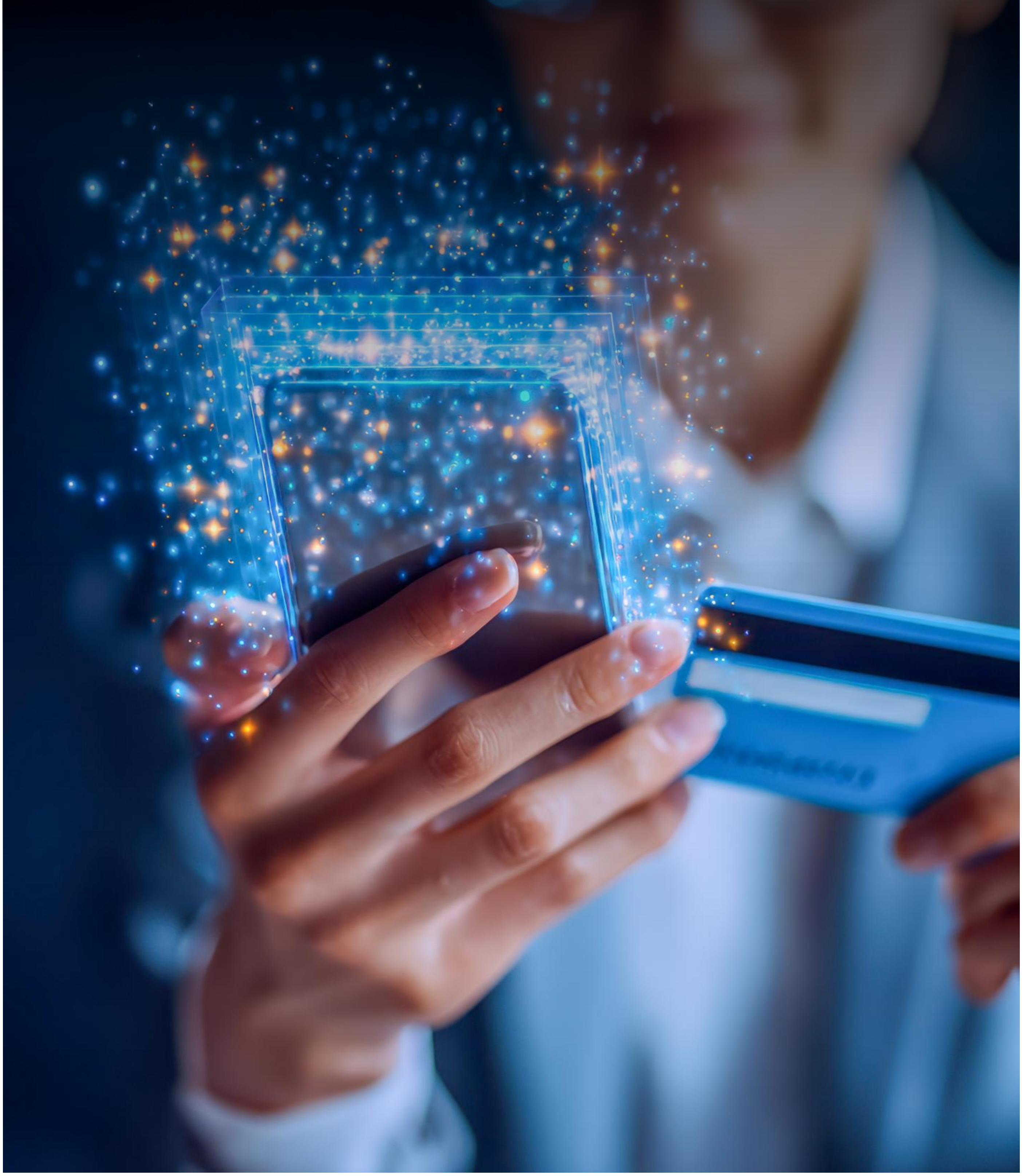
The total assets under management for the Global Equity strategy as at 31 December 2025 are USD 21.0 billion.

[4] See article here.

Review of the year

To complete our review of the year, the remainder of this letter will cover the following areas:

In each quarterly letter we share examples from our portfolio that bring our investment process to life. This quarter we focus on two companies: e-commerce platform MercadoLibre and payments solution company Adyen.



Company example

MERCADOLIBRE

Our investment in MercadoLibre (Meli) began more than a decade ago when we thought it could become the core digital infrastructure for Latin America. We believe it is an outstanding business with deep moats. And it is run by a strong management team with a clear sense of purpose.

MercadoLibre was founded in 1999 by Marcos Galperin, who has led it for a quarter of a century. Under him it became Latin America's most valuable listed company, with a market cap north of USD 100 billion. Galperin stepped down as CEO at the end of 2025, staying on as executive chairman. The new CEO Ariel Szarfsztejn joined in 2017.

MercadoLibre is a Latin American e-commerce platform, operating in 18 countries with particularly strong positions in Brazil, Argentina and Mexico. Typically, independent merchants list on the platform, and Meli takes a commission. In 2024 Mercado Envios, its logistics solution, handled 1.8 billion shipments, roughly doubling its 2020 figures.[5]

E-commerce is only part of what Meli does. It uses e-commerce as a way to offer both buyers and sellers other, potentially more valuable services, including payments and credit. This deepens the company's role in the Latin American economy.

The sustainability benefits from Meli's operations are clear. Over half a million SMEs sell on the platform, representing upwards of 70% of their gross merchandise sales. Meli is the main income source for nearly two million families in the region.[5] Meli has expanded into harder-to-serve regions such as northeast Brazil, bringing lower prices nationwide.

Meli is a crucial tool for financial inclusion. More than half of users say Mercado Pago, the company's payments platform, was their first digital payment method. Half of the SMEs on the platform received their first credit offer through Mercado Pago.[5] Traditional banks in Mexico and Brazil have historically underserved mass-market customers. By contrast, Meli is using its data and app distribution to extend credit cards to those the banks had previously deemed 'unworthy.'

Crucially, the company has not expanded by taking wild risks. Management emphasises short-duration, data-rich credit (such as working capital to merchants), priced using marketplace and payments data. They take credit risk, but they have been disciplined about it so far. In fintech they track Net Promoter Scores (NPS) relentlessly. Meli now leads both banks and other fintechs on this measure of customer satisfaction.

Several qualities stand out when we listen to management. They see Meli as a tech company whose job is to change everyday life in Latin America, and they are totally focused on Latin America. They hire, retain and develop top regional talent. The mix of extreme ambition, paired with risk discipline, is rare.

Meli has impressive sustainability ambitions. It is aggressively rolling out low-emission vehicles within its logistics operations. All secondary packaging used to ship products on the platform is now recyclable, reusable or compostable. 'Meli Delivery Day,' a recent innovation, encourages some customers to consolidate several deliveries to a single drop, reducing emissions.

Meli committed to the Science Based Targets initiative (SBTi) in 2022 and worked to set science-based reduction targets. In 2024, however, SBTi removed MercadoLibre from the initiative, a move the company attributes to methodological challenges in setting Scope 3 targets for fast-growing platform businesses (challenges that have also led to the removal of Alibaba and Amazon from SBTi.) We continue to engage closely with the company on the establishment and implementation of a Paris-aligned emissions reduction strategy.

[5] MercadoLibre.

ADYEN

We at Generation know payments well. We have invested or currently invest in many of the defining companies in the industry, from Visa and Mastercard to PayPal, Toast and MercadoLibre. This gives us a deep understanding of what makes a payments business special. We also appreciate the important sustainability role that payments can play. Electronic payments are efficient. Small businesses with records of digital payments are able to obtain credit more easily on favourable terms.

Founded in 2006 and based in the Netherlands, Adyen enables companies to accept payments online, in apps and in physical stores. We estimate that in 2025 Adyen will process EUR 1.4 trillion of payments.

In the traditional card-payments system, three players handle a transaction: issuers give cards to consumers; networks like Visa and Mastercard provide the rails; and acquirers enable merchants to accept the payment. In general, we have avoided investing in acquirers. The economics are often commoditised, the moats unclear, and there is a tangle of old systems and duplicated platforms. Adyen is a rare exception. It is a genuinely differentiated, modern, data-rich platform with strong cultural foundations.

The company serves three broad segments: purely digital businesses, platforms (such as eBay) and 'omni-commerce' merchants, which combine online and offline retail. The single Adyen platform handles all countries and payment types, which allows genuinely seamless customer experiences. Customers can buy online and return in store, for instance.

Stripe is the only real peer to Adyen in terms of scale and technological leadership. There are nonetheless big differences between these businesses.

Stripe serves customers of all sizes. Adyen more narrowly focuses on the largest, most sophisticated merchants. Many merchants start with Stripe and then, as they scale, shift volume to Adyen, giving the company a higher share of total spend. Once merchants use Adyen for payments, it is a natural extension to use Adyen for financial services, such as loans.

Several factors make Adyen an attractive business. First, the technology. Adyen was built as a single global platform from day one. In a Creole language from Suriname, *adyen* literally means 'start again.' Most competitors run multiple platforms, many of which are old. Data gets lost between systems. Features behave differently in different markets. Adyen's one-platform approach means every transaction is processed in the same way. This greatly improves the quality of data available for authentication, which translates into a smooth customer experience.

Second, scale. Adyen is a thoroughly global business. It holds banking licences in Europe, the UK and the US. The company has offices in 32 locations. Adyen invests heavily in integrating with local regulations, payment methods and market norms, so that merchants can operate effortlessly across countries.

Third is culture. Management emphasises long-term thinking, collaboration over ego and rapid iteration. This culture has allowed Adyen to adapt quickly to the constant rule changes in payments. A good example is the recent US change requiring online debit transactions to be routable via multiple networks. This is the sort of complex regulatory shift that hurts fragmented platforms but which Adyen can take in its stride.

The company did experience a wobble in 2023. At the time the company took advantage of a downturn in tech employment to attract top talent. Compounding this, revenue growth slowed while US competition temporarily intensified. Results since then have improved. Volumes and revenue have re-accelerated, margins have recovered and the company has continued to win large new customers. We think the long-term trajectory remains positive. Adyen has just 5% of their addressable payment volume and a huge future opportunity to supply banking products to underserved small businesses.

Omni-commerce is growing faster than purely digital channels. Once a retailer deploys Adyen's physical terminals across its stores, switching becomes more difficult. This is a useful moat from which Adyen should be able to benefit. Adyen is also preparing for a world in which AI agents act on behalf of consumers. Some call this 'agentic commerce.' In such a world it becomes critical to distinguish quickly between a legitimate shopping bot and a fraud bot. Adyen's unified data model puts it in a strong position to assume this role.

There are risks. One is network tokenisation. Visa and Mastercard are replacing card numbers with network-issued tokens, which are more secure. This shift can obscure some granular data and potentially narrow the gap between high-quality acquirers like Adyen and more run-of-the-mill companies. We will be watching this trend closely.

Adyen's internal initiatives add to the sustainability case for investing in the company. The company has committed 1% of net revenue to initiatives aligned with the UN Sustainable Development Goals. We think this, combined with a long-term engineering culture, positions Adyen as a business that can support both sustainable commerce and financial inclusion.

Stewardship and engagement

Every analyst at Generation undertakes engagement and proxy voting as part of their ongoing coverage of companies. The analyst team is supported on stewardship strategy and execution by our Head of Public Markets Engagement Edward Mason and our Engagement Associate Jessica Marker.

We were pleased to be accepted again in 2025 by the Financial Reporting Council as signatories to the UK Stewardship Code, based on our Stewardship Report for 2024.

ENGAGEMENT OVERVIEW

In 2025 we undertook **463** meetings with Global Equity Focus List companies. Our meetings have one of two fundamental objectives. The first is 'monitoring,' to ensure that our investment thesis remains intact. The second is 'engagement,' where we talk with the company about it achieving a specific outcome.

In 2025, **88** of our meetings included engagement in relation to a specific outcome. We engaged on environmental issues in **41** meetings, social issues in **23** meetings, governance issues in **29** meetings and business issues in **27** meetings.

We will provide a complete picture of our engagement in 2025, and the engagement outcomes, in our upcoming Stewardship Report. For now, we will share an overview of our activities over the past year.

Climate change

At Generation, we stand firm in our commitment to a sustainable economy and society, as well as our belief that sustainable investing is best practice. In 2025, climate change remained the issue on which we engaged most, as we seek to align the portfolio with net-zero emissions by 2040. In total, climate action was discussed in **34** meetings.

We also continued to use proxy voting to underline our expectation that all companies in the Global Equity portfolio should set externally validated emissions-reduction targets aligned with the Paris Agreement. In total, we exercised votes against the Chair or other responsible non-executive directors, or in one instance abstained on the discharge of the Supervisory Board, at **six** portfolio companies on climate grounds in 2025.

As a founding signatory of the Net Zero Asset Managers initiative, Generation set an interim target for 2025, as a firm, for 60% of assets to be represented by companies with emissions-reduction targets validated by the Science Based Targets initiative (SBTi).

In December 2025, the percentage of the portfolio covered by validated near-term science-based targets (SBTs) stood at 67% (on a portfolio-weighted basis), with a further 10% of the portfolio represented by companies that have committed to set SBTs with SBTi.

Diversity

We engaged on diversity and inclusion in **18** meetings.

We believe that companies will have the best access to talent and take the best business decisions if their diversity reflects that of the societies from which they recruit and the customers that they serve. We ask companies to disclose data on diversity and inclusion, as well as information on the actions they are taking to enhance it.

We held a series of meetings with human resources professionals at US companies to examine the impact of changes in federal policy relating to diversity, equity and inclusion. We saw clear themes: companies had dropped diversity targets, closed development programmes open only to women or minority racial/ethnic groups, and adopted more neutral communications stances on diversity issues.

However, all of the human resources professionals we spoke with made clear that their companies remained convinced of the business benefits of diversity and inclusion. They continued to collect and monitor diversity data, actively confront the risk of bias in human resources processes, maintain partnerships with diverse educational institutions and operate employee resource groups.

As investors, we made clear our continued support for the companies' efforts to grow and deepen the diversity and inclusion of their workplaces.

Deforestation

Generation is a member of the Deforestation Investor Group (DIG), whose mission is to amplify investor action as part of a multistakeholder effort to tackle deforestation. As participants we are working to mitigate deforestation risk exposure, in alignment with the Global Stocktake goal to halt and reverse deforestation and forest degradation by 2030.

In 2025, we engaged on the urgency of combatting deforestation in **three** meetings with companies at material risk of exposure to agricultural commodity-driven deforestation.

Governance and business issues

We conduct extensive engagement on governance and business issues as we work to protect and advance our clients' interests. The leading issues on which we engaged in 2025 were Board composition and performance (**21** meetings) and capital allocation (**25** meetings). These are critical issues in our Management Quality framework which can shape the outcomes of investments we make.

PROXY VOTING

When voting the proxies of the companies they cover, analysts draw on Generation's Proxy Voting Principles, their own analysis and the support of the engagement team. They have access to benchmark and customised research from Institutional Shareholder Services (ISS), but do not automatically adopt its recommendations.

These are the headlines from our voting activity during 2025:

- There were **591** resolutions at portfolio companies on which we qualified to vote.[7]
- We voted **100**% of these proxies.
- For management proposals, we chose not to support management on **73** occasions (13% of voting on management proposals).
- **6**% of proposals were filed by shareholders.
- We voted in favour of **39**% of shareholder proposals.

2025 GLOBAL EQUITY PROXY VOTING SUMMARY

		For	Against / withhold	Abstain	Total	% Against management
Management resolutions	Board election & structure	298	42	8	348	13%
	Compensation-related	65	5	0	70	7%
	Auditor-related	22	20	0	42	48%
	Routine business	77	2	0	79	3%
	Other business	14	2	0	16	6%
	Total	**476**	**71**	**8**	**555**	**13%**
Shareholder resolutions[6]	Governance	5	5	0	10	40%
	Environmental	3	2	0	5	60%
	Social	6	14	1	21	33%
	Total	**14**	**21**	**1**	**36**	**39%**

[6] Votes for shareholder resolutions, and abstentions, are recorded as votes against management, unless the votes are in line with management recommendations. In 2025, there was one shareholder resolution where management recommended a vote for and we voted for. 2025 also saw several instances where management recommended votes against a management resolution and we voted against. In these cases, too, our votes are not classified as votes against management.

[7] In a limited number of cases, due to registration requirements that lock up shares or other legal reasons, we are sometimes unable to vote. This is a consideration in security selection.

Portfolio metrics[8]

We provide select Environmental, Social and Governance (ESG) as well as Financial (F) metrics, which we believe best represent the data we use to inform our Business and Management Quality process, out of those currently available for the majority of the portfolio and benchmark. While they are best viewed as an output of our process rather than direct inputs, they also provide us with an additional lens to view the portfolio and stimulate internal discussion.

As well as measuring the portfolio against a benchmark, we measure it against thresholds too. This is because on one or more criteria our portfolio might beat the benchmark, but would still be inadequate for achieving a truly sustainable society. For example: our portfolio has a lower gender pay gap score than the benchmark, but ideally the portfolio, and society more broadly, would eliminate the gender pay gap completely. Therefore, in this situation, our threshold for success would be zero.

E

	Portfolio	Benchmark	Threshold
Carbon intensity, Scopes 1 & 2 (tCO_2e/$m)[9]	22	90	
Carbon intensity, Scopes 1–3 (tCO_2e/Eur m)[9]	397	846	
SBTi target validated (portfolio weight %)[10]	67%	50%	100%
SBTi committed but target not set (portfolio weight %)[10]	10%	4%	
Implied temperature rise (Scopes 1–3, degrees Celsius)[11]	2.0	3.0	1.5

S

	Portfolio	Benchmark	Threshold
Percentage of employees who would recommend the company to a friend[12]	73%	69%	
Effective tax rate[13]	19%	21%	
Commitment to a living wage[14]	32%		100%
Gender – female Board % (weighted average)[15]	33%	35%	40–60%
Gender – female executives % (weighted average)[16]	26%	27%	40–60%
Gender pay gap (simple average)[17]	13%	16%	0%
Advanced total race/ethnicity score (weighted average)[18]	69	67	
Pay linked to diversity targets (simple average)[11]	5%	9%	

[8] As at 12 December 2025. This information may no longer be current. To the extent not sourced from Generation, it is from sources believed reliable. However, Generation does not represent that it is accurate or complete and it should not be relied upon. It should not be deemed representative of future characteristics for the portfolio. For definitions of each metric, please refer to the appendix.

[9] Source: MSCI, weighted average calculation.

[10] Generation analysis based on data from the Science Based Targets initiative.

[11] Source: MSCI.

[12] Source: Glassdoor.

[13] Source: CapIQ. This metric is not shown as above or below benchmark, as one cannot deduce from the number alone whether a company's effective tax rate is a positive or negative; company profits are taxed in a range of jurisdictions with a range of tax rates and permissible deductions. For comparison, the global average Effective Average Tax Rate (EATR) published by the OECD in November 2025 was 20.5%. This was calculated on the basis of data for 2024 from 104 jurisdictions.

[14] Source: Denominator. Coverage is poor for this metric and not adequately representative of the benchmark, therefore no comparison is made.

[15] Source: Denominator.

[16] Source: Denominator. This is a Denominator calculated data point because there is no universally agreed definition of an 'executive' and therefore without a standard method one company's disclosure might represent something significantly different to that of another.

[17] Source: Denominator. This metric is a simple average of gender pay gap data disclosed by companies. Coverage is poor and pay gaps are not measured in a consistent way. Nonetheless, we think it is important to show the data available on this metric.

[18] Source: Denominator. This metric is a score out of 100 that measures the company's total performance on racial/ethnic diversity across the Board, executive and company as a whole. Comparison to background race/ethnicity is calibrated to the country of operations: a company with 100% Caucasian leadership in the US scores less than a company with same ratio in Denmark, due to the different race/ethnicity composition of the background population (higher % of Caucasian in Denmark).

G

	Portfolio	Benchmark
Percentage of shares owned by executives (median)[19]	0.12%	0.08%
Independent Board (weighted average)[20]	80%	81%
Independent Chair or lead non-executive director (simple average)[20]	81%	76%
Board not entrenched (simple average)[20]	84%	82%
All non-executive Board members on no more than four public company Boards (simple average)[20]	95%	95%
Equal shareholder voting rights (simple average)[20]	89%	88%
Independent compensation committee (simple average)[20]	78%	73%
Companies with regular 'say on pay' votes (simple average)[20]	97%	82%
Fewer than 10% votes against executive pay (simple average)[20]	57%	74%
Pay linked to sustainability targets (simple average)[20]	65%	26%

F

Three-year revenue growth (weighted average)[19]	11%	13%
Gross margin (weighted average)[19]	60%	55%
Cash flow return on invested capital[21]	17%	9%

Data in green: relative performance above benchmark. Data in red: relative performance below benchmark.

[19] Source: CapIQ.
[20] Source: MSCI.
[21] Source: UBS HOLT.

CLIMATE METRICS

In addition to the regular quarterly portfolio metrics, in our year-end letter we present additional climate metrics in order to give a picture of where GHG emissions are concentrated in our portfolio, emissions targets and trends at these higher emitting companies and the avoided emissions that the companies enable.

Top portfolio emitters	Total emissions in thousands of metric tonnes (Scopes 1–3)[22]	% of total portfolio emissions	SBTi status[23]	Year-on-year trend[24]
Amazon	68,250[25]	24%	Removed	Stable
Schneider Electric	55,792	19%	Targets Set	Stable
Microsoft	25,238	9%	Targets Set	Up
TSMC	24,637	9%	Not Participating	Up
Sika	15,907	6%	Targets Set	Stable
Alphabet	15,185	5%	Targets Set	Up
ASML	12,071	4%	Targets Set	Down
Legrand	9,465	3%	Targets Set	Down
Thermo Fisher Scientific	8,958	3%	Targets Set	Down
Vestas Wind Systems	8,095	3%	Targets Set	Stable
Total top 10 emissions	**243,603**	**85%**		
Total portfolio emissions	**288,115**			
Share of total portfolio emissions accounted for by top 10 emitters that participate in SBTi	**52%**			

The portfolio's Scopes 1–3 emissions are concentrated in a small number of companies. Just ten holdings are responsible for 85% of emissions. Of these ten companies, three have reduced absolute emissions over the past year, three have seen emissions increase and four have seen emissions remain stable (we define stable as moving less than 5%.)

The higher emitting companies in the portfolio are overwhelmingly comprised of firms that deliver the avoidance of emissions when their products or services are used.

For example, Legrand, one of the top ten emitters in our portfolio, is a global specialist in electrical and digital building infrastructures. Its products inevitably involve downstream Scope 3 emissions because they use electricity. However, Legrand sees this as an opportunity to create efficiency and has set a target to avoid 70 million tonnes of CO_2 between 2020 and 2030 through the use of their energy efficient products. The company estimates that it avoided 14.8 million tonnes of CO_2 in 2024, over five million tonnes more than its absolute Scopes 1–3 emissions for the same year.

A new entrant to the portfolio in 2025, Alphabet, has set an ambition to help individuals, cities and other partners collectively reduce one gigaton of carbon emissions through the use of technologies such as smart thermostats, tools for solar developers and fuel-efficient driving directions. The company estimates that in 2024, five of its products enabled 26 million metric tonnes of GHG emissions to be avoided. Again, this is substantially higher than the annual Scopes 1–3 emissions created by the company.

The calculation of avoided emissions is not yet standardised. This means that although we believe that the numbers produced by Legrand and Alphabet are credible, they are not comparable. It would not be appropriate today to combine all the avoided emissions figures from across the portfolio into a single 'total avoided emissions' figure.

[22] Source: MSCI, 2024 emissions plus in-house analysis.

[23] Generation analysis based on data from the Science Based Targets initiative.

[24] Source: MSCI, 2024 vs 2023 emissions.

[25] Generation does not believe that Amazon's Scope 3 disclosures are complete because Amazon only reports product-related emissions for Amazon-branded products and devices. In our view, this emissions figure is therefore an underestimate of the company's true footprint. This is a topic of regular engagement with the company.

Generation is committed to investing in climate solutions, even if this involves a carbon footprint. While we expect all companies in the portfolio to commit to and work to achieve science-based emissions reductions, we do not optimise our portfolio for emissions. We believe that understanding both the emissions created and those avoided by a company is essential for sustainability analysis.

In 2025 the Generation Foundation continued to fund the development of avoided emissions standards. During the year their grantee organisation World Business Council for Sustainable Development (WBCSD) released updated guidance on avoided emissions calculations alongside sector guidance for the Built Environment, the Agriculture and Food sector and investors.

Over time we hope to see more comparability and rigour in the provision of avoided emissions data and will continue to monitor and engage with our companies on this topic.

Portfolio company Scopes 1 and 2 emissions trends 2021–2024[26]

	Emissions intensity by revenue		Absolute emissions	
	Number	Portfolio weight	Number	Portfolio weight
Companies with decreasing emissions	22	44%	17	42%
Companies with increasing emissions	5	21%	10	33%
Companies with stable emissions (+/- 5%)	9	32%	9	21%
Insufficient data	1	4%	1	4%

Looking at the current portfolio as a whole over a three-year period, companies representing 42% of our portfolio have reduced their Scopes 1 and 2 emissions on an absolute basis, and 44% on an intensity basis, since 2021, whereas 33% have seen them increase, falling to 21% on an intensity basis.

The portfolio contains many fast-growing companies, which can make it challenging to reduce emissions on an absolute basis. Furthermore, 2021 is a challenging base year as some emissions were reduced due to COVID-19 lockdowns. As companies implement their science-based targets for emissions reduction, we expect to see our portfolio increasingly populated with companies achieving absolute emissions reductions, even if they are growing strongly. In terms of emissions intensity, portfolio companies are making clearer progress.

We have conducted this analysis on a Scopes 1 and 2 emissions basis only because of the lack of reliable Scope 3 data over this three-year period.

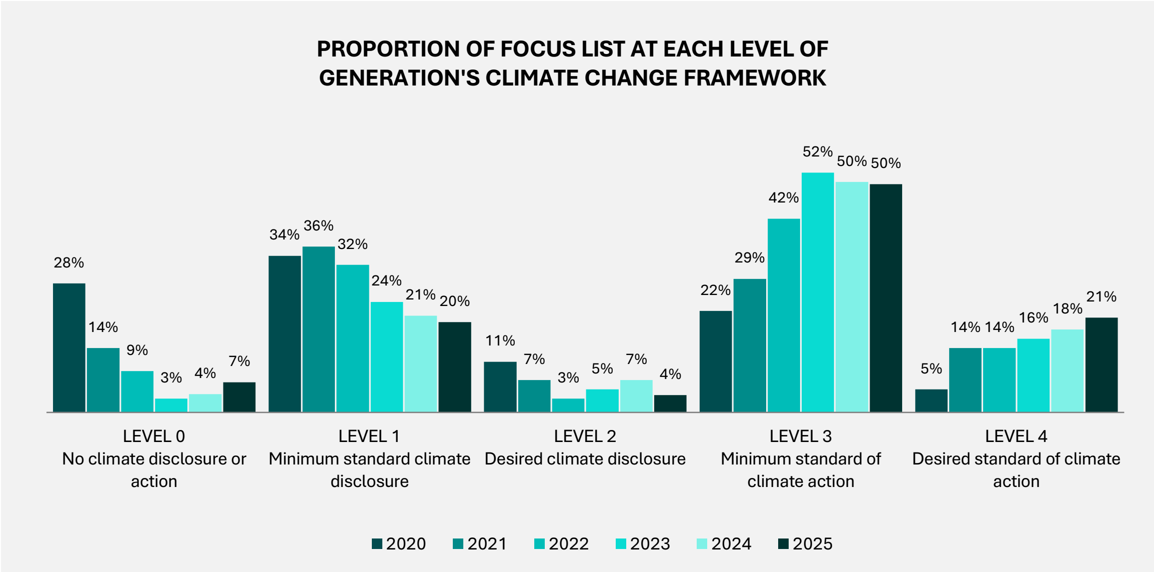
Generation developed a public markets climate change engagement framework in 2020. This climate 'levels' framework operates as follows. Level 1 companies disclose GHG emissions either to CDP or in their own reporting. At Level 2 they disclose on climate-related risk and opportunity, in line with the recommendations of TCFD/ISSB. Level 3 means they participate in the Science Based Targets initiative. Companies at Level 4 are aligned with our goal of net-zero emissions no later than 2040 and are, in our opinion, showing leadership on climate action.

Since the initiation of the framework, there has been significant progress across the Focus List. Companies have migrated up the climate levels with most companies now at Level 3 or Level 4. The share of the Focus List at Level 4 reached a new high of 21% and the share of the Focus List at Level 3 remains stable at 50%.

[26] Source: MSCI and in-house analysis. Weights do not always sum to 100% due to rounding.

Progress has largely plateaued since 2023 in the face of the ESG backlash. We have been disappointed this year to see two US-based Focus List companies discontinue emissions reporting, but no Focus List companies have stepped away from validated science-based targets.

We will continue determinedly to engage on the need for all companies to undertake accelerated, ambitious climate action.



Portfolio mapping to the UN Sustainable Development goals

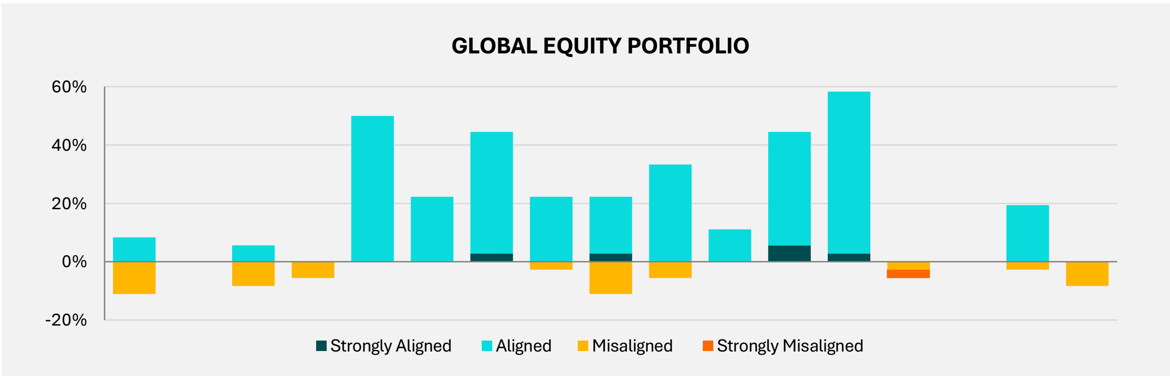
We report annually the alignment of our portfolio with the UN Sustainable Development Goals (SDGs) using an external tool: the MSCI SDG Alignment Tool.

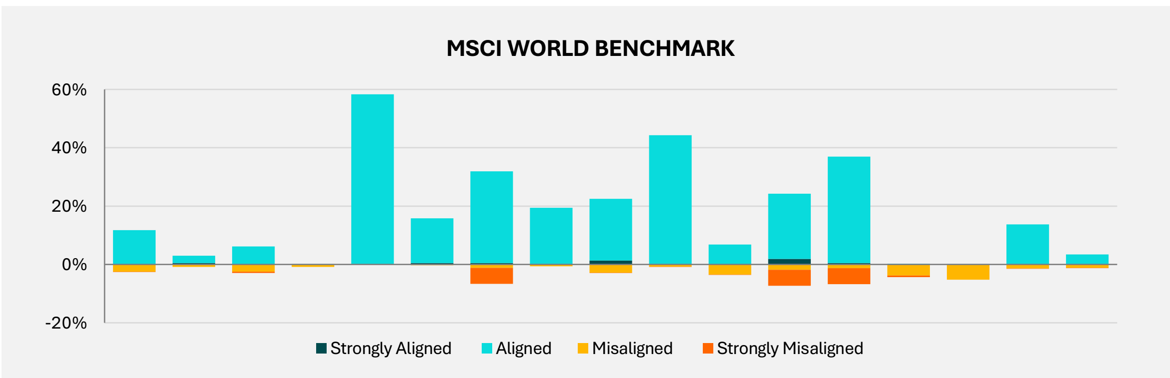
As a reminder, the tool:

- takes account of all SDG-aligned revenues at a company, awarding scores for alignment of products and services according to revenue bands
- takes account of the impact of companies' operations as well as their products and services
- assesses negative as well as positive impacts for both products and services, and operations
- looks at historical as well as current data to ascribe a performance score according to whether the company is on an improving or deteriorating trend, taking account of the previous three years
- leverages MSCI's relevant data capabilities, including Sustainable Impact Metrics, Controversies & ESG data points, as well as business involvement research to ensure that revenues from products and services with negative impacts are identified (e.g., tobacco, arms, fossil fuels).

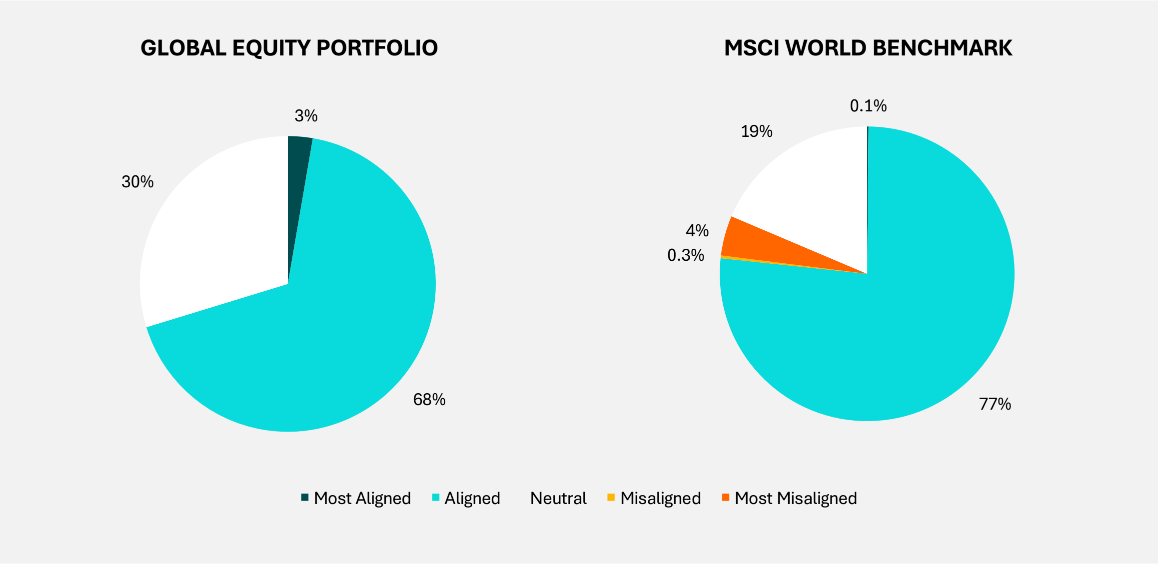
For each SDG, a company's contribution is weighed in the balance so that, based on their net scores, companies can be assessed as Strongly Aligned, Aligned, Neutral, Misaligned or Strongly Misaligned.

The charts below show how the Global Equity portfolio (as at 12 December 2025) comes out using the tool, relative to the MSCI World benchmark, for each of the 17 SDGs (companies whose alignment with an SDG is assessed to be Neutral are not displayed).





A pie chart showing the Global Equity portfolio is on the left below and another showing MSCI World companies as a whole is on the right. These are based on the same data as the bar charts (again unweighted), but the criteria used to assign companies to categories are different.[27]



We draw the following conclusions from the 2025 SDG alignment assessment:

- Our portfolio demonstrates higher levels of strong alignment than the benchmark with SDGs 7 (Affordable and Clean Energy), 9 (Industry Innovation and Infrastructure), 12 (Responsible Consumption and Production) and 13 (Climate Action).
- Our portfolio shows greater alignment than its benchmark with many of the SDGs, including SDG 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 12 (Responsible Consumption and Production) and 13 (Climate Action).
- Our portfolio continues to hold more Most Aligned and fewer Misaligned and Most Misaligned companies than its benchmark. Indeed, this year the analysis shows that the portfolio does not hold any companies deemed to be Misaligned or Most Misaligned.
- This year our portfolio contains more companies assessed as Neutral than last year (30% Neutral vs 10% last year). Four out of nine of this year's new portfolio additions have Neutral ratings, with the five remaining additions having Aligned ratings.
- The companies added to the portfolio with a neutral rating were: **MSCI**, a provider of indices and analytics to the financial sector, **Carlisle**, a building products company, **Alphabet**, a technology company and **Spotify**, a music and audio streaming company.
- The companies added to the portfolio with an Aligned rating were: **Moody's**, a data and analytics company, **Synopsys**, a semiconductor design and verification software company, **L'Oreal**, a beauty and cosmetics company, **West Pharmaceutical**, a drug packaging and delivery company and **SAP**, a software company.
- The company in our portfolio that scores best, as Most Aligned, is **Vestas Wind Systems**, which is assessed as Strongly Aligned on four SDGs and Aligned on three, with no misalignment.

The results of the SDG alignment tool should be viewed with the usual caveats. Its assessments of companies are inevitably less sophisticated than those based on primary research and engagement.

[27] Criteria used for pie charts: Most Aligned: no Strongly Misaligned assessments on any SDGs; at least three SDGs identified as Strongly Aligned; higher overall number of Aligned SDGs than Misaligned. Aligned: no Strongly Misaligned assessments on any SDGs; higher overall number of Aligned SDGs than Misaligned. Misaligned: at least one SDG is assessed as Strongly Misaligned; higher overall number of Misaligned SDGs than Aligned. Most Misaligned: three or more SDGs identified as Strongly Misaligned; higher overall number of Misaligned SDGs than Aligned. Companies not fitting into these categories are assigned to Neutral. We exclude from these charts companies that are not assessed for SDG alignment by MSCI.

Firm and Foundation update

Generation's vision is a sustainable world in which prosperity is shared broadly, in a society that achieves wellbeing for all, protects nature and preserves a habitable climate.

We seek to pursue our vision with urgency by:

- Delivering long-term, attractive, risk-adjusted investment returns and positive impact [28]
- Advocating for the adoption of sustainable investing by the wider market.

[28] Generation seeks to deliver attractive returns and positive impact, but there can be no guarantee this goal will be achieved.

ADVOCACY UPDATE

In the 2025 Senior Partner Letter, David Blood was unequivocal about both the gravity of this moment in time and our response to it. He acknowledged that advocates for a sustainable economy are facing political backsliding, greenhushing and concerted opposition from fossil-fuel interests, at a time when the world has already breached the planet's safe and just boundaries. He was clear that this retreat by parts of the financial sector is not only deeply disappointing and unconscionable – but also that it does not alter the underlying reality. Climate change, nature loss and inequality remain financial issues, fiduciary duty requires investors to address them, and the business case for sustainable investing is beyond question.

Our ninth annual Sustainability Trends Report, published in September 2025, examines where the world stands in the transition to a low-emissions economy at this time of heightened political uncertainty. The report confronts the reality of policy backsliding and asks whether ambitious global climate action can withstand it. While these reversals risk slowing progress, they do not define the outcome. Across energy, transport, industry, land and finance, technological and economic advances continue to accelerate and reshape what is possible. The transition will face resistance and setbacks, but it is underway, it is resilient, and we remain confident that it will ultimately prevail.

Nature remains a source of optimism in the climate conversation. Brazil hosting COP30 in the Amazon was symbolically powerful, and the country has demonstrated what's possible when political will meets environmental imperative: deforestation rates have been brought down under determined leadership, though the fight continues. COP30 saw a strong narrative connecting forests, ecosystems, biodiversity and climate. Guidance on nature in investment frameworks also expanded and strengthened in 2025 with TNFD (the Taskforce on Nature-related Financial Disclosures) publishing Guidance on nature in transition plans. Over 600 organisations representing over USD 20 trillion in assets under management voluntarily committed to making TNFD-aligned disclosures.

Our conviction is undimmed: this period only strengthens our determination to stand firm, to speak when others fall silent and to do our part – through capital allocation, stewardship and advocacy – to help ensure the transition happens in time.

GENERATION FOUNDATION

The Generation Foundation continues to pursue its shared vision with Generation Investment Management. Its mission is to use strategic research, grant-making and advocacy to unlock the power of capital markets to drive a more sustainable economic system.

2025 activities

The Foundation seeks to mobilise investors to maintain the social and ecological systems on which we depend by addressing the key risks to those systems – climate change, nature loss and inequality – at their root cause. While the project of advancing sustainable investing faced a number of headwinds in 2025, the Foundation remains committed to unlocking the power of mainstream investors to drive change for climate, nature and people. In 2025, the Foundation deployed around GBP 8.5 million across its grant-making, research and employee matching programmes.

One recent grant was to the Asia Investor Group on Climate Change to develop their policy engagement programme. The grant will support Asian institutional investors to use policy advocacy to manage systemic financial risks. This grant builds on the findings of the Foundation's flagship Legal Framework for Impact project, which demonstrated investors' ability to better serve their clients and beneficiaries by pursuing positive impact. The mechanisms for investor action include asset allocation, stewardship and policy advocacy. The Foundation's continued research in this area has shown that advocacy is an underused pillar of investor action, which when combined with sustainability-orientated allocation and stewardship activity, can amplify investors' impact.

In 2025, the Foundation also made a USD 3 million grant to Climate TRACE. The grant supports the expansion of ownership data for the coalition's greenhouse gas emissions data inventory, as well as the development of case studies and tools to facilitate the translation of emissions data into concrete decarbonisation actions.

OPERATIONS AND CONTROL UPDATE

Our Investment and Client teams work with our Platform teams to deliver a controlled execution environment for the firm to conduct its business.

We continue to deepen the way in which we harness AI to the benefit of our firm following the establishment of our AI strategy in 2024. We are focused on both adoption of tools and usage, utilising ChatGPT enterprise and other AI-enabled applications to improve access to information and data. We have gathered ideas from our key business areas and worked on a number of proofs of concept. These have progressed and are now embedded products helping to source deal opportunities for our investment teams, track analysts' investment theses, surface and provoke debate, and track shifting sentiment. We do have a human in the loop at all times, but we find the path to knowledge and delivery has accelerated with these new tools.

AI is also changing the landscape for our Legal, Risk and Compliance functions. While legal research has been enhanced through AI-enabled tools, the most significant impact has been within Compliance and Risk. AI now allows large and complex data sets to be monitored and assessed in minutes rather than hours. An example would be automatically reviewing communications with third parties to ensure that our research efforts have not strayed into areas that would be of concern. This enables our 'human' compliance and risk officers to build deeper personal relationships with their investment colleagues, with a view to ensuring they are fully familiar with applicable rules and regulations.

PEOPLE UPDATE

This quarter in the Global Equity strategy, we were delighted to welcome Ben King to our Data & Analytics team. This team works alongside our Investment team and helps us to leverage the use of data in our investment process. Ben will be working closely with Kelly Goosen who joined us in a data scientist role in 2024. Prior to joining us, Ben was a data scientist and senior associate at Boston Consulting Group. Ben has a BSc in Physics from Durham University and a MPhil in Machine Learning & Machine Intelligence from the University of Cambridge. Morgan Davies, an Associate in our Research Strategy team, left the firm at the end of this year.

As at 31 December 2025, the Generation team comprises 136 people and assets under management total approximately USD 30.0 billion.[29,30] The Just Climate team comprises 52 permanent people and the Generation Foundation is six people.

Miguel Nogales,
co-Portfolio Manager

Nick Kukrika,
co-Portfolio Manager

[29] Includes subscriptions and redemptions received by the last business day of the quarter but applied the first business day after the quarter-end.

[30] Assets under management includes Growth Equity, Private Equity and Just Climate assets as at 30 September 2025.

Appendix

Portfolio metrics: definitions

FACTOR	METRIC	SUMMARY DESCRIPTION
Carbon intensity, Scopes 1 & 2 (tCO_2e/$m)	Weighted average	Aggregate tonnes of GHG emissions (expressed as CO_2 equivalent) per USDm of company revenue.
Carbon intensity, Scopes 1–3 (tCO_2e/Eur m)	Weighted average	Aggregate tonnes of GHG emissions (expressed as CO_2 equivalent) relative to the company's most recent sales in million Euro. Scope 3 emissions are estimated.
SBTi target validated (portfolio weight %)	Percentage	The percentage of companies in the portfolio with a validated science-based target.
SBTi committed but target not set (portfolio weight %)	Percentage	The percentage of companies in the portfolio that have committed to setting a science-based target with the Science Based Targets initiative but have not yet had their target validated.
Implied temperature rise (Scopes 1–3, degrees Celsius)	Degrees Celsius	A portfolio level number in degrees Celsius demonstrating how aligned the companies in the portfolio are to global temperature goals. This metric uses an aggregated budget approach: it compares the sum of 'owned' projected GHG emissions on a Scopes 1–3 basis against the sum of 'owned' carbon budgets for underlying holdings. Scope 3 emissions are estimated.
Percentage of employees who would recommend company to a friend	Average	Percentage of participating employees who would recommend the company to a friend. This metric may warrant caution where a small percentage of the workforce report.
Effective tax rate	Weighted average	The effective tax rate is calculated as the company income tax expense divided by earnings before interest and tax (EBIT) including unusual items. We show a three-year average for smoothing purposes and exclude significant outliers.
Commitment to a living wage	Percentage	The percentage of companies in the portfolio that have committed to a living wage. A living wage is defined by the Global Living Wage Coalition as the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and their family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing and other essential needs including provision for unexpected events.
Gender – female Board	Weighted average	A weighted average calculation of the percentage of female Board directors on each of the Boards in the portfolio.
Gender – female executives	Weighted average	A weighted average calculation of the percentage of female executives at each of the companies in the portfolio. There is no standard definition of an executive, and companies can define the executive level in many different ways. Denominator, our data provider, works to calculate the data point based on standard definitions.
Gender pay gap	Average	The average salary gender pay gap across companies that disclose this metric within the portfolio. The pay gap data used is calculated by each company without any modifications applied. Calculation methods can vary between companies and jurisdictions.
Advanced total race/ethnicity score	Weighted average	This metric is a score out of 100 calculated by our data provider that measures the company's total performance on racial/ethnic diversity across the Board, executive and company as a whole. Comparison to background race/ethnicity is calibrated to the country of operations: a company with 100% Caucasian leadership in the US scores less than a company with same ratio in Denmark, due to the different race/ethnicity composition of the background population (higher % of Caucasian in Denmark).
Pay linked to diversity targets	Percentage	The percentage of companies where there is evidence of a commitment to linking executive pay to diversity and inclusion targets. The metric is calculated as: number of companies where evidence exists divided by the total number of companies in the portfolio.
Percentage of shares owned by executive	Median	Executive share holdings as a percentage of shares outstanding. We show the median for portfolio and benchmark, as the average may be impacted by some companies (often founder-run) with large executive ownership stakes.
Independent Board	Weighted average	Board independence is inferred by MSCI. The following categories of director are not regarded as independent: current and prior employees, those employed by predecessor companies, founders, those with family ties or close relationships to an executive, employees of an entity owned by an executive and those who have provided services to a senior executive or the company within the last three years. The compensation of a non-executive Chair must not be excessive in comparison to that of other non-executives and must be less than half that of the named executives. Where information is insufficient, the director is assumed to be non-independent. For the Board to be classified as independent, a majority of the Board members must be classified as independent.

FACTOR	METRIC	SUMMARY DESCRIPTION
Independent Chair or lead non-executive director	Percentage	Percentage of companies that have an independent Chair or, where the Chair is not independent, an independent lead director.
Board not entrenched	Percentage	Percentage of companies without an entrenched Board. Board entrenchment is inferred by MSCI using a range of criteria including: >35% Board tenure of >15 years, five or more directors with tenure of >15 years, five or more directors >70 years old.
All non-executive Board members on no more than four public company Boards	Percentage	Percentage of companies with no over-boarded non-executives. The threshold is where a Board member serves on five or more public company Boards.
Equal shareholder voting rights	Percentage	Percentage of companies that have equal voting rights.
Independent compensation committee	Percentage	Percentage of companies with independent compensation committee. Please see above for the independence criteria used.
Companies with a regular 'say on pay' vote	Percentage	The percentage of companies in the portfolio that have a policy in place to ensure that a firm's shareholders have the right to vote on the remuneration of executives on a regular basis.
Fewer than 10% shareholder votes against executive pay	Percentage	Percentage of companies that received less than 10% shareholder votes against executive pay at the most recently reported annual shareholder meeting. Only applies to companies that have a 'say on pay' vote.
Pay linked to sustainability targets	Percentage	The percentage of companies where executive remuneration is linked to sustainability targets. This metric is based on the company's own reporting. It considers whether one or more sustainability metrics are used to determine annual and/or long-term incentive pay and does not consider the effectiveness of those metrics.
Three-year revenue growth (annualised)	Weighted average	Aggregate (weighted) three-year revenue growth rate to the last reported fiscal year. Revenue growth is not adjusted for acquisitions and disposals.
Gross margin	Weighted average	Aggregate (weighted) gross margin for the last fiscal year. Gross margin is the difference between revenue and cost of goods sold divided by revenue.
Cash flow return on invested capital (CFROI)	Weighted average	CFROI (cash flow return on investment), a (trademarked) valuation metric.

Important information

Please note that this communication is for informational purposes only and describes our investment strategies. It is not and does not constitute a solicitation of any financial product in any jurisdiction. It is not intended to be, nor should be construed or used as, an offer to sell, or solicitation of any offer to buy units or interests in any Fund managed by Generation. The information contained herein is not complete, and does not represent all holdings, or material information about an investment in the Global Equity Fund, including important disclosures and risk factors. Units in Generation's Global Equity Fund are offered only on the basis of the Fund's prospectus. Specifically, units in the Global Equity Fund are only available for offer and sale in the United States or to US Persons (as that term is defined in Rule 902 of Regulation S promulgated under the Securities Act of 1933, as amended ("Securities Act"), that qualify as both (i) accredited investors and (ii) qualified purchasers (as such terms are respectively defined in Regulation D promulgated under the Securities Act and the Investment Company Act of 1940, as amended). In the European Union, Generation's Global Equity Fund is only available in certain countries to Professional Investors as defined in the Alternative Investment Fund Managers Directive (2011/61/EU). Any reference to individual securities does not constitute a recommendation to purchase, sell or hold the investment. Details of the entire portfolios of the Global Equity strategy are available on request. Further, this communication does not constitute investment research. Opinions expressed are current opinions as of the date of appearing in this material. Any projections, market outlooks or estimates are forward-looking statements and are based upon internal analysis and certain assumptions that reflect the view of Generation, and which may not be indicative of actual events that could occur in the future. No assurances can be given that the Fund's investment objectives will be achieved. Past performance is not a guide to future performance, and the value of investments may vary substantially from month to month, and can go down as well as up. Future returns are not guaranteed, and a loss of principal investment may occur.

If you require more information, please contact Generation Client Service (clientservice@generationim.com or +44 207 534 4700).

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