Section 1

Update from the Chief Investment Officer

It has been a busy quarter at Snowball with the integration of the team into Tribe Impact Capital in full swing. This combination creates advantages for our investors. One of the most exciting aspects is the opportunity to leverage the considerable capabilities and expertise that Tribe has built up in public markets over the past decade to upgrade how we manage the liquid assets in the Snowball Fund, and the ability that will give us to deepen the Fund's focus on the most compelling and impactful private markets investments.

As you will be aware, being an evergreen fund, the Snowball Fund has always maintained an allocation to public market investments like public equities, bonds and investment trusts. New investor inflows are deployed into these assets which offer daily liquidity; and then drawn down over time into private market investments. We have always believed that private markets offer the potential for differentiated, meaningful impact as well as attractive long-term risk adjusted returns; and the strategy has been to build up exposure to these opportunities over time.

With access to Tribe capabilities, we are planning to redefine the specification for the liquid public markets exposure held within the Snowball Fund. The previous approach exposed us to considerable volatility and swings in relative performance compared to broad equity markets, due to large skews to e.g. industrial technology companies representing positive solutions but whose stock prices were also highly sensitive to increases in interest rates and geopolitical/macro-driven concerns about the outlook for trade and capital spending on their products. With Tribe, we intend to refocus the core liquidity allocation on a lower-risk approach with less emphasis on public equities (and within that public equities exposure, greater diversification). We should also see lower fees on this segment due to Tribe's scale and ability to use directly-selected securities for a portion of the allocation.

A lower-volatility liquidity portfolio makes it more reliable as a source of short-term liquidity. Combined with increased use of semi-liquid evergreen private funds which offer monthly or quarterly liquidity (currently c.15% of the portfolio), this will enable us to increase the overall allocation to private and semi-liquid investments across private equity, private credit and real assets, which offer the opportunity for differentiated impact and compelling long-run financial returns.

Within private markets, as explained in this blog, a key focus of late has been to overweight private credit in our asset allocation. We see an increasingly attractive opportunity set of credit strategies targeting defensive, uncorrelated returns along with high impact additionality. In Q3, we completed an investment into Three Hills Impact Fund. Three Hills is a European manager with €3bn in AUM and a strong 10+ year track record of generating low double digit returns by providing structured capital to mid-market growth businesses. The capital they provide is highly tailored, more flexible than traditional debt, less dilutive than traditional private equity, doesn't require existing owners to sell out, and is accompanied with significant value creation support. The manager is a certified B-Corporation and is launching its first impact fund, based on a track record of c.50-60% of capital invested over the past decade being in impactful business models across a range of sectors from circular economy to EV charging, social care to healthcare technology.



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Section 1

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Q3 2025 Performance

Q3 was a "risk-on" quarter in the broader markets, although somewhat bifurcated – with the US, mega-cap tech and plays on AI/data centre capex and power driving most of the action. For the moment, the market is choosing to focus on a de-escalation of trade wars, optimism around AI, strong quarterly earnings, and anticipation of more rate cuts from the Fed, rather than risks such as how unbalanced stock markets are, whether AI capex will deliver a return on the hundreds of billions being committed or severely disrupt labour markets & economies, the potential consequences of radical cutbacks in US government, and the implications of missed climate targets and failing insurance systems.

Within the Snowball Fund, Q3 saw positive performance across public and private equity and fixed income asset classes, with real assets the only asset class that was down in the quarter.

Private equity

We have mentioned Eka's successful exit of Runna before. Another underlying company that has been showing great commercial traction is Open Cosmos held in ETF Partners' fund, which signed another large €24.7m contract to manufacture 8 satellites for Spain that will generate critical Earth observation data for key applications including environmental management, climate resilience and coastal zone surveillance. North Sky (impact secondaries, US) is expecting to be fully invested by the end of this year and is raising its next fund (which we will be looking at in the coming months). There are some green shoots which could signal an improvement in the exit environment for private equity, which has been challenged for a long time – active debt markets, interest rates stabilising, and uptick in M&A and IPO activity.

Public equity

While the public equity funds in the Snowball portfolio saw positive performance, they trailed broader markets due to lack of exposure to Nvidia and Microsoft which accounted for nearly half of the gains in the S&P500. As seen in the chart shared by Montanaro, valuations for growth-focused names relative to quality businesses have risen to a premium similar to the peak of the Dot Com bubble.

MSCI USA Growth v. MSCI USA Quality (P/Book)

Montanaro Asset Management, MSCI, Factset.

Real assets

The negative performance in the quarter was driven by renewable energy infrastructure investment trusts which reversed some of the gains seen in the first half of the year, with share price discounts to NAV widening back c.10% over the quarter. Greencoat UK Wind's H1 results showed below-budget power generation on account of low wind speeds and a decline in NAV/share due to lower power price curve assumptions.

Section 1

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Fixed income, credit and diversifiers

We have been monitoring Community Investment Management Enterprise Loan Fund ("CELF") closely given it is one of our largest US exposures and tariffs and immigration actions could have an adverse impact on the financial health of small businesses and low-income households. So far CIM has not seen signs of credit deterioration in its markets (unlike the mainstream private credit and high yield sectors) and delinquency rates are holding steady. An interesting portfolio company they spotlighted recently is Atticus, a certified B-Corp founded in 2018, which connects victims of illness or accidents with vetted specialized law firms to pursue Social Security disability claims at no additional cost to the client. For CIM, the investment offers an attractive uncorrelated return, higher than usual predictability of outcome from a large dataset of resolved cases, and the potential for disabled individuals to improve case outcomes through having access to expert legal counsel.

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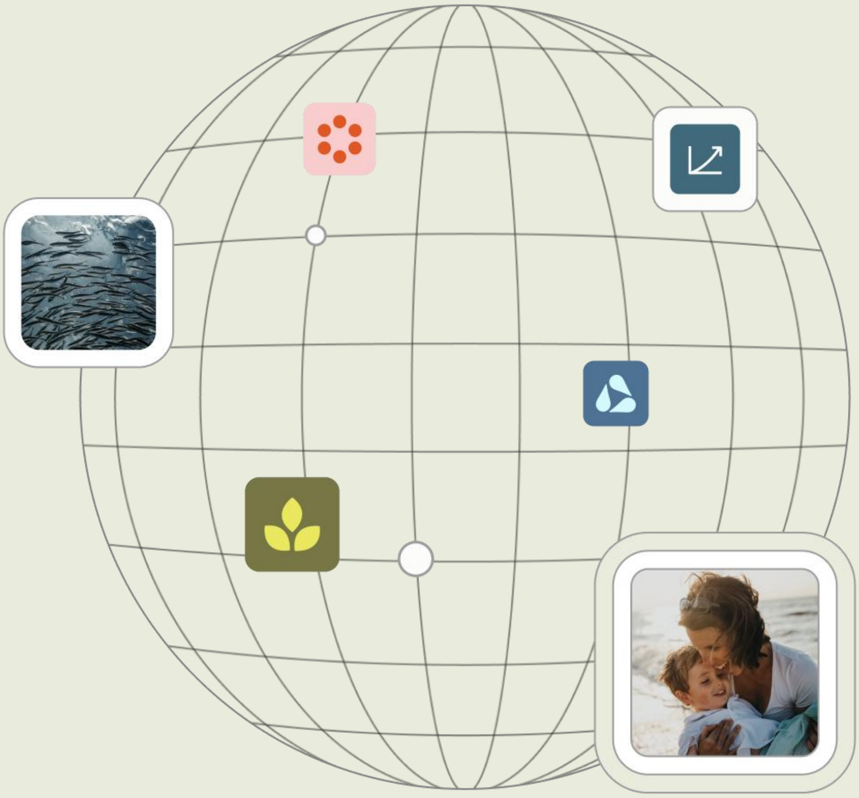

Every financial investment shapes our world. So, what kind of world do you want?

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