

Quarterly Update - Q1 2023

Protea Fund

Veritas High Equity

31 March 2023

VERITAS
INVESTMENT PARTNERS



Protea Fund – Veritas High Equity

Fund Performance*

	Q1 2023	Last 12 months	Last 3 Years	Since 31 Jan 2019 ¹
Protea Fund - Veritas High Equity ²	4.3%	-0.8%	50.6%	55.7%
UK CPI ³	1.4%	10.1%	18.8%	21.3%
UK CPI +4% Objective ³	2.4%	14.1%	31.2%	39.1%
Peer Group ⁴	2.1%	-4.8%	30.1%	22.3%
MSCI AC World Equity Index (£) ⁵	4.4%	-1.4%	54.0%	50.7%
FTSE All-Share Index (£) ⁵	3.1%	2.9%	47.4%	26.2%
Inv. Grade Corporate Bonds (1-10Y) ⁵	2.1%	-6.2%	-2.6%	-1.5%

Equity sectors

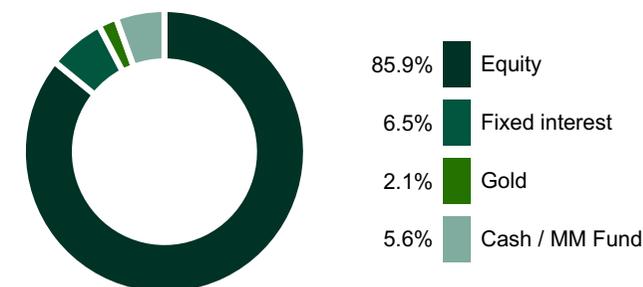
	% Weight	Names
Information Technology	23.0%	Accenture, Adobe, Amphenol, Infineon, Intuit, Microsoft, Synopsys
Health Care	18.5%	Align Technology, Intuitive Surgical, Laboratory Corp, Roche, Thermo Fisher Scientific, UnitedHealth Group
Financials	11.0%	Fiserv, Marsh & McLennan, Mastercard
Industrials	10.9%	Automatic Data Processing, Broadridge Financial Solutions, Bunzl, Experian, Kuehne + Nagel International
Consumer Discretionary	10.1%	Amazon, Hasbro, Next, Nike, Tractor Supply
Materials	8.0%	Avery Dennison, DSM, Franco-Nevada
Communication Services	2.3%	Alphabet
Consumer Staples	2.1%	Kerry Group

* Figures are Sterling, total returns with net dividends reinvested. ¹ Performance since month of inception. ² Protea Fund returns are net of all fees and costs. ³ The UK CPI figures are the most recent available numbers. ⁴ The ARC £ Equity Risk Index initial estimates are subject to revision. ⁵ All Indices are gross of fees. Source: Pictet, Bloomberg, Factset. All figures are unaudited and subject to change. Totals may not add precisely due to rounding.

Investment Mandate

Objective	To protect our clients' assets and grow them significantly above inflation over the long-term
Risk Profile	Medium/high risk with a strategic asset allocation range of 80-100% in equities
Performance Reference	To generate a return of UK CPI +4% over the long-term, after all fees

Asset Allocation (% of Portfolio)



Morningstar Sustainability Rating™



The Protea Fund – Veritas High Equity is rated out of 6,946 funds within its global category. Data is as at 31 March 2023

Quarterly Update

Investment commentary

If the stock market closed tomorrow and didn't reopen for 10 years, would we be happy to hold shares in this company? Borrowing from Warren Buffett's test, this is a question we often ask ourselves. For a "yes", companies must get over multiple hurdles. These include the ability to grow revenues regardless of the macroeconomic backdrop and meeting our strict quality of business criteria.

As a result, banks have not been part of our investment universe for some time. This served us well over the last quarter when headlines were dominated by the mini-banking crisis. The speed was remarkable: on 9 March, withdrawals from SVB (Silicon Valley Bank) were \$45 billion; on 10 March, \$100 billion was withdrawn. This led to a bumpy quarter for world equity markets, but the fund finished up 4.3% in the context of the peer group estimate (as measured by the ARC Sterling Equity Risk Index) which returned +2.1%. Amid the doom and gloom of recent headlines, we are pleased to report a positive start to the year.

Quality "financials" do exist. Insurance broker **Marsh McLennan** is a "staple in financials' clothing", with a resilient business model and very high recurring revenues. And following adjustments to global equity sector allocations, payment providers **Mastercard** and **Fiserv** moved from the technology sector to financials at the stroke of a pen. Both are very high-quality companies enabling the growth of crucial digital systems.

Seeking out new perspectives is key to ensuring our judgements about companies remain accurate, so we are making the most of the freedom to travel again. This quarter, team members visited a healthcare conference in Boston, a **Tractor Supply** store in Nashville and Jacksonville port to name a few. What shone through in all settings was the power of technology to enable rapid change and the opportunities this presents for companies.

For example, in healthcare artificial intelligence is being used to combine the 20 amino acid building blocks of proteins to generate novel molecules, aiming to improve scientists' understanding of diseases and ultimately find new medicines. That task would be almost impossible without technology: the number of amino acid combinations is equivalent to the number of stars in the universe squared.

Meanwhile, investment in US ports is lagging far behind Chinese counterparts and the lack of IT infrastructure means ports rely on innovators, such as freight forwarder **Kuehne + Nagel**, to fill the gap. Opportunities for automation in logistics abound: deploying robots, which run for four hours and charge back to 100% in five minutes, could improve efficiency, reduce costs and improve safety. Companies such as **Synopsys**, **Infineon Technologies** and **Amphenol** provide the crucial software and components needed for this.

These visits can't give us a crystal ball to the future. But they can add extra conviction that the fund would be well-positioned to meet the inflation plus targets if global stock markets closed until 2033.

Fund activity – Main Transactions

While our focus is on the long-term prospects for companies, we do take shorter-term risks into account. These are reflected in position sizes. For example, we believe the long-term outlook for **UnitedHealth** remains strong thanks to its suite of products that aim to improve health outcomes while reducing costs. However, as the early stages of the 2024 US presidential election race get underway, the short-term political and reimbursement risks for the company have increased. We therefore decided to trim holdings after strong performance.

At the same time, we maintained our overall healthcare exposure by adding to positions in less-politically exposed companies, such as **Intuitive Surgical**. Intuitive's robots are very much in demand: a recent article in The Times quoted senior NHS doctors as saying it is "inevitable that robotic surgery will become as ubiquitous as CT and MRI scanners are today".

Quarterly Update

We also took advantage of the market volatility to increase the weightings in **Alphabet, Amphenol, Marsh & McLennan** and **Synopsys**.

Fund activity – Engagement

Our introductory letter to **Nike** came into its own as it led to a sustainability-focused call, during which we explored how it is tackling its biggest environmental and social challenges. Materials was a hot topic for discussion: they account for 70% of Nike's greenhouse gas emissions so the company has put significant effort into meeting its 2025 sustainable sourcing targets. For example, many clothing lines are made from recycled polyester, produced from plastic bottles. Meanwhile, Space Hippie shoes are made entirely from manufacturing waste and some of the processes developed in this pilot are now included in production for other Nike trainers. The call left us reassured that Nike has put considerable resource into its sustainability strategy and fully integrating it into the wider business strategy. It also opened the door to deepening our partnership with the company over time: we were asked to send on any suggestions for further improvement.

Top 10 Equity Holdings

Holding	% Weight
Infineon Technologies	4.2
Thermo Fisher Scientific	3.9
Franco-Nevada	3.9
Marsh & McLennan	3.8
Mastercard	3.7
Tractor Supply	3.7
Laboratory Corp	3.7
Synopsys	3.7
Accenture	3.6
Microsoft	3.5
Top 10 Equity Total	37.8%

Important Information

Fund manager	Veritas Investment Partners (UK) Limited
Ongoing charges	0.80%
Inception date	25th January 2019
Fund size	GBP 386.1m
Pricing	Daily
Base currency	GBP
Fund type	UCITS
Structure	SICAV
Domicile	Luxembourg
Tax status	UK Reporting Fund
SFDR classification	Article 8
Custodian bank	Pictet & Cie (Europe) SA
Dividend paid	July/January
Previous dividend rate (July 2022/January 2023)	GBP 0.82/0.61
ISIN (Dis / Acc)	LU1901197852 / LU1901191145

Morningstar Data

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Risk Warnings

Past performance should not be seen as an indication of future performance.

The value of investments and the income from them may fluctuate and are not guaranteed. Investors may not get back the whole amount they have invested.

Changes in rates of exchange between currencies may cause the value of investments to diminish or to increase.

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<http://www.morningstar.co.uk/uk/funds/SecuritySearchResults.aspx?search=protea%20fund%20veritas&type=>

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