

Quarterly Update - Q2 2023

Protea Fund

Veritas High Equity

30 June 2023

VERITAS
INVESTMENT PARTNERS



Protea Fund – Veritas High Equity

Fund Performance*

	Q2 2023	YTD	Last 12 months	Last 3 Years	Since 31 Jan 2019 ¹
Protea Fund - Veritas High Equity ²	3.5%	7.9%	10.5%	31.6%	61.1%
UK CPI +4% Objective ³	3.6%	5.9%	12.6%	34.2%	43.3%
UK CPI ³	2.6%	3.9%	8.6%	21.7%	24.4%
Peer Group ⁴	0.3%	2.6%	4.4%	14.5%	22.9%
MSCI AC World Equity Index (£) ⁵	3.3%	7.8%	11.3%	32.9%	55.6%
FTSE All-Share Index (£) ⁵	-0.5%	2.6%	7.9%	33.2%	25.7%
Inv. Grade Corporate Bonds (1-10Y) ⁵	-2.7%	-0.7%	-4.3%	-10.7%	-4.1%

Equity sectors

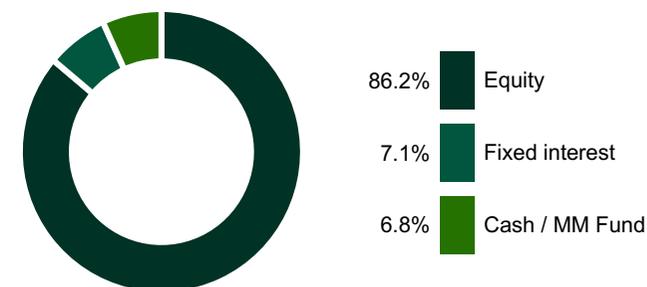
	% Weight	Names
Information Technology	23.4%	Accenture, Adobe, Amphenol, Infineon, Intuit, Microsoft, Synopsys
Health Care	18.8%	Align Technology, Intuitive Surgical, Laboratory Corp, Roche, Thermo Fisher Scientific, UnitedHealth Group
Financials	11.2%	Fiserv, Marsh & McLennan, Mastercard
Industrials	10.8%	Automatic Data Processing, Broadridge Financial Solutions, Bunzl, Experian, Kuehne + Nagel International
Consumer Discretionary	10.5%	Amazon, Hasbro, Next, Nike, Tractor Supply
Materials	7.0%	Avery Dennison, DSM, Franco-Nevada
Communication Services	2.6%	Alphabet
Consumer Staples	1.9%	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 6,588 funds within its global category. Data is as at 30 June 2023

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Investment commentary

We were stunned recently by a graph showing that the dollar cost of computer power has fallen 99.8% since 2000. Amid all the talk of inflation and soaring prices, it was a welcome reminder of the longer-term deflationary potential of technology. Performance wise, numbers were not quite so staggering, but we are pleased to have continued the positive start to 2023. The fund returned +3.5% this quarter in the context of the peer group estimate (as measured by the ARC Sterling Equity Risk Index) which returned +0.3%.

One form of technology, artificial intelligence, dominated headlines over the last few months thanks to increased public access to the underlying models. This has enabled businesses and tech-enthusiasts alike to experiment and bring new ideas to life. AI is not new: even before its acquisition of DeepMind in 2014, **Alphabet** was successfully integrating AI into its systems. But there has certainly been a shift in the level of excitement. French start-up Mistral AI raised €105 million in Europe's largest-ever seed investment round despite having no product. With such a fast-moving technology, we remain alert to the challenge of picking long-term winners. So, we are maintaining our focus on finding high-quality, predictable companies with a proven track record while exploring what AI means for such companies today and the features giving them an enduring advantage amid the hype.

Firstly, companies providing crucial technology infrastructure and know-how should continue to see high demand for their products and services. **Amphenol**, **Infineon Technologies**, **Synopsys** and **Accenture** all fall into this category, alongside the cloud providers **Microsoft**, **Alphabet** and **Amazon**.

Secondly, while having proprietary datasets has always been an advantage, it will become even more important as training AI models requires huge amounts of data. **Adobe**'s best-in-class AI tool, Firefly, which converts text to images and videos has been trained on Adobe's large stock image library.

Some of Adobe's competitors have hit copyright and licensing issues as they have trained their AI tools on data they don't own. Meanwhile, **Experian** and **Intuit** have some of the most enviable datasets around which they have used for years to develop AI applications to improve productivity and data accuracy. When you're dealing with people's credit scores and tax returns, the answer has to *be* right rather than just *sound* right.

Finally, given questions raised about the long-term implications of AI for society, companies placing greater emphasis on fairness, ethics and using AI for good could see a boost to their reputations. One of the biggest problems in AI is biases within datasets. **Experian** led the market in addressing this with Fairness-as-a-Service which looks for, and tries to correct, these biases. **Microsoft** voluntarily adopted a multi-layered control framework to help ensure its synthetic voice tool could not be used to inappropriately impersonate speakers and deceive listeners.

With these features to help them be the enablers of change, we believe that companies in the fund are well-placed to navigate this dynamic environment and to further cement their positions as market leaders.

Fund activity – Main Transactions

Wary of market exuberance about AI, we reduced our overall exposure to **Microsoft** and **Synopsys** following strong share price performance and increased the weightings in **Amazon** and **Amphenol**.

Top of the class

Intuitive Surgical reported strong results, with procedures using its surgical robots up 26%. This is a clear indicator of the role such robots can play in hospital systems facing high demand from aging populations and looking to meet this demand with limited resources, while improving outcomes for all stakeholders.

Quarterly Update

You there at the back!

As a result of poor market sentiment for the life sciences sector, the share price of **Thermo Fisher Scientific** fell this quarter. This is despite the company reporting solid results in the face of a challenging macroeconomic environment and declining Covid-19 related revenues. Thermo maintained guidance for the full year in contrast to its peers who are seeing weaker demand and who have reduced their outlook. This demonstrates the strength in Thermo's diversification and cements its position as the leading global supplier of products for scientific research.

Fund activity – Engagement

We were very pleased to see recent progress from **Amphenol** on two issues we have discussed for the past few years. Firstly, it set medium term environmental targets to ensure that by 2030, 50% of energy used at facilities comes from renewable energy and water withdrawal falls by 15% from 2021 levels. Secondly, despite the scale and complexity of its global, decentralised supply chain, the company has a target to conduct audits of all its high-risk suppliers by the end of 2025. While this progress is to be applauded, there is more to be done: for example, targets for reductions in greenhouse gas emissions remain short-term (to 2025). While we appreciate that the decentralised business model will make progress on sustainability issues slower, we will continue to engage to ensure things continue to improve. Reassuringly, the key to that - company culture - remains exceptional. When management visited our office in March, we heard how for their visit to UK operations, they had hired a car and the CEO did the driving.

Top 10 Equity Holdings

Holding	% Weight
Marsh & McLennan	3.9
Infineon	3.8
Mastercard	3.8
Intuitive Surgical	3.8
Laboratory Corp	3.7
Accenture	3.7
Synopsys	3.7
Thermo Fisher Scientific	3.6
Microsoft	3.5
Fiserv	3.4
Top 10 Equity Total	37.0%

Important Information

Fund manager	Veritas Investment Partners (UK) Limited
Ongoing charges	0.80%
Inception date	25th January 2019
Fund size	GBP 431.0m
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

Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score. Morningstar® 2021. All rights reserved. The information contained herein: 1) is proprietary to Morningstar and/ or its content providers; 2) may not be copied or attributed; and 3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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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