Quarterly Update - Q2 2025

Protea Fund

Veritas High Equity

30 June 2025

navera
INVESTMENT MANAGEMENT

Protea Fund – Veritas High Equity

Performance

	Q2 2025	YTD	Last 12 months	Last 3 years	Last 5 years	Since 31 Jan 2019[1]
Protea Fund - Veritas High Equity (Acc)[2]	**-2.3%**	**-5.5%**	**-0.3%**	**24.0%**	**47.7%**	**80.8%**
UK CPI +4%[3]	2.7%	4.3%	7.5%	26.4%	49.5%	59.2%
UK CPI [3]	1.7%	2.4%	3.5%	14.0%	27.8%	30.6%
Peer Group [4]	4.0%	1.0%	3.6%	21.7%	33.3%	43.2%
MSCI AC World Equity Index (£)[5]	5.0%	0.6%	7.2%	43.2%	71.0%	100.2%
FTSE All-Share Index (£) [5]	4.4%	9.1%	11.2%	35.5%	67.3%	57.8%
Inv. Grade Corporate Bonds (1-10Y)[5]	2.7%	3.9%	7.1%	14.0%	6.4%	14.2%

Investment Mandate

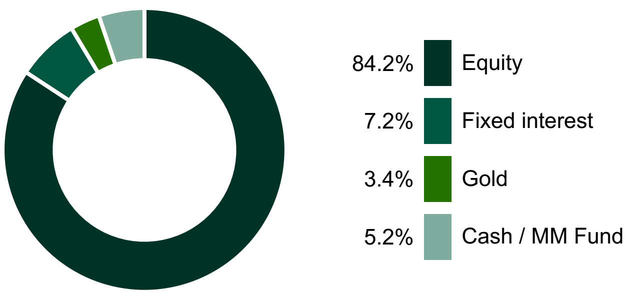
Objective	To protect our clients' assets and grow them significantly above inflation over the long-term
Risk Profile	Medium/high risk with a strategic asset allocation range of 80-100% in equities

Equity sectors[6]

Equity sectors	% Weight	Names
Information Technology	21.4%	Accenture, Amphenol, Cadence Design Systems, Intuit, Keyence Corp, Microsoft, Synopsys
Health Care	16.8%	Align Technology, Intuitive Surgical, Labcorp Holdings, Roche, Sonova, Thermo Fisher Scientific, UnitedHealth Group
Industrials	15.3%	AMETEK, Automatic Data Processing, Broadridge Financial Solutions, Bunzl, Experian, RELX
Financials	15.0%	Fiserv, London Stock Exchange Group, Marsh & McLennan, Mastercard
Consumer Discretionary	7.8%	Amazon, Next, Tractor Supply
Materials	3.7%	Avery Dennison, DSM-Firmenich
Communication Services	2.3%	Alphabet
Consumer Staples	2.1%	Kerry

Fund Performance figures are in 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]UK CPI are the most recent figures at the time of publication and obtained from external sources. UK CPI +4% figures are calculated internally using methodology that may differ from external counterparties. [4]The ARC £ Equity Risk Index initial estimates are subject to revision. [5]All Indices are gross of fees. Where shown Inv. Grade Corporate Bonds (1-10Y) refers to BofA ML index. [6]Global Industry Classification Standard (GICS®), as determined by MSCI Inc. and S&P Global Market Intelligence, is used for sector classification of the securities and is shown only for comparability purposes. Source: Pictet, Bloomberg, Factset. All figures are unaudited and subject to change. Totals may not add precisely due to rounding.

Asset Allocation (% of Portfolio)



Morningstar ESG Risk Rating™

High
5 out of 5 globes

Out of 8,559 Aggressive Allocation funds as at 30 June 2025. Based on 99% of eligible corporate AUM and long positions only. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical ESG Risk Score.

Quarterly Update

Investment commentary

Operationally, most of the companies in the fund are performing well. 83% beat earnings expectations in the quarter against 58% for the wider market. This is in line with their track record of strong delivery against expectations over the past decade. Indeed, over the past three months, more stocks in the fund have gone up than down in local currency terms. This is typically a recipe for good performance but, if we think of the fund as a weighing scale, negative performance from three larger positions outweighed the positives. This was compounded by a weaker US dollar reducing the sterling value of US-listed companies. Over the quarter the fund fell by 2.3%.

When running a focused fund, periods when performance diverges significantly from that of peers and market indices are to be expected. The fund holds around 30 of the 2,500 stocks in the MSCI All Country World Index which we have selected to provide our clients with inflation-plus returns. At times we have delivered outperformance by being different to the market but, by the same token, we have also experienced some periods of underperformance. There are always lessons to be learned along the way. Short-term share price reactions can be painful and strong business fundamentals are not always appreciated by the market, but they should be reflected in share prices over the long run.

The latest earnings season was challenging for three of our larger fund holdings in particular, with some outsized reactions to company results and outlooks. We saw notable moves in the share prices of **Bunzl**, **UnitedHealth Group** and **Fiserv**, companies that have served us well historically. The issues they face are fixable but we are keeping a close eye on their managements' progress in addressing them.

Elsewhere, we continued to see good results and operational performance. **Next** reported strong sales growth, despite a tough consumer backdrop. **Intuit** decisively exceeded expectations across all segments and **Amphenol** and **Cadence Design Systems** continue to benefit from capex spending on AI and datacentres. **Experian** passed the significant milestone of having 200 million consumers using its platforms to access services and products such as identity protection, loans and car insurance.

We have strong evidence that the highest-quality companies, with structural growth, barriers to entry and excellent management teams will deliver growth ahead of inflation for our clients. As the chart below shows, we have a long track record of finding companies that can provide compounding growth to meet our clients' investment objectives. The graph demonstrates how our portfolio companies have demonstrated consistently higher revenue growth than that of the broader market.

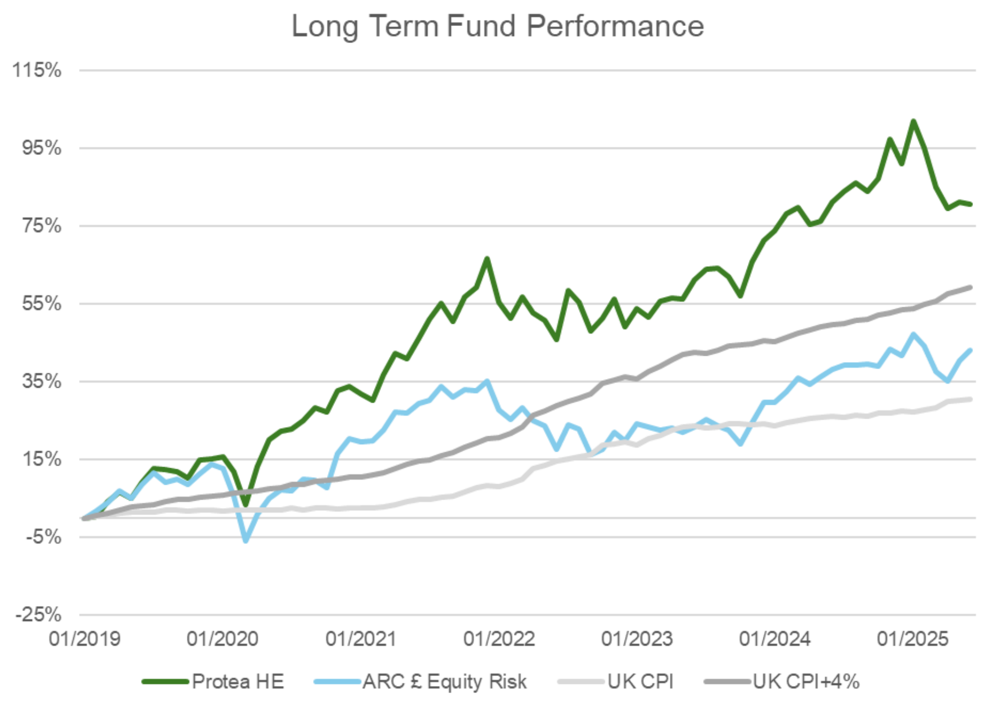
Quarterly Update

Our approach is global but the kinds of businesses we seek exist predominantly in the US. With this comes exposure to the US dollar – although many of our companies also receive a substantial portion of their revenues from outside the US. For the fund, a weaker US dollar has an immediate negative effect on the value of US-listed investments, which has been painful this quarter. What takes longer to materialise is the positive impact of our US companies' non-US earnings. **Accenture's** recent results noted that it will receive a tailwind from its overseas earnings, in contrast to its consistent currency headwind of the last five years. Given that 50% of our US companies receive more than 50% of their revenues from overseas, we can expect more such announcements.

We are no strangers to navigating periods of disruption and abrupt change. This is why we invest as we do, seeking companies that provide solutions to long-term problems – and consequently benefit from inevitable demand. The rise of populist leaders, geopolitical jockeying and market gyrations are, at root, symptoms of a crisis of economic growth. The world's workforce is shrinking and a technological shift is needed just to maintain (let alone increase) economic growth. The resulting pace of innovation is blistering: up to 30% of **Microsoft's** code is now written by AI. In the UK, the NHS is also automating, with plans to increase robotic surgeries from 70,000 to 500,000 per year by 2035. They will be buying more da Vinci surgical systems made by **Intuitive Surgical**.

The world has changed, and sources of growth may be scarcer. Yet reliable growth is exactly what investors need if they are to keep ahead of inflation. Our solution is to find companies that benefit from inevitable demand because they are addressing some of the world's most pressing problems.

We continue to deliver on our inflation-plus performance objectives. Looking forward, we have confidence in our approach and ability to repeat our long-term track record – finding high-quality companies that are solving some of the world's largest problems and investing in them at attractive valuations. We have been through periods like this before, and our team is working hard to ensure that long-term returns above inflation continue to be delivered.



Performance

With performance where it is, our focus is understandably on what hasn't worked this quarter. Profit warnings from **UnitedHealth Group** and **Bunzl**, and uncertainty over the outlook for **Fiserv** saw sharp share price corrections. These companies were among our larger positions, and this weighed on overall performance. Across the broader fund, however, we continued to see excellent results and operational performance, with significant rises in the share prices of **Microsoft**, **Amphenol** and **Intuit**.

Quarterly Update

+ Microsoft's quarterly results showed high growth and margins in its Cloud, AI and business productivity segments. Microsoft is well-positioned to capitalise on technological disruption. It aims to be *the* one-stop shop for multiple AI tools such as Microsoft Discovery, which accelerates scientific and engineering research and development.

+ **Intuit's** investment in technology is making it easier for more people to adopt do-it-yourself accounting, tax returns and sales & marketing campaigns. The company beat expectations across all areas in its latest results, with outstanding growth of 47% in its TurboTax Live and 31% in its Credit Karma businesses. The company has increasing confidence that its QuickBooks accounting software can penetrate the lucrative market in medium-sized companies.

- UnitedHealth Group's difficulties stem from a rare operational error in pricing new business, compounded by management changes and negative press coverage. We have carried out an in-depth review of our investment case and believe that the company's issues can be remedied – but this will take time.

- Fiserv's Q1 results missed revenue expectations by 1% but the share price reaction was much more severe. The principal concern was volume growth at Clover, Fiserv's point-of-sale solution for small and medium-size businesses. Our research points to this being a short-term issue that has been compounded by miscommunication. Clover continues to be a substantial growth opportunity.

Non-equity holdings

The fund's non-equity holdings have continued to provide a buffer against equity market volatility. Following further strong performance from gold, we trimmed the fund's exposure. Gold holdings are now hedged to GBP. We hold gold as a true diversifier and want to minimise the effect of currency fluctuations on its ability to perform this role.

We maintain a 'safety first' approach in the bond component of the fund that focuses on high-quality, shorter-term bonds that provide a stable source of income and above-inflation yields. At a time when the levels of government debt on both sides of the Atlantic are increasingly being questioned, our preference for shorter-dated bonds continues to serve the fund well. With a weather eye open for a potential resurgence in inflation, we also keep a portion of the fund in inflation-linked bonds.

Transactions

We topped up **Keyence Corp** and **Experian**. Keyence Corp is a world leader in machine vision and industrial sensors. The number of robots per employee is set to grow at 10% per annum this decade, but growth in demand for vision systems will be double that. Experian has highly diversified revenue sources, including fraud, health and personal identity management, and debt collection. These have enabled it to deliver consistent growth through both the credit crisis and the pandemic.

We sold **Adobe**. The stock has performed well since we added it to the fund in 2022, but the rapid development of generative AI makes it difficult to assess whether Adobe will ultimately be the disruptor or disrupted. The journey from here looks much less predictable than it did.

We initiated a position in information services company **RELX**, a global provider of data and analytical tools with a front-footed approach to integrating AI tools. RELX benefits from structural demand for more data and analytics across a range of industries such as insurance, legal, scientific research and healthcare.

Portfolio activity – engagement

Our 2024 Climate Report is now available, with examples of our work with companies to help reduce emissions and improve resilience to extreme weather events.

Quarterly Update

Top 10 Equity Holdings

Holding	% Weight
Experian	4.4
Microsoft	4.2
London Stock Exchange Group	4.0
Mastercard	3.9
Intuit	3.6
Marsh & McLennan	3.6
Fiserv	3.4
Synopsys	3.3
Intuitive Surgical	3.2
Tractor Supply	3.1
Top 10 Equity Total	**36.9**

Important Information

Fund manager	Navera Investment Management Limited
Ongoing charges	0.75%
Inception date	25th January 2019
Fund size	GBP 715.9m
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	January / July
Previous dividend rate (July 2024 / January 2025)	GBP 0.98 / 0.75
ISIN (Dis / Acc)	LU1901197852 / LU1901191145

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The Protea Fund - Veritas High Equity does not have a sustainability investment objective.

Sources

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