Protea Fund
Navera High Equity Strategy GBP

Quarterly Update - Q2 2026

30 June 2026

navera

INVESTMENT MANAGEMENT

Protea Fund – Navera High Equity Strategy GBP

Performance

	Q2 2026	YTD	2025	2024	2023	Last 5 years	Since 31 Jan 2019[1]
Protea Fund - Navera HE Strategy (Acc)[2]	**6.3%**	**-3.6%**	**-6.1%**	**11.6%**	**14.8%**	**18.6%**	**73.2%**
UK CPI +4%[3]	2.2%	3.8%	7.3%	6.6%	7.9%	49.9%	68.0%
UK CPI [3]	1.2%	1.9%	3.3%	2.6%	3.9%	28.2%	34.2%
Peer Group [4]	9.5%	6.7%	10.1%	9.3%	8.3%	28.6%	66.5%
MSCI AC World Equity Index (£)[5]	14.2%	12.7%	13.9%	19.6%	15.3%	75.3%	155.6%
FTSE All-Share Index (£) [5]	4.7%	7.2%	24.0%	9.5%	7.9%	67.9%	92.4%
Inv. Grade Corporate Bonds (1-10Y)[5]	2.6%	1.3%	7.3%	4.4%	9.2%	7.5%	19.6%

Investment Mandate

Objective To protect our clients' assets and grow them significantly above inflation over the long-term

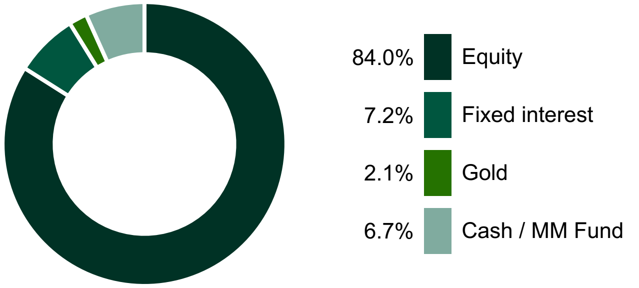
Risk Profile Medium/high risk with a strategic asset allocation range of 80-100% in equities

Equity sectors[6]

Equity sectors	% Weight	Names
Information Technology	20.1%	Accenture, Amphenol, Cadence Design Systems, Fabrinet, Keyence Corp, Microsoft, Taiwan Semiconductor Manufacturing Co
Industrials	19.2%	AMETEK, Automatic Data Processing, Bunzl, Experian, HEICO, Hubbell Incorporated, RELX, Schneider Electric, Verisk Analytics, Xylem
Health Care	13.7%	Boston Scientific, Intuitive Surgical, Labcorp Holdings, Roche, Sonova, Thermo Fisher Scientific
Consumer Discretionary	10.7%	Amazon, Compass Group, Next, Tractor Supply
Financials	10.4%	Hong Kong Exchanges & Clearing, London Stock Exchange Group, Marsh & McLennan, Mastercard
Materials	4.7%	Avery Dennison, DSM-Firmenich, Franco-Nevada
Communication Services	3.3%	Alphabet
Consumer Staples	2.0%	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 9,051 Aggressive Allocation funds as at 30 June 2026. 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.

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Investment commentary

Over the quarter, the fund delivered a positive return of 6.3%, ahead of its inflation-plus target. Whilst acknowledging the bulk of the excitement in markets lay in a small group of semiconductor companies, it is positive to report the fund has participated.

The impact of building AI capacity has dominated market movements over the last year. Halfway through this quarter markets started to question the reality of the AI narrative. Evidence began to support the thesis that, perhaps, a transition to AI usage on a significant scale is complex, time consuming and may come with greater cost than originally expected. We are positioned with the long term in mind, and it is encouraging to see the market reward some of these more patient ideas with strong performance.

Overall, the fund delivered earnings growth of more than 15% last year, and recent estimates point to further mid-teens earnings growth in 2026. With the portfolio converting 96% of earnings into free cash flow, we are confident that the drivers of long-term value in the fund remain very healthy.

Ice hockey legend Wayne Gretzky often advised: “Skate where the puck is going, not where it’s been.” We are looking ahead to where we see inevitable demand – and therefore inevitable growth – and seeding the portfolio for future returns from energy efficiency, automation and reshoring.

Investors are keenly aware that equity markets are fixated on a relatively small group of stocks. Less noticed is the extreme concentration in earnings growth. Remarkably, one-third of *all global earnings growth* in the first six months of 2026 came from just three semiconductor companies. Equity markets are rewarding near-term profitability but the real question is how durable these earnings can be. Bond markets are taking a more cautious view of the world, and many companies seeking to refinance are finding that their cost of borrowing has doubled in five years. This must give pause for thought. When the going gets tough, companies with strong balance sheets and recurring revenues tend to fare best.

The world we see for the next five years requires us to be agile. In a narrow market, we are using windows of opportunity created by sell-offs in good-quality companies to broaden and strengthen the fund. This quarter we added **HEICO** (aeronautical components), **Hubbell Incorporated** (energy grid components), **Fabrinet** (fibre optics), **Franco-Nevada** (gold royalties) and **Hong Kong Exchanges & Clearing** (stock exchange). We do not always get the markets we want but, as in previous periods of dislocation such as the pandemic, we have acted on opportunities to ensure we deliver on the inflation-plus objective over the next five years.

Performance

We have long anticipated wider AI led structural growth. First, companies using AI in the real world, for example in automation of manufacturing. Secondly, a shift to bespoke chips that enable companies to tailor their hardware and software for cost and efficiency gains. The fund is well positioned for these trends. Among this quarter’s top performers, **Keyence Corp** and **Amphenol** benefit from real-world AI use cases, while **Cadence Design Systems** and **Taiwan Semiconductor Manufacturing Co** are beneficiaries of chip customisation.

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Leaders

+ Keyence Corp (Keyence) is the global market leader in sensors that allow machines to see, measure, analyse and report back to an operator. These are in high demand as automation (now turbocharged by AI) gathers pace, with companies seeking to raise productivity and overcome labour shortages. Keyence is highly focused on innovation. Selling directly to their customers yields strong insights into clients' evolving needs, resulting in pricing power and consistent gross margins of 80%+. The shares rose 47% in the quarter driven by strong earnings momentum and increasing demand for factory and warehouse automation. Following this rise, we took some profits.

+ Taiwan Semiconductor Manufacturing Co (TSMC) is the world's leading producer of advanced semiconductors. As a chip maker, not a chip designer, TSMC benefits regardless of which chip designs are in demand. Following a small pullback in the share price, we bought an initial position in November 2025 and have since added to the position.

+ The tech shift to AI is a unique opportunity for **Amphenol**, which is a trusted manufacturer and supplier of choice for critical components in next-generation networks. Crucially, datacentres are not the only string to Amphenol's bow. All of its end markets are growing by double digits across automotive, defence, aerospace, IT and data communications and many other industries. We added to the position in May, since when the shares have risen by 40%.

Laggards

– Tractor Supply (Tractor) is the largest retailer of rural lifestyle products in the US, providing needs-based products such as animal feed, fertiliser and tools which have delivered years of resilient recurring revenues. Its most recent results show that Tractor, like many other consumer companies, currently faces a challenging combination of tariffs, higher energy costs and cautious consumers. Wary of these headwinds, we trimmed the position in March and are monitoring progress.

– Accenture's share price declined, reflecting concerns that AI could make Accenture less relevant. The company is no stranger to tech shifts, being an early adopter that experiments with new technology in its own business (Cloud adoption being a case in point) before selling what it learns to its clients. We halved the position in January and are monitoring Accenture's progress closely as it navigates a pivot to AI consultancy.

– Boston Scientific (Boston) is a medical technology company and one of our smallest positions. The share price reflects concerns that it may not achieve its three-year growth target due to performance of two products. Our investment case for Boston is more long-term and focuses on its wider product portfolio, future pipeline and innovation. We believe the valuation is cheap for a stock delivering double-digit earnings growth.

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Transactions

We have been active and expect turnover to remain higher given the volatility in markets. We have continued to take advantage of the weakness in quality companies to broaden the equity portfolio's growth drivers. This includes the purchase of **HEICO** and top-ups of **Next** and Q1 new position **Xylem**. We have further increased exposure to the much-needed modernisation of global energy grids with the purchase of **Hubbell Incorporated**, and topped up long-term holding **Amphenol** and newer position **Schneider Electric**. The closure of the Strait of Hormuz adds energy to the list of areas (including defence, resources, and even technology) where sovereignty is in the ascendant. This will be a key future trend that we expect to shine a light on shifts in economic power and resource dependency. In that light, we have started positions in **Hong Kong Exchanges & Clearing** and **Franco-Nevada**.

On the other side, we have further reduced the fund's exposure to software and data companies which, despite their diversified underlying characteristics, have shown heightened volatility and rising correlations. We sold **Intuit** and **Broadridge Financial Solutions,** and trimmed **Experian** and **London Stock Exchange Group**. We have also reduced healthcare exposure, reflecting lower expected growth in some areas. Where volatile markets have worked in our favour, such as strong performance from **Cadence Design Systems** and **Keyence Corp**, we have taken profits on valuation grounds.

Purchases

HEICO is a global leader in the manufacture and distribution of mission-critical parts for the aerospace, defence and electronics industries. Many of these products have mandatory regulatory maintenance and replacement cycles, resulting in recurring and predictable demand which HEICO can meet more cheaply than the original equipment manufacturers. HEICO benefits from long-term structural growth in air travel, maintenance of ageing aircraft and the increasing complexity of defence systems such as satellites and drones. A weaker aerospace sector due to conflict in the Middle East gave us an attractive entry point.

Hubbell Incorporated (Hubbell) is a leading US supplier of essential components used in electricity distribution networks. Given the potential consequences of network failures, customers are reluctant to switch from trusted Hubbell components. Hubbell's products typically represent a small proportion of overall project costs, enabling it to exert pricing power. The company is well positioned to benefit from investment in electrification and upgrades to ageing infrastructure. The US electrical industry is forecast to spend $1.4 trillion on its infrastructure by 2030 to support demand and meet energy security goals.

Hong Kong Exchanges & Clearing (**HKEX)** operates Hong Kong's primary securities and derivatives exchange, holding a statutory monopoly that connects mainland China with international capital markets. It plays a critical role, acting as a two-way tollbooth on the flow of capital in and out of China. This strategic position supports its strong free cash flow generation and consistently high returns on capital, underpinned by significant barriers to entry. Adding HKEX to the fund further broadens its growth drivers with exposure to China's increasing integration into world markets via a deep-moated and highly profitable company.

Franco-Nevada purchases royalty rights, primarily for gold, that entitle it to receive a proportion of mine production. Its experienced management team has a track record of identifying exceptional assets and reinvesting the cash they produce. Adding Franco-Nevada to the fund diversifies gold exposure via a company that can compound cash flows over the long term and, unlike gold, also pay a dividend. We previously held Franco-Nevada for over five years and sold in 2023.

Fabrinet is a leading manufacturer of fibre optics used for high-speed communication. This technology is as important as compute and memory in datacentres, where AI is doubling required interconnection speeds every two years.

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Datacentres can contain millions of fibre-optic connections, and links between datacentres can span hundreds of kilometres. Fabrinet works with its customers to develop cutting-edge products that can reduce fixed costs and provide a degree of future proofing in this rapidly changing sector. Swings in market focus in the tech sector presented us with an opportunity to take an initial position.

Sales

The core of **Broadridge Financial Solutions'** business is strong, with a track record of consistent and resilient revenue growth. However, technological advances in blockchain and tokenisation create uncertainty and widen the range of potential outcomes for the company over the next five years. With other ideas offering more predictable and durable growth, we have exited the position.

Intuit has continued to deliver operationally, but some question marks remain over the long-term resilience of its moats in such a rapidly changing world. Given this heightened uncertainty of long-term outcomes, we exited the position to enable us to expand the range of growth drivers in the fund.

Non-equity holdings

The events of the past five years alone – the covid pandemic, conflict in Ukraine and the Middle East, and volatile inflation and interest rates – underscore the benefits of keeping a portion of the fund in diversifying assets such as conventional bonds, index-linked bonds, cash and gold. With heightened uncertainty over inflation and interest rates, focusing on shorter-duration investment-grade bonds has been beneficial. We have also maintained a healthy index-linked bond exposure to shield against potentially higher inflation due to commodity shortages and rising food prices.

Over the past two years the fund has benefited from **gold's** price appreciation of up to 130%. Following multiple trims on strength, we have reduced further and reinvested the proceeds in **Franco-Nevada**, a gold royalties company (see **Transactions** above). Gold can provide diversification during periods of equity market volatility, but it has recently been more volatile than we would expect and its correlation with equities has increased. There is still a place for gold in the fund, but its recent price behaviour warrants a more thoughtful exposure. Holding positions in both physical gold and gold royalties should provide a smoother return profile.

Stewardship

When it comes to voting on behalf of our clients, we always exercise independent judgement rather than mechanically following the recommendations of a proxy adviser. At **Keyence's** recent annual general meeting we voted in favour of a proposal to permit acquisition of treasury shares, despite our proxy adviser's recommendation to vote against.

Our proxy adviser's view was that granting repurchase authority without a specified share cap or rationale could give the board excessive discretion. In Keyence Corp's case, we do not believe this is a material risk. Investors have long encouraged Japanese companies to improve their capital efficiency. Giving Keyence the ability to purchase treasury shares is another step towards this goal. It is also consistent with best practice in the US and, we believe, in shareholders' best interests.

Our 2025 Climate Report is now available, highlighting how we engage with companies to drive continuous improvement that can make a meaningful, positive difference.

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Top 10 Equity Holdings

Holding	% Weight
Amphenol	4.7
Taiwan Semiconductor Manufacturing Co	4.7
Mastercard	3.9
Marsh & McLennan	3.8
Amazon	3.7
Keyence Corp	3.4
Alphabet	3.3
Labcorp Holdings	3.2
Roche	3.1
Cadence Design Systems	3.0
Top 10 Equity Total	**36.6**

Important Information

Fund manager	Navera Investment Management Limited
Ongoing charges	0.75%
Inception date	25th January 2019
Fund size	GBP 506.6m
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 2025 / January 2026)	GBP 0.89 / 0.72
ISIN (Dis / Acc)	LU1901197852 / LU1901191145

Navera Investment Management Limited

Riverside House, 2a Southwark Bridge Road, London, SE1 9HA

Switchboard: + 44 20 3740 8350

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www.naverainvestment.com

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Disclosure

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The Protea Fund - Navera High Equity Strategy GBP does not have a sustainability investment objective.

Sources

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