Quarterly Update - Q2 2025

# TM Veritas Equity Strategy - USD

30 June 2025

navera
INVESTMENT MANAGEMENT

# TM Veritas Equity Strategy - USD

## Performance

| | Q2 2025 | YTD | Last 12 months | Since 30 Nov 2022[1] |
|---|---|---|---|---|
| **TM Veritas Equity Strategy USD (Acc)[2]** | **3.4%** | **1.7%** | **6.8%** | **32.2%** |
| OECD G7 CPI +5%[3] | 1.8% | 3.7% | 7.5% | 22.7% |
| MSCI World Equity Index ($)[4] | 11.5% | 9.5% | 16.3% | 54.0% |
| IA Global Fund Universe ($) | 11.8% | 10.0% | 12.9% | 43.5% |

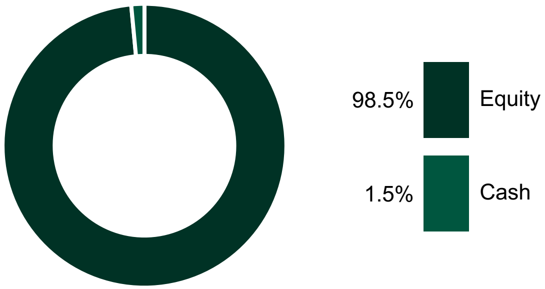
## Investment Mandate

| | |
|---|---|
| **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 up to 100% in equities |

## Equity sectors[5]

| Equity sectors | % Weight | Names |
|---|---|---|
| Information Technology | 25.1% | Accenture, Amphenol, Cadence Design Systems, Intuit, Keyence Corp, Microsoft, Synopsys |
| Health Care | 19.7% | Align Technology, Intuitive Surgical, Labcorp Holdings, Roche, Sonova, Thermo Fisher Scientific, UnitedHealth Group |
| Financials | 17.6% | Fiserv, London Stock Exchange Group, Marsh & McLennan, Mastercard |
| Industrials | 17.6% | AMETEK, Automatic Data Processing, Broadridge Financial Solutions, Bunzl, Experian, RELX |
| Consumer Discretionary | 9.1% | Amazon, Next, Tractor Supply |
| Materials | 4.3% | Avery Dennison, DSM-Firmenich |
| Communication Services | 2.7% | Kerry |
| Consumer Staples | 2.4% | Alphabet |

## Asset Allocation (% of Portfolio)




## Morningstar ESG Risk Rating™

**High**
5 out of 5 globes

Out of 8,623 Global Equity Large Cap funds as at 30 June 2025. Based on 100% of eligible corporate AUM and long positions only. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical ESG Risk Score.

[1] Performance since inception. [2] TM Veritas Equity Strategy returns are net of all fees and costs. [3] OECD G7 CPI are the most recent figures at the time of publication and obtained from external sources. OECD G7 CPI +5% figures are calculated internally using methodology that may differ from external counterparties. [4] All Indices are gross of fees. Figures are in USD, total returns with net dividends reinvested. [5]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: Northern Trust, Bloomberg, Factset. All figures are unaudited and subject to change. Totals may not add precisely due to rounding.

# Quarterly Update

## Investment commentary

The fund rose 3.4% over the quarter. The performance was held back by stock-specific issues among some of our larger holdings but helpful support from a weaker US dollar increased the value of the fund's non-US companies.

Whilst the fund has achieved its inflation-plus objective this quarter, the last three months have seen meaningful performance divergence from the fund's peer group. When running a focused fund, periods when performance differs significantly from that of peers are to be expected. The fund holds around 30 of the 1,300 stocks in the MSCI World Index which we have selected to provide our clients with inflation-plus returns. At times we have delivered outperformance by being different 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 particularly challenging for three of our larger fund holdings, with some outsized reactions to company results and outlooks. We saw notable moves in the share prices of **Bunzl**, **UnitedHealth Group** and **Fiserv**, three 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, backed up by results – 83% of the companies in the portfolio beat earnings expectations in the quarter compared to 58% for the wider market. **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.

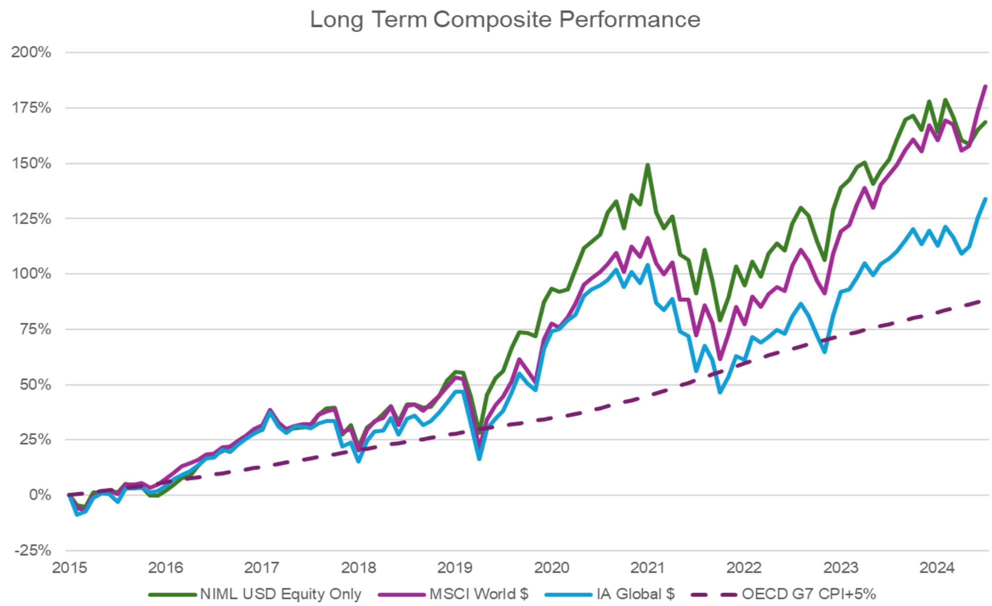
# Quarterly Update

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 positive effect on the value of investments outside of the US, which has been supportive this quarter. In addition, the positive impact of US companies' non-US earnings will be felt in due course. **Accenture's** recent results noted that it will receive a tailwind from its overseas earnings, in contrast to its consistent currency headwind of the past 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.




NIML Equity return is based on our Equity Composite instead of the Fund due to the availability of historical performance track record on the Fund. The composite is based on the unweighted average returns of ten unconstrainted equity portfolios which hold typical position sizes, net of 0.75% fee.

## Performance

Across the majority of the fund, we continued to see excellent results and operational performance, with significant rises in the share prices of **Microsoft**, **Amphenol** and **Intuit**. On the other side of the ledger, 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.

+ **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.

## 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 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.

## Top 10 Equity Holdings

| Holding | % Weight |
|---|---|
| Experian | 5.3 |
| Microsoft | 4.9 |
| London Stock Exchange Group | 4.7 |
| Mastercard | 4.6 |
| Intuit | 4.3 |
| Marsh & McLennan | 4.2 |
| Fiserv | 4.0 |
| Synopsys | 3.9 |
| Intuitive Surgical | 3.8 |
| Tractor Supply | 3.7 |
| **Top 10 Equity Total** | **43.5** |

# Important Information

| | |
|---|---|
| Fund manager | Navera Investment Management Limited |
| Ongoing charges | 0.75% |
| Inception date | 30 November 2022 |
| Fund base currency | GBP |
| Fund size | GBP 152.0m |
| Pricing | Daily |
| Fund type | UK UCITS |
| Structure | ICVC |
| Domicile | UK |
| Custodian bank | Northern Trust |
| Dividend paid | January / May |
| Previous dividend rate (Jan 2025 / May 2025) | USD 0.0076 / USD 0.0055 |
| USD Share Classes (Dis / Acc) | ISIN GB00BNV0FJ33 / GB00BNV0FH19 |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Registered in England & Wales. Reg. No: 12516583

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## Disclosure

Investors should consult the KIID and fund prospectus before making any purchase. They can be downloaded from www.naverainvestment.com/fund-library/.

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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The TM Veritas Equity Strategy fund does not have a sustainability investment objective.

## Sources

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