Quarterly Update - Q1 2025

Protea Fund

Veritas Global Equity Strategy - USD

31 March 2025

MERIDIEM INVESTMENT MANAGEMENT

Protea Fund – Veritas Global Equity Strategy - USD

Performance

	Q1 2025	Last 12 months	Since 31 Dec 2023[1]
Protea Fund - Veritas Global Equity Strategy USD (Acc)[2]	**-1.5%**	**3.5%**	**8.4%**
US CPI +5%[3]	2.6%	7.4%	10.6%
MSCI AC World Equity Index ($)[4]	-1.3%	7.2%	15.9%
IA Global Fund Universe ($)[4]	-1.7%	2.0%	8.9%

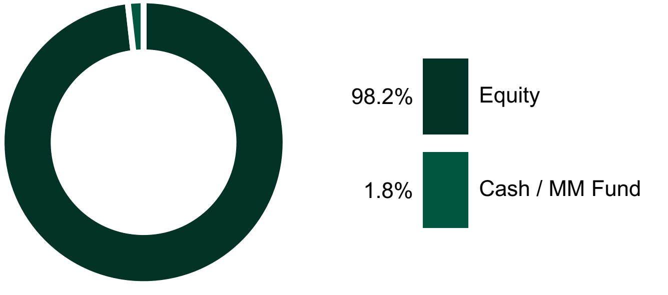
Investment Mandate

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]

	% Weight	Names
Information Technology	22.0%	Accenture, Adobe, Amphenol, Cadence Design Systems, Intuit, Keyence Corp, Microsoft, Synopsys
Health Care	21.9%	Align Technology, Intuitive Surgical, Labcorp Holdings, Roche, Sonova, Thermo Fisher Scientific, UnitedHealth Group
Financials	20.4%	Fiserv, London Stock Exchange Group, Marsh & McLennan, Mastercard
Industrials	15.8%	AMETEK, Automatic Data Processing, Broadridge Financial Solutions, Bunzl, Experian
Consumer Discretionary	9.1%	Amazon, Next, Tractor Supply
Materials	4.2%	Avery Dennison, DSM-Firmenich
Communication Services	2.5%	Alphabet
Consumer Staples	2.4%	Kerry

Asset Allocation (% of Portfolio)



Morningstar Sustainability Rating™

High
5 out of 5 globes

Out of 8,362 Global Equity Large Cap funds as at 31 March 2025. Based on 96% of eligible corporate AUM and long positions only. Sustainalytics provides company-level analysis used in the calculation of Morningstar's Historical Sustainability Score.

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

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Investment commentary

Through an extraordinary period of newsflow and challenging markets, the fund has not been immune to the resultant volatility, falling 1.5% over the quarter. Negative performance on a quarterly basis is not uncommon, and we continue to focus on our long-term inflation-plus return objectives.

"*In the short run, the market is a voting machine but in the long run it is a weighing machine*." Warren Buffett, annual letter to shareholders, 1973

Even with a swift turnaround between writing and publishing, attempts at insightful comment on the US administration's actions are likely to be redundant. However, there is definitely a great deal of noisy voting in markets. At such times, it may be tempting to make significant and sudden changes to portfolios and asset allocations. We continue to weigh. Our focus has not shifted from finding resilient, high-quality businesses benefiting from long-term structural growth trends that we can hold with conviction through good times and bad.

Our weighing machine of choice is a strong valuation discipline. In essence, does this company's stock price today reflect its future profitability and cash generation? It's a recurring subject of many of our investment discussions.

During rocky markets, having the ingrained habit of valuation discipline is worth its weight in gold. It has served our clients well during previous periods of market volatility and political uncertainty, such as the Global Financial Crisis, 2018-19 trade war, the Covid pandemic and the invasion of Ukraine. Our valuation methodology, not the market, informs us when a stock is ripe for a trim or suitable for a top up. As a result, trimming and adding to positions over the years has provided a significant source of additional returns relative to a buy-and-hold strategy.

We have recently trimmed a number of equity positions on valuation grounds, including **Amphenol**, **Intuitive Surgical** and **Amazon**. And with our eyes firmly on the future, we have purchased new holdings that we believe will thrive in an increasingly automated world. These are **Cadence Design Systems** (semiconductor testing software), **AMETEK** (precision instrumentation) and this quarter, **Keyence Corp** (sensors and machine vision).

We also weigh up our own thinking, challenging the reasons behind portfolio holdings to assess whether their long-term growth prospects and competitive moats continue to confer a 'right to win'. Where we do identify a clear threat to our long-term investment thesis, we act quickly. Our decision to sell Infineon in 2024 following a research visit to China is a case in point.

Pullbacks in stock markets can give us opportunities to add to the existing fund holdings. In addition, we have our sights on a number of high-quality companies that we have researched in depth and would like to own – when the price is right. We'll be watching patiently for attractive entry points.

Performance

Equity markets have undergone something of a rotation from the US to Europe. European equities rose 8.1% over the quarter, while US equities fell 4.6%. Our bottom-up research means we are agnostic to geography and despite having a larger exposure to US equities than the MSCI All Countries World Index, your equities have performed in line.

European banks have been enjoying a day in the sun, rising by approximately one quarter so far this year. So too are European defence stocks, with Rheinmetall seeing its share price surge by 115% over the quarter. This is heady stuff, but historically banks and defence companies have been subject to the whims of the global economy and government contracts, resulting in a volatile profile and sustained periods of negative cashflow and operating losses. Whilst we are interested in the underlying trends for these sectors, any investment in them would have to meet our hurdle for high quality and demonstrate an ability to predictably compound cashflow over a long period.

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Our approach is selective, focused and long-term. We deliberately have a portfolio of 31 well-run companies that provide predictable and resilient cashflows. These are the kinds of businesses that are most likely to achieve inflation-beating returns for our clients. When we invest in a company, we expect to hold it for the long term – we are not in the business of chasing short-term sector or geographic drivers.

We remain confident in the fundamentals of the fund companies and continue to focus on identifying great companies that have years of reliable growth ahead of them, whatever country or sector they are in.

Top of the class

Rising risks from climate change, cybercrime and pandemic risks are driving the need for more insurance, and capable insurance brokers such as **Marsh & McLennan**. And this takes us to the nub of why we like this business. The role of insurance brokers is not to underwrite risk: it is to facilitate the transfer of risk from their clients to insurance companies. Furthermore, insurance brokers are typically asset light, cash-generative businesses because they are not required to hold any regulatory capital. In spite of the geopolitical and economic uncertainty, Marsh & McLennan continues to achieve c.70% recurring revenues.

Fiserv continues to feature among your top performers. During the quarter the company reported very solid Q4 and full-year 2024 results, including its 39th consecutive year of 10%+ adjusted EPS growth. On current guidance, we can reasonably expect that 2025 will be its 40th. As we have noted in previous reports, Fiserv's crown jewel is Clover. This 'merchant solution' handles payments, staff schedules, reporting and stock management. Clover is on track to meet the $3.5bn revenue target for 2025 set three years ago.

You there at the back!

Cadence Design System's Q4 results showed strong demand for its semiconductor design and testing software, as well as a record backlog of new business. However, with market sentiment becoming more risk-averse, Cadence's cautious outlook for its Chinese segment led the stock to sell off. We continue to back Cadence as a 'picks and shovels' play on the long-term growth of digitisation and automation. Its revenues are closely tied to semiconductor R&D spending, making its operations significantly less cyclical than other areas of the semiconductor industry.

Accenture's solid Q2 results could not cushion its share price from the uncertainty unleashed by the Trump administration's unpredictable cuts to government spending. In fact, only 8% of Accenture's global revenues are from US Federal contracts. Nonetheless, the stock price has been pulled down alongside names such as Booz Allen, which derives 98% of its revenues from US Federal contracts. We believe Accenture still has much to offer, both in its traditional consultancy business and its rapidly growing AI consultancy, as enterprises need help to cope with accelerating technological change.

Transactions

Keyence Corp is a world leader in machine vision and industrial sensors. As workforces shrink, robot density (robots per employee) is set to grow at 10% per annum during the 2020s. However, growth in demand for vision systems will be double that. Keyence products help manufacturers improve efficiency and productivity by increasing automation, and they play a key role in quality control – for example checking that circuit boards are assembled correctly. We began researching Keyence in 2024 and visited the company's headquarters in Japan. After some patient waiting and watching, we were pleased to bring the stock into the portfolio at an attractive entry valuation.

Portfolio activity – engagement

How can we meaningfully help investee companies and, therefore, our clients' investments? Our answer is to focus on what is material for each portfolio company.

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For some, this means making their boards more effective in terms of skills and knowledge (such as cybersecurity), or having appropriate executive remuneration. For companies such as **Next** and **DSM-Firmenich**, upholding human rights in their global supply chains is clearly important. For others, such as **Microsoft** and **Amazon**, energy and water efficiency are areas to focus on.

The debate in the US about whether ESG conflicts with fiduciary duty has intensified. We will continue to encourage companies to consider environmental and social factors that are material to their businesses. To learn more, see our 2024 Stewardship Report.

Top 10 Equity Holdings

Holding	% Weight
Fiserv	5.4
Mastercard	5.1
London Stock Exchange Group	5.0
Marsh & McLennan	4.9
Thermo Fisher Scientific	4.4
Experian	4.2
UnitedHealth Group	4.0
Tractor Supply	3.9
Labcorp Holdings	3.9
Microsoft	3.8
Top 10 Equity Total	**44.7**

Important Information

Fund manager	Meridiem Investment Management Ltd
Ongoing charges	0.75%
Inception date	19th December 2023
Fund size	USD 287.2m
Pricing	Daily
Fund base currency	USD
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)	USD 0.02 / 0.75
USD Share Classes (Dis / Acc)	LU2733028166 / LU2733028240

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

Sources

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