Quarterly Update - Q2 2023

TM Veritas Equity Strategy - USD

30 June 2023

VERITAS
INVESTMENT PARTNERS

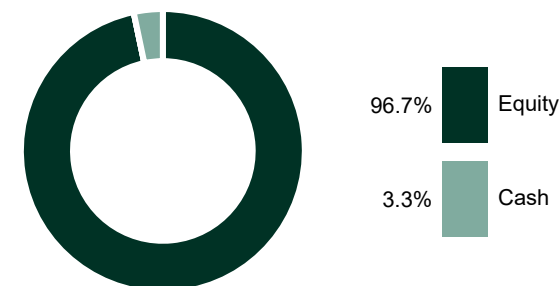# TM Veritas Equity Strategy - USD

Investment Mandate

Objective   To protect our clients' assets and grow them significantly above inflation

Risk Profile   Medium/high risk with a strategic asset allocation range up to 100% in equities

Performance Reference   To generate a return of OECD G7 CPI +5% over the long-term, after all fees

Equity sectors

	% Weight	Names
Information Technology	26.4%	Accenture, Adobe, Amphenol, Infineon, Intuit, Microsoft, Synopsys
Health Care	21.1%	Align Technology, Intuitive Surgical, Laboratory Corp, Roche, Thermo Fisher Scientific, UnitedHealth Group
Financials	12.4%	Fiserv, Marsh & McLennan, Mastercard
Industrials	12.0%	Automatic Data Processing, Broadridge Financial Solutions, Bunzl, Experian, Kuehne + Nagel International
Consumer Discretionary	11.9%	Amazon, Hasbro, Next, Nike, Tractor Supply
Materials	7.8%	Avery Dennison, DSM-Firmenich, Franco-Nevada
Communication Services	2.9%	Alphabet
Consumer Staples	2.1%	Kerry Group

Asset Allocation (% of Portfolio)

96.7% Equity

3.3% Cash

Morning Star Sustainability Rating™

High
5 out of 5 globes

TM Veritas Equity Strategy is rated out of 7,846 funds within its global category.
Data is as at 30 June 2023

Quarterly Update

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 6.8% this quarter in the context of the peer group estimate (as measured by the ARC US Dollar Equity Risk Index) which returned +4.9%. Since inception, the fund has registered a return of +8.5% versus +8.3% for the peer group.

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
Infineon	4.5
Marsh & McLennan	4.4
Mastercard	4.2
Accenture	4.2
Laboratory Corp	4.2
Intuitive Surgical	4.2
Synopsys	4.1
Thermo Fisher Scientific	4.0
Microsoft	3.9
Fiserv	3.9
Top 10 Equity Total	**41.5%**

Important Information

Fund manager	Veritas Investment Partners (UK) Limited
Ongoing charges	0.75%
Inception date	30 November 2022
Fund base currency	GBP
Fund size	GBP 47.7m
Pricing	Daily
Fund type	UK UCITS
Structure	ICVC
Domicile	UK
Custodian bank	Northern Trust
Dividend paid	31 January / 31 May
USD Share Classes (Dis / Acc)	ISIN GB00BNV0FJ33 / GB00BNV0FH19

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Morningstar Data

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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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