

Quarterly Update - Q3 2023

TM Veritas Equity Strategy- USD

30 September 2023

VERITAS
INVESTMENT PARTNERS

TM Veritas Equity Strategy - USD

Investment Mandate

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

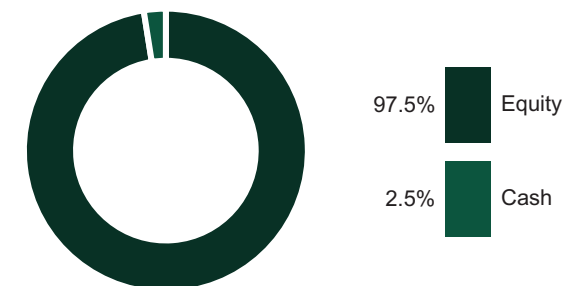
Risk Profile Medium/high risk with a strategic asset allocation range up to 100% in equities

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

Equity sectors

	% Weight	Names
Information Technology	25.6%	Accenture, Adobe, Amphenol, Infineon Technologies, Intuit, Mastercard, Microsoft, Synopsys
Health Care	20.8%	Align Technology, Intuitive Surgical, Lab Corp, Roche, Sonova, Thermo Fisher Scientific, UnitedHealth Group
Financials	13.9%	Fiserv, London Stock Exchange Group, Marsh & McLennan, Mastercard
Industrials	13.2%	Automatic Data Processing, Broadridge, Bunzl, Experian, Kuehne + Nagel International
Consumer Discretionary	11.5%	Amazon, Hasbro, Next, Nike, Tractor Supply
Materials	7.5%	Avery Dennison, DSM-Firmenich, Franco-Nevada
Communication Services	3.1%	Alphabet
Consumer Staples	1.9%	Kerry Group

Asset Allocation (% of Portfolio)



Morning Star Sustainability Rating™



TM Veritas Equity Strategy is rated out of 8,054 funds within its global category. Data is as at September 2023

Figures are in USD, total returns with net dividends reinvested. ¹ Performance since month of inception. ² TM Veritas Equity Strategy returns are net of all fees and costs. ³ OECD G7 CPI +5% figures are the most recent available numbers. ⁴ All Indices are gross of fees. Source: Northern Trust, Bloomberg, Factset. All figures are unaudited and subject to change. Totals may not add precisely due to rounding.

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Investment commentary

Alice in Wonderland was famously encouraged to believe six impossible things by breakfast. Gen Z appear to be following her right through the looking glass. Of those who responded to a McKinsey survey on consumer spending, 88% said they are trading down, whilst 64% are simultaneously splurging. Anyone trying to work out the health of the US consumer has their work cut out.

Markets have been dominated by this debate in recent months. Good news (a strong consumer) has been bad news for equities (higher inflation, higher rates) for some time. And now bad news (a potentially weakening consumer) is... also bad news (recession, still higher rates?). Even the data is topsy turvy - estimates for remaining excess savings from the pandemic in the US were recently revised from zero to \$900bn. Off to look down the back of the sofa!

Our solution to this conundrum is to stay focused on what we can control: owning businesses with the resilience to come out of whatever lies ahead stronger. Further analysis by the team this quarter re-affirmed a healthy picture, with strong balance sheets, and 60% of the portfolio expanding their margins vs 2019.

Most importantly, companies have to be able to grow. Expectations for growth in sales for the market (MSCI AC World) for the next three years currently sit at 2.8% per annum. Whatever one's views on impending recession or the direction of interest rates, that is a strikingly low base from which to deliver CPI+ returns.

The companies we own are expected to grow at more than double that rate. Our process sets out to find growth that is not dependent on positive economic news. Laboratory services provider **Lab Corp** expects to grow revenues 5-8% over the next three years. Growth will be boosted by demand for their research services from pharmaceutical companies developing next generation gene therapies and companion diagnostics. Insurance broker **Marsh & McLennan** is benefitting from the rise in risk in areas like cyber security and climate disasters.

In September the US set a new record for extreme weather events costing over \$1bn: 23 so far this year.

If growth does prove to be scarce, we expect the market will attribute it more value.

Fund activity – Main Transactions

We added initial positions in two new companies, London Stock Exchange Group (LSEG) and Sonova.

Sonova designs and manufactures Phonak (and other brands) hearing aids. According to the WHO, by 2050, 2.5 billion people are expected to be affected by a degree of hearing loss and for over 700 million people this is anticipated to be disabling. With structurally growing demand, and as the largest provider with a global footprint, Sonova is in a strong position.

Following their purchase of Refinitiv in 2019, **London Stock Exchange Group (LSEG)** is now the second largest financial data business globally. In fact, the eponymous London Stock Exchange is just 3% of the business! As markets become more complex and digital, and demand for data continues to increase, LSEG is well placed to be a major beneficiary.

Purchases were funded by further profit taking elsewhere.

Top of the class

The buzz around generative AI masks an important fact, that this is yet another innovation where scale and data are allowing the strong to get stronger. **Intuit's** data asset is vast, with 60,000 attributes per individual and 500,000 per company. Layer on \$2bn in annual spending in R&D and we see a significant moat. **Microsoft, Intuit** and **Adobe** are among those starting to show how they will monetise the technology as a phenomenal productivity tool.

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You there at the back!

Infineon Technologies fell after its Q3 results missed the market's expectations (but were in line with company guidance). We don't get hung up on quarterly numbers. Taking a step back from the noise, the company also announced their plan to invest an additional €5bn in capex. This will be spent expanding capacity at their factory in Malaysia where they manufacture the advanced Silicon Carbide chips that power electric vehicles and renewable energy technology. As long-term shareholders, we see management's commitment to investing in the business for growth as positive.

Fund activity – Engagement

After a busy second quarter we held relatively few engagement calls in Q3.

Outside of our fund, **Apple** released a video starring Oscar winner Octavia Spencer. Spencer plays Mother Nature, and grills CEO Tim Cook and other employees on the company's progress towards their 2030 climate goals. Part of the focus is on how many of Apple's suppliers are currently using 100% renewable energy. This supports our view that lagging in the energy transition could pose a business risk to companies, if it harms their ability to supply large companies like Apple.

Finally, attending the International Corporate Governance Network's annual conference, our colleague Abdul Alkahala came away positive on our approach but with ideas for improvement. On the positive side:

- Companies value our joined-up approach. Frustrations were aired at the conference about siloed fund management and stewardship teams often contradicting one another.
- Approaching engagement in the spirit of partnership is likely to drive more impact: activities such as responding to requests for information and engaging even when issues aren't in the news, are more likely to get an investor a seat at the table.

Areas to work on were already in our pipeline, including utilising the power of collaborative engagement alongside other investors, where appropriate. More to come on this in the next year!.

Top 10 Equity Holdings

Holding	% Weight
Marsh & McLennan	4.4
Mastercard	4.3
Synopsys	4.2
Accenture	4.1
Thermo Fisher Scientific	4.0
Intuitive Surgical	3.7
Amphenol	3.7
UnitedHealth Group	3.7
Microsoft	3.6
Lab Corp	3.6
Top 10 Equity Total	39.2%

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 58.9m
Pricing	Daily
Fund type	UK UCITS
Structure	ICVC
Domicile	UK
Custodian bank	Northern Trust
Dividend Paid	January / May
USD Share Classes (Dis/Acc)	ISIN GB00BNV0FJ33 / GB00BNV0FH19

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Registered in England & Wales. Reg. No: 12516583

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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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