Quarterly Update - Q4 2024

TM Veritas Equity Strategy - GBP

31 December 2024

MERIDIEM
INVESTMENT MANAGEMENT

TM Veritas Equity Strategy - GBP

Performance

	Q4 2024	Last 12 months	Since 30 Nov 2022[1]
TM Veritas Equity Strategy GBP (Acc)[2]	**4.2%**	**12.7%**	**27.3%**
OECD G7 CPI +5%[3]	2.1%	7.7%	18.6%
MSCI World Equity Index (£)[4]	6.9%	20.8%	33.8%
IA Global Fund Universe (£)	3.4%	12.6%	23.9%

Investment Mandate

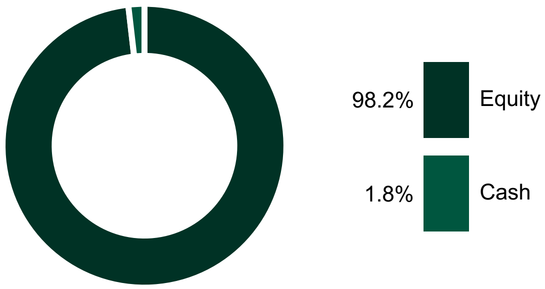
Objective To protect our clients' assets and grow them significantly above inflation over the long-term

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

Equity sectors[5]

	% Weight	Names
Health Care	22.7%	Align Technology, Intuitive Surgical, Labcorp Holdings, Roche, Sonova, Thermo Fisher Scientific, UnitedHealth Group
Information Technology	22.6%	Accenture, Adobe, Amphenol, Cadence Design Systems, Intuit, Microsoft, Synopsys
Financials	18.8%	Fiserv, London Stock Exchange Group, Marsh & McLennan, Mastercard
Industrials	15.6%	AMETEK, Automatic Data Processing, Broadridge Financial Solutions, Bunzl, Experian
Consumer Discretionary	9.5%	Amazon, Next, Tractor Supply
Materials	4.0%	Avery Dennison, DSM-Firmenich
Communication Services	2.9%	Alphabet
Consumer Staples	2.1%	Kerry

Asset Allocation (% of Portfolio)



Morningstar Sustainability Rating™

High
5 out of 5 globes

Out of 8,363 Global Equity Large Cap funds as at 31 December 2024. 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.

[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 Sterling, 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.

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Investment commentary

"*We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction.*" Bill Gates

The Nokia 3310 was *the* must-have tech item of 2000 and 2001. Robust and achingly cool, its unprecedented functionality included an 84x48-pixel monochrome display, that Snake game and the option to change the 'Xpress-On' fascia. Twenty-five years later, our 3310 equivalent is the iPhone 15. It's a powerful, pocket-sized computer with a 2796x1290-pixel screen and a camera providing 16 times more resolution than pro DSLR cameras from the year 2000.

We have no idea what the Nokia equivalent will be in 2050, but we do know that technology will continue to develop at an accelerating pace, driven by improvements in semiconductor chips. Whatever the chips used, they will almost certainly be designed and tested with software from **Cadence Design Systems** and **Synopsys**, two of our portfolio holdings.

We also know that by 2050 there will be a much smaller global workforce and many more people over the age of 65. Technology and automation will need to do the heavy lifting if economic output is to increase, or even stay at today's levels. This plays to the strengths of manufacturers of components and instrumentation such as **AMETEK** and **Amphenol** and global providers of financial plumbing such as **Fiserv**.

An older population means strong demand for healthcare. In life sciences we are seeing explosive innovation for which **Thermo Fisher Scientific's** products, from critical lab supplies to high-tech analytical instruments, are the picks and shovels. There is also increasing demand for **Intuitive Surgical's** Da Vinci 5 robots, which are helping surgeons carry out procedures – including the first fully robotic double lung transplant.

Our job is to ensure that our clients' savings grow faster than inflation over the long term. We have succeeded in this over multi-year periods by maintaining a forward-looking and highly selective investment approach and staying disciplined on price. This is particularly important when index performance in developed markets (notably the US) is being driven by just a handful of stocks. As our longstanding clients have come to expect, we will leave froth on the table from time to time.

Today, inflation appears to be back to more normal levels, but this masks a 25% cumulative rise during the past five years. We continue to work hard on your behalf, finding high-quality companies that can keep your investments on the right side of history and ahead of inflation.

Performance

The fund delivered positive performance of 4.2% over the quarter and calendar year returns of 12.7%. Most importantly, the fund is ahead of its primary target of inflation plus 5% for both the quarter and the year. It is, however, some way behind the MSCI World Index (MSCI World).

Markets have been driven by an unusually small number of stocks; approximately half of the portfolio's divergence from the MSCI World for 2024 is due to not owning just one stock – Nvidia.

In addition, a large portion of the MSCI World's 20.8% rise during 2024 was due to PE multiple expansion rather than improvement in companies' business fundamentals, which is where our investment focus lies. Average company earnings are estimated to have grown by 6.7%.

Our selective approach and focused portfolio of 30 stocks can and will perform differently to market indices. However, if companies do not meet our preference for predictable and durable cash flow generation, long-term growth and strong defensive moats, then we will not hold them.

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As a firm, we have experienced similar periods, most recently in 2016 when cyclical stocks roared ahead at the prospect of US government lavishing largesse on infrastructure projects. 2016 was an uncomfortable time for our clients. But seen in the longer-term context of our, on average, 15% outperformance of the MSCI World over five-year rolling periods since January 2013, it was a distraction on a much longer investment journey. We remain confident in the fundamentals of our portfolio companies and continue to focus on identifying great companies that have years of reliable growth ahead of them.

Top of the class

Amazon is reaping the rewards of its investment in infrastructure, showing consistent and increasing profitability in its ecommerce and cloud businesses. The company is a global leader in these areas, which have plenty of long-term structural growth ahead of them. Amazon continues to generate healthy levels of cash, despite its ongoing investment in new data centres. Its annual operating cash flow of $113bn dwarfs its capex of $60-70bn. The company is well-placed to act as the world's cloud host of choice – whether for data storage or AI inference.

Fiserv continues to go from strength to strength. Its crown jewel, Clover, is a 'merchant solution' that goes far beyond payments, providing an all-in-one business management tool for retail and hospitality businesses. From a standing start in 2019, Clover is growing at around 30% per annum, provides almost 15% of Fiserv's revenue and is present in 10 countries.

You there at the back!

UnitedHealth Group's share price declined at the end of the quarter following the murder of the CEO of its insurance business, Brian Thompson, and potential regulatory changes. The company is a lynchpin in the US healthcare system, a critical middleman between patients, doctors, companies and the government.

We are long-term holders of UnitedHealth, which is well-placed to help reduce the complexity and cost of US healthcare. Earlier in the quarter we trimmed our position to maintain balance across the portfolio.

DSM-Firmenich (nutrition, flavourings, health and beauty) enjoyed a good run during the past year, but the market has rotated away from steady names such as food ingredient manufacturers in favour of riskier exposures. We remain happy holders. The company's most recent trading update shows solid progress, with increased profit guidance for 2024. Its wide range of flavourings and healthy ingredients has led to higher win rates with customers, and it is well-positioned to benefit from reformulation of foods.

Portfolio activity – main transactions

We sold **Kuehne + Nagel**. The stock has performed well since we first purchased it in 2019, with the company executing brilliantly through the pandemic and improving efficiency with initiatives such as eTouch automation. However, further gains are less certain and we have exited in favour of opportunities that give us more visibility and offer more upside potential.

Portfolio activity – engagement

Cybercrime is a booming business. Since 2018 there have been 588 significant cyberattacks (those costing more than $1 million or resulting in more than 1 million files leaked) and the estimated annual cost of cybercrime is now $10.5 trillion, according to McKinsey & Company.

It's important that our portfolio companies are well-protected against cybercrime. This starts with having well-informed, well-prepared leadership. If directors are to oversee cyber risk management effectively, they must not only be well-trained but also kept bang up to date. We are engaging with company boards to understand how they approach this fast-moving space.

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Marsh & McLennan (insurance, management consultancy and investment advice) has recently made cybersecurity the responsibility of its entire board, who receive biannual reports from their cyber risk team. During a recent engagement call, they also mentioned that board and executive team members had met with the head of the FBI's cybersecurity team for a briefing on cyber-related matters.

Working with external advisers, **Avery Dennison** (labelling and RFiD smart tags) benchmarks itself against third-party cybersecurity standards. Bill Wagner, chairman of Avery's governance committee, believes that all board members should understand cyber issues, rather than relying on one or two experts at the table. He is adamant that "you can never have enough focus and time spent on cyber" and that board members will need to improve faster than the bad actors.

For some companies, devoting more management time and training to cybersecurity may be burdensome, but the stakes are high. In 2022 the average cost of a successful cyberattack was $4.4 million.

Top 10 Equity Holdings

Holding	% Weight
Fiserv	5.2
Mastercard	4.8
London Stock Exchange Group	4.7
Thermo Fisher Scientific	4.6
Marsh & McLennan	4.2
Intuitive Surgical	4.2
Microsoft	4.1
Experian	3.9
UnitedHealth Group	3.8
Tractor Supply	3.8
Top 10 Equity Total	**43.3**

Important Information

Fund manager	Meridiem Investment Management Ltd
Ongoing charges	0.75%
Inception date	30 November 2022
Fund base currency	GBP
Fund size	GBP 156.6m
Pricing	Daily
Fund type	UK UCITS
Structure	ICVC
Domicile	UK
Custodian bank	Northern Trust
Dividend paid	January / May
Previous dividend rate (Jan 2024 / May 2024)	GBP 0.0061 / GBP 0.0052
GBP Share Classes (Dis / Acc)	ISIN GB00BNV0FG02 / GB00BNV0F828

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Disclosure

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

Past performance should not be seen as an indication of future performance.

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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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