QUARTERLY INVESTMENT REPORT

June 2025

“In the midst of chaos, there is also opportunity” is a philosophy that dates back as far as Sun Tzu and The Art of War, written in the 5th century BCE. More recently, the sentiment has been popularised by country music’s Confucius, Dolly Parton: “We cannot direct the wind, but we can adjust the sails."

The VIX index is an interesting measure of uncertainty and can be taken as a proxy for chaos. The VIX peak following Trump’s tariff announcement in April has only been surpassed twice since data began in 1990: during the onset of COVID-19 in March 2020 and during the Global Financial Crisis in October 2008.

Against this backdrop, global markets (represented by the MSCI World Index) fell 5% in the first quarter on the back of the Liberation Day announcement, before experiencing a significant turn in sentiment and a rebound to end the first half flat. Kennox was up 2.2% in Q1 and 3.4% in Q2, finishing the half up 5.6%. Not breathtaking performance by any means, but a marked contrast to the broader market. That contrast has been evident for much of the last five years. From 2021 to 2024, Kennox returns were 11%, 13%, 8%, and 9% respectively. All reasonable annual returns and broadly in line with our long-term high single-digit expectations. The contention comes when comparing these to market returns of 23%, -8%, 18%, and 22% over the same period. Interestingly, the annualised return over the whole period has been quite similar: 10.2% for Kennox versus 11.5% for the market. Yet the year-to-year experience has been starkly different. Since our portfolio launched in 2007, we have typically outperformed in bear markets and lagged in bull markets. Whether the Kennox portfolio is an easy hold will depend on whether any given investor is more excited by the possibility of outperforming by 21% when markets fall (as we did in 2022) than they are disappointed by lagging by 13% when global markets are up 22% (as we did in 2024).

This lower-volatility outcome isn’t what most anticipate from a value strategy, but it reflects the way we think and invest. For example, we don’t tend to buy highly leveraged companies, preferring those with net cash on the balance sheet. As value investors, we are drawn to companies facing headwinds – where negative sentiment has resulted in more attractive valuations. For us, it does not feel sensible to face those headwinds with high leverage. If you are off on timing (we often too early), then the highly leveraged companies are the ones most likely to go out of business before headwinds turn to tailwinds. While that seems perfectly logical to us, the average value fund exhibits more leverage than the broader market and has a more volatile performance profile.

Many value funds focus on companies with large swings in profitability, benefitting from buying during deep operational troughs (often when the business is posting losses on the P&L statement) and selling during operational peaks. By contrast, we most often buy companies with relatively stable earnings profiles, benefitting from swings in sentiment as much as from swings in profitability. As an example, we recently spoke to the founder of **VTech** and very much appreciate the company’s long-term management approach. With a market cap of $1.8bn, VTech has only once reported net profit below $150m in the last

15 years (in 2023, at $149m). Even valued on that worst year, VTech trades at under 12x earnings. They pay out 90% of net profit (a 9% yield), require low capex, have net cash on the balance sheet (~$150m), and hold the largest global market share in electronic learning toys for children under 7 years old.

As we wrote in March, an increasing proportion of the Fund is held in idiosyncratic companies like VTech, as well as companies mentioned in the last few quarters, such as: **Victrex** and **Vesuvius** in the UK, well placed in basic industries; **Stella International** which still trades at exceptional valuations for a quality niche player; and **Youngone** or **Sky NZ**, which are experiencing re-ratings. Chaos is producing pockets of opportunity, even where broader market valuations remain elevated.

It is important to acknowledge the ongoing conflicts and rising geopolitical uncertainty shaping the global economy. The war in Ukraine continues with no clear resolution, while the conflict between Israel and Hamas has escalated, drawing in regional actors. Recent U.S. military strikes in response to Iranian-linked activity in the region have heightened concerns about broader Middle East instability.

These are, first and foremost, humanitarian crises. We remain acutely aware of the human cost involved. From an investment perspective, such developments have contributed to elevated volatility in commodity markets, particularly energy and precious metals.

Our exposure to integrated energy majors (10% across **Shell** and **Equinor**) reflects not a reaction to current events but a strategic allocation to resilient, cash-generative businesses. Our allocation to high-quality gold miners (17% across **Newmont**, **Agnico Eagle** and **Pan American Silver**) offers protection in times of heightened uncertainty, with inflation sensitivity, hard-asset exposure, and strong balance sheets. In line with our long-term value discipline, we continue to focus on fundamentals and intrinsic value while remaining alert to macro risks. Shell and Equinor still trade at double-digit free cash flow (and shareholder return) yields. Newmont trades at approximately 11x earnings based on current gold prices, Pan American Silver at c. 13x and Agnico Eagle at c. 15x. That such geopolitical uncertainty exists and yet blue-chip gold companies trade at a steep discount to the S&P 500 is anathema to us.

Beyond our investment philosophy, it is important to note the fund is diversified by both sector and geography. Our largest single-country exposure is 24% (the unloved and inexpensive UK), compared to over 70% in the oh-so-fashionable U.S. for the MSCI World Index (and as a result, most global funds). For our clients, it is also very useful that the Fund bears very little correlation to (or stock overlap with) growth and momentum-driven strategies that currently dominate the market.

In short, the Fund is exposed to parts of the market that haven't led in the last decade but may well lead in the next: not expensive, not U.S., not tech and not leveraged.

We are excited by the Fund's prospects, and hope that you, the Fund's shareholders, share that optimism.

Charles L. Heenan

(Investment Director)

Geoff Legg

(Investment Director)

If you have any questions on Kennox or the Kennox Strategic Value Fund, please contact us on +44 (0) 131 563 5440 or email at clients@kennox.co.uk. Our website is www.kennox.co.uk

Fund Data – 30 June 2025

Performance (total return net of fees) in Pounds Sterling

PERIOD	SHARE CLASS	
	CLASS I	CLASS A
YTD	5.6%	5.6%
2024	8.4%	8.7%
2023	8.0%	8.2%
2022	12.6%	12.9%
2021	10.1%	10.5%
2020	-11.1%	-10.9%
2019	4.8%	5.1%
2018	-2.2%	-2.0%
2017	2.5%	2.6%
2016	35.8%	36.2%
2015	-4.0%	-3.8%
2014	-1.1%	-0.9%
2013	15%	4.3%*
2012	10%	N/A
2011	-4.0%	N/A
2010	12%*	N/A

Source: Kennox. Performance figures are total return generated from the accumulation units since their launch (29 April 2013), and from the income shares prior to that. * Share classes launched mid-year: Class I on 12 May 2010; and Class A on 29 April 2013.

Top 10 Holdings

STOCK	REGION	SECTOR	MARKET CAP (US$M)	WEIGHT (%)
NEWMONT CORP	N. America	Materials	65,000	7.6
STELLA INTERNATIONAL	Asia	Consumer Discretionary	1,500	7.2
AGNICO EAGLE MINES	N. America	Materials	60,000	6.8
SHELL	UK	Energy	209,000	6.4
YOUNGONE HOLDINGS	Asia	Consumer Discretionary	1,500	5.5
SINGAPORE TELECOM	Asia	Communication Services	50,000	5.3
CANON MARKETING	Japan	Information Technology	4,000	4.0
FUKUDA DENSHI	Japan	Health Care	2,000	3.9
SKY NEW ZEALAND	Asia	Communication Services	300	3.9
B&M	UK	Consumer Discretionary	4,000	3.4
TOTAL TOP 10				**54.0**
18 OTHER HOLDINGS				44.9
CASH				1.1

Disclaimers and footnotes

It is important that you read this information before proceeding.

This document has been issued by Kennox Asset Management Limited ("Kennox"), which is authorised and regulated by the Financial Conduct Authority (FRN: 475658). **This is a financial promotion for Professional Clients and/or distributors only. It is being furnished for general informational and/or marketing purposes.**

The law may restrict distribution of this document in certain jurisdictions, therefore, persons into whose possession this document comes should inform themselves about and observe any such restrictions.

This material is being furnished for general informational and/or marketing purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. The information in this document does not constitute, or form part of, any offer to sell or issue, or any offer to purchase or subscribe for shares, nor shall this document or any part of it or the fact of its distribution form the basis of or be relied on in connection with any contract. Interests in the SVS Kennox Strategic Value Fund (the "Fund") will be offered and sold only pursuant to the prospectus relating to the Fund.

Whether an investment in the Fund is appropriate for you will depend on your own requirements and attitude to risk. The Fund is designed for investors of any category, including retail investors. Kennox has not taken any steps to ensure that the securities referred to in this document are suitable for any particular investor and no assurance can be given that the stated investment objectives will be achieved.

The value of your investment, including the initial capital contributed, and any income anticipated therefrom, may fall as well as rise and you therefore may not get back the amount you invest. Transactions in securities of foreign currencies may be subject to fluctuations of exchange rates which may affect the value of an investment. The Kennox value approach carries the risk that the market will not recognise a security's true worth for a long time, or that a security judged to be undervalued may actually be appropriately priced. **There is no guarantee that any forecasts made will come to pass. Past performance is not a guide to the future.**

The information contained in this document has been taken from sources considered by Kennox to be reliable but no representation, warranty or undertaking is given as to its accuracy or completeness. **The views contained herein are as of the date noted on the material and are subject to change without notice.** Kennox may, to the extent permitted by law, act upon or use the information or opinions presented herein, or the research or analysis on which it is based, before the material is published. Kennox and its personnel may have, or have had, investments in these securities.

Under no circumstances should this material, in whole or in part, be copied or redistributed without consent from Kennox.

Kennox Asset Management, 33 Melville Street, Edinburgh, EH3 7JF, Scotland, UK. Registered Number: SC302037

We do not track, nor are we constrained by, a benchmark. Reference to the MSCI World and MSCI World Value indices are for comparative purposes only.