

QUARTERLY INVESTMENT REPORT

September 2025

Yes, there is still a stonking bull market going on in the Magnificent 7 and similar stocks.

On the other hand, some less-recognised sections of the market are also performing very nicely indeed. Take non-US value stocks, which have outperformed the world index over each of one, three and five years (as measured by MSCI). Just a few years ago, this was a theme that many investors considered barely investible, much less viewed it as an area of the market that would return to outperformance. Under the radar and propelled by shifting market trends (not least the unexpected weakness of the US dollar), there are ways to make good returns differentiated from the US mega-cap tech.

Kennox shares some traits with the non-US value index and is benefitting from similar tailwinds. In Kennox terms, that is represented by unsung heroes **Youngone**, **Singapore Telecom** and **Sky Network Television** (“Sky NZ”), which all continue to be top performers this year.

Let us take Sky NZ as a case study, as the narrative behind the stock performance is illuminating. First and foremost, the company is getting the basics right regarding its operations: finalising a major new delivery platform, keeping a lid on costs, and offering a range of appealing content. The company is also benefiting from underlying sector trends, the key one being moderating pricing for sport and other content – perhaps trees can’t grow to the sky after all. The company has no financial leverage, so can tilt its capital allocation and substantial cashflows towards dividends. This strategy is highly beneficial for shareholders – the rise in the share price has been surpassed by an even faster increase in dividends, and a 7% yield at the beginning of the year has increased to over 9% now. The shares still trade at just 11x earnings. The market is gradually connecting the dots and buying into the positive narrative, overcoming the biases of recent years that have depressed the share price, such as the belief that dividends are boring or that sports media rights would endlessly inflate. This type of steady climb on the back of under-owned and under-appreciated themes is exactly the type of performance Kennox cherishes.

Kennox has enjoyed a fruitful 2025 so far: underpinned by the obvious bull market in the gold miners (as discussed in our last quarterly commentary) alongside these unsung heroes, the portfolio is up 17% in sterling terms in the first nine months.

How does this fit with our longer-term view on performance?

Returns since inception for Kennox have been circa 8% per annum. We believe this level of return is a reasonable base-line expectation for the long term. In line with long-term returns for equities, a high single digit return also logically aligns with our buy discipline of around 12x the through-cycle earnings power of a company. So long as we continue to find quality equities trading at modest prices, these returns should be repeatable.

Differentiated from the broader market, and thanks to Kennox's constant eye on risk, these returns have been achieved by avoiding the worst of the downdrafts in markets – Kennox has fallen markedly less than the market in the majority of drawdowns since inception. As a specific example: in 2022, when the MSCI World was down 8%, the Kennox fund rose by 13%.

What we do has not been in vogue over the last decade, but it is now stealthily returning to favour. We are not surprised by this ebb and flow of investment fads. We have experienced over the decades just how emotional markets are, a phenomenon described as self-reflexivity by George Soros, where price movements themselves can propel both fundamentals and further price movements. Trends can and do go on for much longer than any rationalist would expect.

We can also measure the potential in the portfolio via the underlying valuations of the holdings, a sensible and quantifiable proxy for future expectations. We're comforted that the portfolio valuations remain attractive (on measures such as price-to-earnings, price-to-book, and cash flow yields) and at levels commensurate with high single digit returns. Dividend yield might be the hardest indicator, as dividends represent a concrete cash payment after all adjustments and costs, and the least subject to manipulation. We take confidence from the yield on the fund remaining at the higher end of our experience, sitting at 3.4% at the quarter end, after all fees.

Having been lacklustre at the end of the 2010s, returns for Kennox over the last five years and especially in 2025 have been a step above our longer-term run rate. There remains a cool-headed case to be made that the returns for our style could remain strong, with the market's bias remaining heavily tilted towards growth and the US, and contrarian and value-leaning investing remaining deeply under-represented in almost all investors' portfolios. A continued return to favour would generate significant tailwinds for our holdings.


One last point for this quarter – operating companies are a bedrock of the modern economy, providing the jobs, products and efficiency that leads to the high quality of living we enjoy here in the UK. Listed active fund management plays a key role in nurturing our corporate ecosystem, alongside others like venture and private capital, the banking system, the bond market, government, the not-for-profit sector. We should not take the health of this ecosystem for granted. Like-minded investors should consider this always as they allocate their capital, thereby voting with their savings on what type of economy and society they want to live in. Kennox has written a few more thoughts on this [here](#).

As always, do be in touch if you'd like to discuss any of this with us.



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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 September 2025

Performance (total return net of fees) in Pounds Sterling

PERIOD	SHARE CLASS	
	CLASS I	CLASS A
YTD	16.9%	16.9%
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	15.5%	4.3%*
2012	10.0%	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	92,500	8.5
STELLA INTERNATIONAL	Asia	Consumer Discretionary	1,500	7.8
AGNICO EAGLE MINES	N. America	Materials	84,500	6.7
SHELL	UK	Energy	209,000	6.1
YOUNGONE HOLDINGS	Asia	Consumer Discretionary	1,500	5.4
SINGAPORE TELECOM	Asia	Communication Services	53,000	4.7
SKY NEW ZEALAND	Asia	Communication Services	300	4.0
CANON MARKETING	Japan	Information Technology	4,500	3.7
VTECH HOLDINGS	Asia	Information Technology	2,000	3.6
FUKUDA DENSHI	Japan	Health Care	1,500	3.5
TOTAL TOP 10				53.9
18 OTHER HOLDINGS				45.5
CASH				0.6

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