QUARTERLY INVESTMENT REPORT

December 2025

2025 was a positive year for the Fund, delivering a return of +25% (versus +13% for both the MSCI World Index and the MSCI World Value Index).

While our gold miners flew on the back of the strong run in the gold price (**Newmont**, **Agnico Eagle** and **Pan American Silver** are each up over 100%), it has been pleasing to see strong returns across a broad range of stocks across the portfolio: **Youngone**, **Singapore Telecom**, **GSK**, **Sky New Zealand**, **Texwinca**, **Admiral**, **Canon Marketing Japan** and **M6 Metropole** are all up over 25%.

Even with 2025's strong performance, we are reassured that valuation metrics across the portfolio have not moved significantly, as we have rotated the portfolio towards the best opportunities. The portfolio still trades at c. 12x current earnings, with a commensurate free cash flow yield and a dividend of about 4.5% (though recall that fees are taken from income, so the dividend paid from the Fund is lower). More on the dividend later.

Let's consider for a moment this portfolio rotation. The combined weight of our three gold miners is 16% at the end of 2025, versus 14% at the start, as we trimmed after the significant stock price strength. We remain comfortable holding some gold (miner) exposure as geopolitical tension remains high, and central banks seek alternative stores of reserves to traditional US dollar assets. On current gold prices, **Newmont** trades at c. 13x, **Pan American Silver** at 14x and **Agnico Eagle** at 16x earnings.

We have also harvested cash from **Singapore Telecom** (up 52%) and **Canon Marketing Japan** (up 28%). This cash has been put to work in **Victrex** and **Vesuvius** in the UK, **Stella International** and **VTech** in Asia, **Sky Network Television** in New Zealand, **Quadient** and **M6 Metropole** in France and **Western Union** in the US. This is a deliberately diverse list of stocks, both geographically and by sectors.

One thing that these stocks have in common is a high dividend yield. The yield across those eight names we have been buying is over 8%, a staggering number. But with very little debt across the group, and cash flows that more than cover both the dividend and capex requirements, this speaks to very frugal valuations rather than exuberant (or unsustainable) dividend policies.

It's worth noting that the dividends paid out from the Fund have increased at just over 10% per year over the last decade (though not in a straight line, with Covid in the middle). That is slightly ahead of performance, meaning that on this metric, the portfolio has become better value over the period. At 3.7% (A Class, net of all fees), this is at the high end of the range of yields the Fund has produced – and is also a powerful indicator that valuations within the portfolio have not become stretched.

Charles spoke recently at the London Sohn Conference about **Yue Yuen**. It's an interesting case study. They are the world's largest producer of athletic shoes, making trainers for the likes of Nike, Adidas and Asics, but also Merrell, Salomon, Mizuno and many more. They made 255m pairs of shoes last year – that's a lot of shoes. Following the IPO in 1992, this became one of the market's darlings, with the share price rising nicely all the way to 2018 before falling quickly out of favour. The growth stalled (operating profits in 2024 were only 10% higher than in 2018) and the company rapidly de-rated to just 7x by 2022. But the company hasn't been standing still. Capex that had been growing through to 2018 has been slashed (by almost 60%), so free cash flow now significantly exceeds profits, and they have turned US$1bn of financial net debt (i.e. excluding lease liabilities) into $160m of net cash. In short, the company now looks extremely attractive: growing earnings as margins improve, net cash on the balance sheet and a 7.5% yield. And that yield has been important. We bought Yue Yuen far too early – in 2018 after the shares had fallen by over 40% from the peak, but before they fell another 60% at the bottom. However, by averaging in as the prices fell against improving operations, our shares are worth 10% more today than the amount we paid for them. Adding in the dividends received over the period, they have generated closer to a 50% return. We believe these shares are entering a virtuous cycle and will happily clip the dividends as we wait for this to play out.

Victrex (down 35%) is one stock that has had a miserable time during 2025. They manufacture PEEK, a high-performance thermoplastic known for its strength, heat resistance and chemical inertness and used widely in aerospace, automotive, electronics and medical fields. After a boom in demand following Covid, they have struggled with industry de-stocking, and demand is only slowly starting to recover now. The market has grown impatient with the delayed recovery, and the shares now trade at 12x forecast earnings (to September 2026). Despite the falling share price (or even enhanced by the falling share price), we retain confidence in the investment case: we feel that normalised earnings are close to twice those forecast earnings, and that with almost no debt, the 9% dividend is very likely to be maintained.

Overall, our opportunity set currently looks broader rather than narrower. Lots of high-quality companies have continued to grow revenues and earnings through 2025 but have seen their shares de-rate. This, of course, is music to our ears. Ruchir Sharma wrote in the FT in early December that "*the best time to buy quality stocks is now*", citing the fact that "*quality just suffered one of its worst relative declines ever in developed markets*". Many stocks that are fundamentally attractive to us, with strong and repeatable earnings and cashflows but without high levels of leverage, are starting to look closer to our frugal valuation hurdle.

With conviction and comfort in what we own, and with this enlarged opportunity set, we look forward to 2026. May it be a healthy and prosperous year for you all.

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 – 31 December 2025

Performance (total return net of fees) in Pounds Sterling

PERIOD	SHARE CLASS	
	CLASS I	CLASS A
2025	24.9%	25.0%
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	109,000	7.8
STELLA INTERNATIONAL	Asia	Consumer Discretionary	1,500	7.6
YOUNGONE HOLDINGS	Asia	Consumer Discretionary	1,500	6.8
SHELL	UK	Energy	211,000	5.8
AGNICO EAGLE MINES	N. America	Materials	85,000	5.7
SINGAPORE TELECOM	Asia	Communication Services	58,500	4.9
SKY NEW ZEALAND	Asia	Communication Services	300	4.1
CANON MARKETING	Japan	Information Technology	5,000	3.8
YUE YUEN	Asia	Consumer Discretionary	3,500	3.6
FUKUDA DENSHI	Japan	Health Care	2,000	3.5
TOTAL TOP 10				**53.6**
18 OTHER HOLDINGS				45.1
CASH				1.3

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.