

QUARTERLY INVESTMENT REPORT

September 2026

The richest hunting grounds of late for Kennox have been Asia and the UK, more specifically Japan, South Korea and Hong Kong in Asia and the mid-cap segment of the UK market. Stuffed with unloved and inexpensive stocks, these markets allow us to pick and choose from the highest-quality and most diversified businesses.

As an example, we recently established a position in **Bellway**, the UK housebuilder. The housebuilding industry in the UK has seen more than its share of swings in the last few decades, moving between flush times in the early 2000s, the earth-shattering GFC crunch, an accelerating recovery up to the pandemic shutdown, a blow-off in the post-lockdown spending spree, and finally the resulting hangover and slowdown. Against these vacillations, Bellway is a high-quality operator in the industry. It is one of the biggest players, giving it the scale to manage the complex housebuilding process, from purchasing land through planning permission, build-out and all the way to final sale. Bellway is well spread across the different regions of the UK and across a range of price points. The company has a strong executive team and culture, managing its way conservatively but successfully through these travails. Lastly, the company has a very clean balance sheet with almost no debt. All of these factors leave Bellway well placed in this essential industry.

Due to the headwinds the industry has lately faced (not to mention the lack of local and international attention in the UK market), the shares are unloved and are trading at half the price reached during the peaks in the late 2010s. This has the shares trading on c. 10x its normalised earnings potential, and being a strong generator of cash and profits, the company is able to pay out generous shareholder returns in the form of both dividends and buy-backs (shareholder returns are c. 10% of the market value at present). For reference, it is also trading on 0.6x book value, with book value providing a conservative reference point for fair value, given the company's hefty land bank and pipeline of properties.

Scanning out across the portfolio, the top performers in 2026 have been Equinor (Norwegian energy), Fukuda Denshi (Japanese medical devices), B&M (UK discount retailer), Victrex (UK industrial), and LG Corp (Korean conglomerate). What is most notable is the breadth and diversity of businesses and geographies. This is reassuring, as a healthy spread across geographies, industries or themes is by its nature more resilient than relying on one alone.

As long as Kennox can continue to find new opportunities such as Bellway, and the sources of performance for the fund remain broad, the prospects for the fund remain very positive.

In our last quarterly, we commented on the strong performance for both Kennox and the value style from late 2024 to end of February 2026, followed by a difficult four months to the end of June. This quarter, the fund is up 12%, marking one of our strongest quarters ever. That period of headwinds was disappointing. But this is how the market battle-tests its narratives, and the bounce-back of the last few months gives us confidence that investors are returning to and validating the value theme.

Looking across a range of indices over the last five years (spanning growth, value, US, non-US, large, mid and small), what jumps out is that what has performed best, by quite a margin, has been the two extremes: mega-cap US tech and non-US value. This really is “barbelling” – it is hard to think of two more differentiated areas of the market.

There can be no more widely discussed story than mega-cap US tech, but given how well discovered, capital intensive, and competitive it has become, it remains open to the risk of investor fatigue and change of heart. On the other hand, non-US value must be among the least loved themes by general investors and asset allocators. On a five-year forward view, we are clear which theme has more potential – especially from a risk-adjusted perspective.

There remain two major issues we must all wrestle with. The first, as mentioned above, is the market’s unprecedented concentration in mega-cap US tech stocks. The second is the ongoing ructions in the bond market, the importance of which one can’t overstate.

In the face of these, the future remains bright for market-leading companies that aren’t in crowded areas of the market, trade on reasonable valuations, aren’t reliant on leverage, and aren’t concentrated in a few narrow industries or geographies.



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Fund Data – 30 September 2026

Performance (total return net of fees) in Pounds Sterling

PERIOD	SHARE CLASS	
	CLASS I	CLASS A
YTD	14.1%	14.3%
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 (%)
STELLA INTERNATIONAL	Asia	Consumer Discretionary	1,500	5.9
YOUNGONE HOLDINGS	Asia	Consumer Discretionary	1,500	5.8
SHELL	UK	Energy	267,500	5.2
VICTREX	UK	Materials	1,000	4.4
NEWMONT CORP	N. America	Materials	121,500	4.3
RHEON AUTOMATIC	Japan	Industrials	300	4.2
EQUINOR	Europe	Energy	98,000	4.1
FUKUDA DENSHI	Japan	Health Care	3,000	4.0
WESDOME GOLD MINES	N. America	Materials	3,500	4.0
SINGAPORE TELECOM	Asia	Communication Services	54,500	4.0
TOTAL TOP 10				45.8
20 OTHER HOLDINGS				53.7
CASH				0.6

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