Church House Investment Management

Quarterly Review

Summer 2025

Issue No. 101

INVESTMENT RISK

Investing in ordinary shares and other assets that will be included in your investment portfolio entails risks to your capital and the income that it might generate. The paragraph below is an important reminder, please always remember that:

> *The value of investments and the income you get from them may fall as well as rise and there is no certainty that you will get back the amount of your original investment. You should also be aware that past performance may not be a reliable guide to future performance.*

The second half of this Review gives information on the Church House fund portfolios that we manage for clients. Some, or all, of these funds feature in most portfolios and the risk warning above is pertinent to each of them. We use these funds in the construction of clients' portfolios, each has a specific 'building block' role and, specifically, they form part of our risk management process. This approach helps to ensure appropriate diversification and that we know in detail the risks that we are undertaking on your behalf - not something that we wish to delegate to others.

These funds are individually authorised by the Financial Conduct Authority under the Collective Investment Schemes regulations, they are all UCITS Schemes. We are required to point out that the main risks faced by them arise from market price and interest rate risk; that they have no borrowings, or unlisted securities of a material nature (so there is little exposure to liquidity or cash-flow risk) and that we review the policies for managing these risks on a regular basis.

We do not make any specific ESG or other claims for our funds, we find many such claims to be spurious and of doubtful value. We do consider that investing in companies with properly sustainable practices and business models and run by people of integrity, is an important part of what we do. We are signatories to the:

UK STEWARDSHIP CODE

Church House Investment Management

Church House Investments Limited is authorised and regulated by:

The Financial Conduct Authority

Quarterly Review

A quarterly review of the economic and market background to investment, edited by James Mahon, Chairman of the Investment Committee, with additional commentary from a number of Church House managers.

Issue no. 101 - Summer 2025

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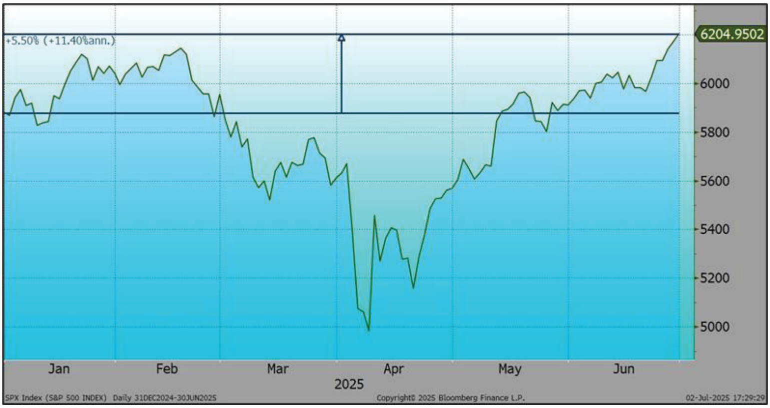
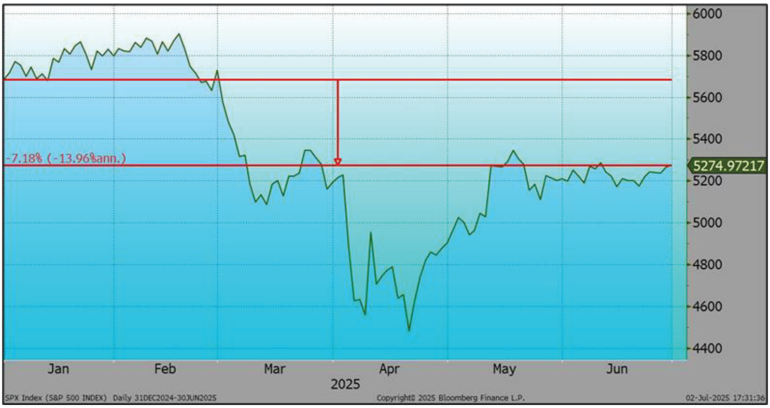
After the tariff induced lurch in April, American stock markets spent the next two months recovering to peak levels. The same is not true of the US dollar, which sank by almost 11% on its index v. major currencies, and that at a time when one would *normally* expect the dollar to be a 'safe haven'. That rather takes the shine off that stock performance, US assets have lost value in an international context:

US Equities (S&P 500 Index) **– 2025 – *in US Dollars*** **+5.5%**



Source: Bloomberg

US Equities (S&P 500 Index) **– 2025 – *in Euros*** **-7.2%**



Source: Bloomberg

While the tariff 'negotiations' rumble on, I am left with a nagging concern that wherever they end, they will be higher than before, and an impediment to free trade, and that we risk a straightforward economic slowdown. Companies appear to have managed their inventory well over the course of the first round of tariff concerns but now we hear more grumbles as to what next? and more lay-offs to come (Microsoft has just announced a second round of cuts, aiming to lay-off 9000 workers).

THE ECONOMIC & MARKET BACKGROUND

Another turbulent treat of a quarter as President Trump appears ever keener to wield unchallenged and unchecked power. The litany of events clamouring for attention has been startling. The President's extraordinary 'liberation day' pronouncements on trade and tariffs set the tone but quickly hit the buffers of some serious financial market stress. Geo-politics has taken centre stage since with open warfare between Israel and Iran and the steady descent of Gaza into a hell-on-earth. The markets decided to look on the bright side after the initial panic, encouraged by a lower oil price, though with the important exception of the US dollar, which, so far, has gone down and stayed down.

One year on from the formation of the new Labour administration and it is hard not to be disappointed with their performance. After spending the first six months 'talking down' the economy (despite an avowed 'growth' agenda), we were handed a distinctly 'business unfriendly' budget and increased spending. With the Chancellor's 'fiscal rules' straitjacket in place, this all relied on curtailing welfare spending. Now we have been treated to some serious backtracking and the unedifying sight of PM Starmer losing control of the Parliamentary Labour Party and the Chancellor in tears at the dispatch box. Could try a great deal harder…

The Bank of England has cautiously undertaken two quarter-point cuts in the Base Rate (to 4.25%) over the year but does appear to be quite stuck in the headlights at the moment. Ten-year interest rates have been vacillating between 4.5% and 4.7% for most of the year and for longer periods have been edging higher. Not making it any easier for the Government to service all the debt that is being piled up.

Other central banks have been cutting their rates, albeit that American rates are not coming down anything like fast enough for The President's liking. The European Central Bank (ECB) has led the way with four cuts over the first half, back down to 2% again, where it appears that the ECB would like to hold. With the euro being the principal beneficiary of US dollar weakness, there might well be pressure for more cuts to avoid choking off the nascent European recovery. Meanwhile the Swiss are back down to zero again.

The price of oil has been a bit of a silver lining for world markets, slipping by around 10% over the past six months. Its inability to hold any rally during the height of recent Middle East hostilities was also striking. Now we have the President's 'ONE BIG BEAUTIFUL' tax bill, which appears just to be a guarantee that America's huge debt burden will only get bigger. Attempting to forecast the President's next move in tariffs, geo-politics or domestic budget issues is clearly a mug's game. The US and World economy has, so far, managed to muddle through rather well despite all the noise and maybe this remains as the most likely outcome.

James Mahon *July 2025*

THE UK ECONOMY AND INTEREST RATES

We are just hearing that the UK economy shrank by 0.1% in May, following the 0.3% fall in April. Naturally, this is making for some downbeat reporting but, possibly, this is being overly pessimistic. Over three months, the economy has grown, and it is still ahead for the year. Recent weakness is hardly surprising given the increases in the minimum wage and National Insurance. Of course, the figures for industrial production have been distorted (as everywhere) by the on-off, on-off, tariffs, though it is the service sector that dominates the UK economy (c. 80%).

The real worry is the budget deficit, how much more the Government spends than it raises in taxes, which shows every sign of getting out of control again. Chancellor Reeves' much vaunted 'fiscal discipline', is, apparently, paramount, but she is now in an even more difficult position. The climb down on spending cuts leaves her with little room for manoeuvre without another increase in taxation.

This is not new, each of the previous (Conservative) chancellors said that they would restore stability and failed. The added problem is that the Government must borrow to bridge the gap (essentially, by issuing Gilts) and if lenders do not believe that the Government is serious, then the cost of that borrowing goes up. It is already spending more on interest on its borrowings than it does on defence (though, hopefully this will be increasing) and it is fast approaching the amount it spends on education, and so it goes on.

That hopeless (and tearful) performance in the Commons at the beginning of this month led to an immediate jump in the Government's cost of borrowing. PM Starmer's belated comments that the Chancellor would be in post for "years" helped to calm the Gilt market, but the damage had been done by then.

Naturally, if the Government is having to borrow so much that rates need to rise then this also makes borrowing more expensive for everyone else. It seems to me that the country is feeling quite bruised from the recent burst of inflation, particularly energy costs (though the recent cut in the Energy Price Cap might help here), along with higher mortgage and rental payments. Equally, the tax burden is growing, and this is being felt around the country. With speculation now rife that the Chancellor will freeze Income Tax thresholds in the autumn, the negative psychology of this is only getting worse.

The potential 'white knight' here is the Bank of England (the Bank) who could cut their Base Rate and point to a path for lower rates to come. That could just turn the current malaise. The Bank's Monetary Policy Committee (MPC) did cut the Base Rate by another quarter point in May to 4.25%, while in June they voted by a majority of 6-3 to maintain the rate at this level, while the three dissenters voted for a further cut to 4%. The MPC's minutes observed:

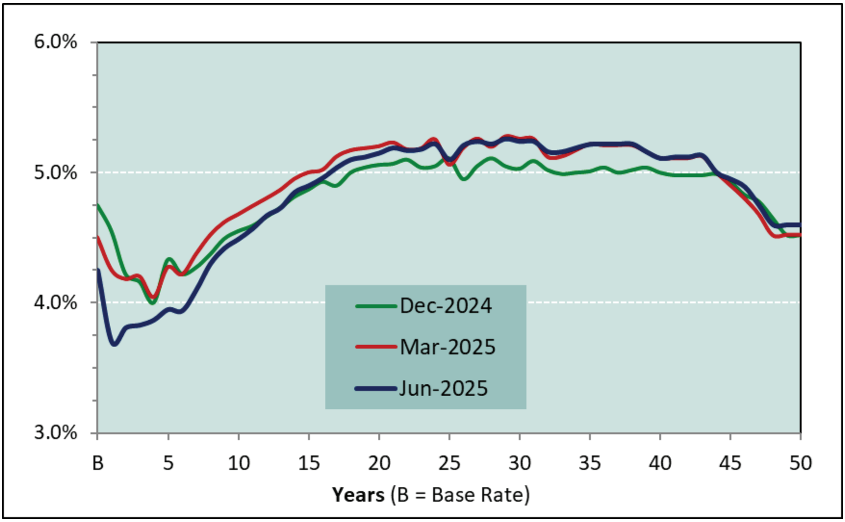
"Underlying UK GDP growth appears to have remained weak, and the labour market has continued to loosen, leading to clearer signs that a margin of slack has opened up over time. Measures of pay growth have continued to moderate and, as in May, the Committee expects a significant slowing over the rest of the year."

But the MPC do wish to maintain the Base Rate in 'restrictive territory' for now and do not appear to be in a rush to do more:

"The Committee will continue to monitor closely the risks of inflation persistence and what the evidence may reveal about the balance between aggregate supply and demand in the economy. Monetary policy will need to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term have dissipated further."

Our chart of UK interest rates out to fifty years shows little change since the end March for longer time periods but lower rates for shorter periods and the Base Rate edging slowly down that y axis. So, the curve has 'steepened' a bit more and is still indicating lower base rates to come.

UK Interest Rates – The Yield Curve (Base Rate and the income yield from Gilts)



Source: Church House, Bloomberg

Short-Term	Base Rate	SONIA*	2 years	5 years
Interest Rate	4.25%	4.2%	3.8%	4.0%
Longer-Term	10 years	20 years	30 years	50 years
Interest Rate	4.5%	5.2%	5.3%	4.6%

*Source: Bloomberg *Sterling overnight index average.*

Credit Market Commentary – Jeremy Wharton

Credit markets and risk assets in general have had many things thrown at them over this quarter and uncertainty has reigned. As geopolitics and regional conflicts remain to the fore the economic picture remains clouded. The Middle Eastern conflict seems to ebb and flow hour-by-hour and US involvement was a further escalation. The crass coining of 'Make Iran Great Again' was astonishing. The economic fear was for crude oil prices, but after the initial spike oil prices actually fell back to where they started, though the focus on oil is diluted as the US is now a net exporter.

President Trump's second term has encompassed the issuance of 170 executive orders, effectively bypassing the Senate and displaying the erratic behaviour normally reserved for a dictator. Worries about the effect of tariffs on the US deficit led Moody's to downgrade the US' credit rating from AAA. Whilst this was not unexpected, as they were the last agency to do so (Fitch moved in 2023 and S&P in 2011), it does add to the feeling that the credibility of the US, and the US dollar is eroding, leading investors to move away from US assets.

The tariff story rolls on and is far from over, the US/China tariff roll-back generated some excitement as it removed a worst case. The 9th July deadline came round quickly so no surprise when it was extended to 1st August. The main outliers remain Japan and the European Union. who are still seeking a deal. At first glance the higher tariffs on peripheral small Asian economies with significant trade surpluses to the US are not so relevant, presumably designed to stop the rerouting of goods. In early July, Trump stated: "Today we're doing copper" which meant he slapped a 50% tariff on the metal. The US imports 50% of the copper it needs and although it might have huge copper deposits, they can't be mined and refined overnight. The net result was that copper prices spiked higher in the US but fell on the London Metal Exchanges. If this is not inflationary, I don't know what is. So far, we haven't actually seen much inflation or activity fallout from the tariff uncertainty and precious little effect on risk assets as US stocks explore new highs. Unfortunately, Trump doesn't take this as markets ignoring his tariffs, instead he sees it as their validation.

Trump's propensity to lash out at anyone and everyone remains unabated, and the predictable falling out with Elon Musk has led Musk to announce he is setting up his own rival political party. The attacks on Federal Reserve Chairman Powell have continued (apparently, he is one of the dumbest, most destructive people in government...) and widened to more of Trump's associates and now includes the cost of the refurbishment of the Fed's HQ. They are also trying to push the idea of a 'shadow Chairman', who would take over in May following the end of Powell's term, whose pronouncements would carry more weight than his. So, we are seeing the return of the concept of 'fiscal dominance' where the Federal Reserve becomes less independent and moves its priorities from employment and inflation to financing the Government.

The Bank of England held the Base Rate at 4.25% as UK CPI stayed above their 2% target. Money markets discount two/three more cuts before a floor of 3.5%, which feels like the right level unless we see a dramatic drop-off in economic activity. The Bank is still selling Gilts (acquired since the 2008 crisis and in the aftermath of COVID), which continues to weigh on the Gilt market (push up longer-term interest rates) alongside the Government's large funding plans. As defined benefit pension schemes wind down, we are losing a natural buyer for Gilts and are more and more reliant on foreign investors. Concerns about fiscal policy and the state of the country's finances have returned with a vengeance. The defeat over welfare reform has turned their sums upside down and the public distress of the Chancellor was rather sad.

The UK/US tariff deal means that we remain at 10%, but with no assurance on individual sectoral tariffs. The EU remains as our biggest trading partner, but we do however hold a lot of US credit risk, $690bn of Treasuries, now a bigger holding than the $680bn held by China. A much heralded deal on fishing (actually, only a baby step), food trade and youth mobility was struck between the EU and the UK. But this does mark a turning point in relations between the two.

The US Federal Reserve has stood its ground and held their interest rates in defiance of the President. Strong employment figures, steady GDP and inflation concerns (inflation expectations have spiked to a 45-year high) have pushed forecasts of the next rate cut to July, though there might not be any this year at all. Fiscal worries and a weak US Treasury auction led to a spike in yields and the 'term premia' (paying more to borrow for longer), the thirty-year rate hitting 5.15%. Trump's "One Big Beautiful" tax bill was signed into law. The potential effects of these tax cuts on US borrowing levels are dramatic, particularly if the tariff experiment doesn't raise the revenues that Trump is seeking.

The ECB cut their base rate by a quarter point at their last meeting and 2% looks to be a level they are happy with. Eurozone activity is perking up (although distorted somewhat by frontloading ahead of tariffs) despite the still fragile political landscape. Europe appears to have, maybe, ended up with a 10% tariff deal, which would be encouraging, although 30% has just been threatened. Chancellor Merz's €46bn tax-break package has been passed into law by the German upper house and there are high hopes that this will provide a quick boost for their economy.

Euro and Dollar credit spreads widened a little due to recent events but regained that ground in short order. Sterling credit spreads have had a strong quarter and are still offering the best all-in yields, we also have the highest sovereign yields of any developed economy. Thanks to this we have seen limited issuance into sterling in comparison to euro (May was the busiest month ever) and USD. What we have seen in sterling has been of good quality, especially in some infrastructure names. The water sector still looks shaky and the Thames Water story goes from bad to worse.

Jeremy Wharton, *July 2025*

UK Equity Markets

Index:	30 Jun 2025	31 Mar 2025	Quarter
FTSE All-Share	4773	4624	+3.2%
FTSE 100	8761	8583	+2.1%
FTSE 250	21626	19475	+11.0%
FTSE Small Cap	7199	6510	+10.6%
FTSE AIM All-Share	771	682	+13.0%

Source: Bloomberg

After a torrid April, UK equities bounced and put in an overall gain for the quarter. Rather more cheering has been the recovery (finally) in smaller companies, which have now, largely, caught up with their big-cap peers over the year:

FTSE 100 (dark blue), **FTSE 250** (green) and **AIM Indices –2025**

Source: Bloomberg, FTSE International

Rather more depressing is that the driver of the recovery in mid and smaller UK companies has been overseas buying and bids for domestic companies, UK institutions are *still* selling. Investment bank Peel Hunt point out that there have been 31 bids for UK companies so far this year (all mid and small cap.) worth around £25bn, with the majority being from overseas.

The price being paid for these companies is around a 40% premium, indicating quite how undervalued some of them have become. One major UK institution recently announced that it had only 3% of its assets invested in the UK. Shameful, their assets come from UK savers who might reasonably expect to see some support for our economy and not others. There is a clear need for reform of the rules and regulation surrounding the UK stock markets, we need a vibrant capital market.

INTERNATIONAL EQUITY MARKETS

Index:	30 Jun 2025	31 Mar 2025	Quarter*
US - S&P 500	6205	5612	+10.6%
US - NASDAQ	20370	17299	+17.8%
UK – FTSE All-Share	4773	4624	+3.2%
Germany - DAX	23910	22163	+7.9%
France - CAC 40	7666	7791	-1.6%
Switzerland - SMI	11921	12598	-5.4%
Japan - TOPIX	2853	2659	+7.3%
Brazil - Bovespa	138855	130260	+6.6%
China – Shanghai Comp.	3444	3336	+3.2%
Hong Kong – Hang Seng	24072	23120	+4.1%
Australia – ASX 200	8542	7843	+8.9%

Source: Bloomberg. ****Change in local currency, the fall in the US dollar has a big impact on actual returns.***

Our table of international equity markets shows a robust performance from most markets with America in particular recovering from a poor first quarter. Switzerland was the exception, **Roche Holding** and **Novartis** are the top two companies in the Swiss market followed by **Nestlé**, the first two (major pharmaceuticals) are under a cloud of uncertainty as to US policy while Nestlé have had a miserable quarter. US stocks posted new all-time highs (in US dollar terms):

S&P 500 (green) and **NASDAQ Composite** (red) **– 2025**

Source: Bloomberg

Commodities

	30 Jun 2025	31 Mar 2025	Quarter
Oil – Brent (barrel)	$67.6	$74.7	-9.5%
Natural Gas (10/- MMBtu)	$3.47	$4.12	-15.8%
Gold (troy ounce)	$3289	$3118	+5.5%
Copper* (25 tons)	$9878	$9710	+1.7%
Milling Wheat (50 tons)	€196	€220	-10.9%

*Source: Bloomberg   *3-month forward contract on the London Metal Exchange*

Starting with the price of oil. As mentioned before, the slide in the price has been noticeable this quarter, particularly considering what has been happening in the Middle East. Its inability to hold the brief gain in late June was striking:

Oil – Brent Blend - 2025

Source: Bloomberg.

The gas price has also been falling (as above), all combining to help with OFGEM's recent 7% decrease in the 'energy price cap'.

The price of Gold has gone up again, benefitting from a 'flight to safety' from a weakening US dollar, along with all the tariff and Middle Eastern uncertainty. Central banks have also been increasing their gold reserves again, notably the Chinese and, particularly this month, the National Bank of Kazakhstan.

The price of copper has not moved dramatically over the whole quarter, though it did track stocks down and then back up again. As this heads for press, the copper market is being thrown into turmoil by an, apparently off-the-cuff, remark from President Trump that he would impose 50% tariffs on copper imports…

Foreign Exchange

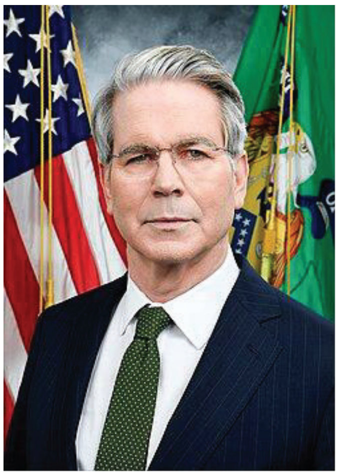
	Cross Rate:	**30 Jun 2025**	**31 Mar 2025**	**Quarter**
£	US $ / £ sterling	1.372	1.291	+6.3%
	Euro € / £	1.166	1.194	-2.3%
	£ Exchange Rate Index	86.0	85.0	+1.2%
$	US$ / € euro	1.177	1.081	-8.9%
	Yen ¥ / US $	144.2	149.9	-3.8%
	Renminbi / U S$	7.16	7.26	-1.4%
	$ Exchange Rate Index	96.9	104.2	--7.0%

Source: Bloomberg

More from Cranley: What is striking about the dollar's weakness over the last quarter is that it has come at a time when the Federal Reserve has kept interest rates on hold at 4.5%, while the ECB and the Bank of England have been cutting. Perhaps this is a signal that the market expects the Fed to have to start cutting sooner rather than later. When they do, it is very possible that the dollar weakens further again.

The reason the Fed have not cut yet (much to Trump's chagrin) is because of a robust jobs market in the US and the uncertainty around the impact of tariffs. The imposition of tariffs, even if 'just' 10%, is a significant barrier to trade. It is hard to see it being positive for the economy, but this is a relative game, and it may just mean that the US joins the rest of the developed market world in a rather underwhelming period of economic growth.

A weaker dollar may be beneficial to emerging markets, especially at a time when they face higher tariffs with their largest customer. For sterling investors, most of us, the move in the dollar has reduced the return this year from investments in US companies. Its future path remains a consideration when choosing where to invest, as one company's headwind can be another's tailwind. But our primary focus is on valuation and corporate fundamentals during this uncertain time.



US Treasury Secretary, Scott Bessent (right, courtesy of the US Treasury), says that his concern is with US ten-year rates, which have edged lower (4.25% at end-June), but it has been choppy with concerns for overseas demand for US debt. Easing of US bank regulations and support for 'stable coins' does seem likely to improve US domestic demand for Treasury Bills and short-dated paper. But US Government debt levels are downright scary and Long-bond rates look quite stuck around 4.8%.

CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST

	30 Jun 2025	31 Mar 2025	Quarter
CH Investment Grade* - Inc.	108.1	106.8	+1.2%
iBoxx AA Corporate 5-15 year	77.3	75.3	+2.7%
CH Investment Grade - Accum.	194.9	190.3	+2.4%
iBoxx £ ABS 5-10 year TR**	356.3	346.7	+2.8%

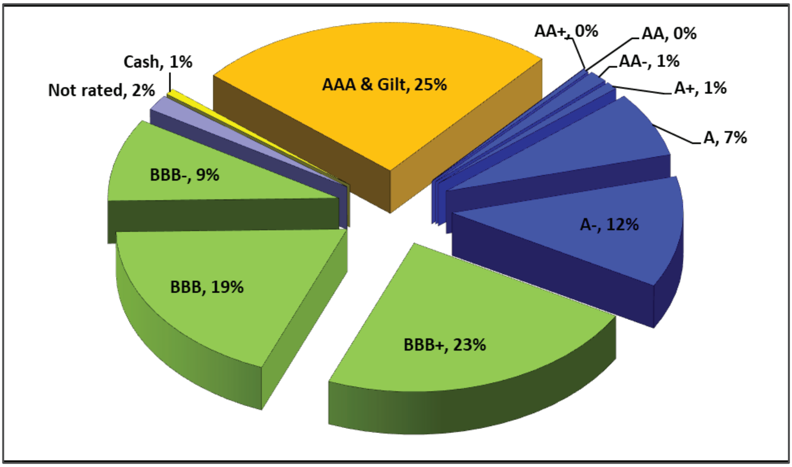
*Source: Bloomberg *bid price to bid price, excluding income. **Total Return Index.*

The Investment Grade Fixed Interest portfolio continues to be a calm and steady source of income, volatility* was lower again despite some hectic periods in fixed interest markets more generally. The profile is little changed (as below), it remains a predominantly short-dated portfolio:

CH Investment Grade Fixed Interest	Jun 2025	Mar 2025
Short-dated Securities (less than 7 years)	72%	74%
Medium-dated Securities (7 to 15 years)	23%	22%
Long-dated Securities*** (over 15 years)	5%	4%
Duration of Portfolio**	3.5	3.3
Volatility* (past year)	2.6%	3.0%
Number of Holdings	125	124
Yield (historic)	4.7%	4.8%
Portfolio Value	£394m	£375m

**Volatility is annual standard deviation expressed as a percentage, **Duration is defined on page 35, ***Long-dated includes infrastructure holdings*

CH Investment Grade Fixed Interest – by Credit Rating – 30 Jun 2025



Source: Church House

Top 15 Holdings - 30 June 2025	
Standard Chartered LTII 5.125% 06/2034	1.9%
Bank of America 7.000% 07/2028	1.7%
SSE Hybrid 01/14/49 3.740% 01/2026	1.6%
Goldman Sachs Group Inc 7.250% 04/2028	1.6%
IFC 4.500% 10/2028	1.5%
BP Pnc5 6.000% 11/2029	1.5%
EIB (SONIA) 5.472% 09/2025	1.5%
EIB 4.000% 02/2029	1.4%
Segro 2.375% 10/2029	1.4%
Whitbread Green 3.000% 05/31	1.4%
John Deere 5.125% 10/2028	1.4%
Santander UK PLC 5.250% 11/28	1.3%
Pacific Life 5.375% 11/2028	1.3%
New York Life 4.95% 12/2029	1.3%
Credit Agricole 5.5% 1/2029	1.3%

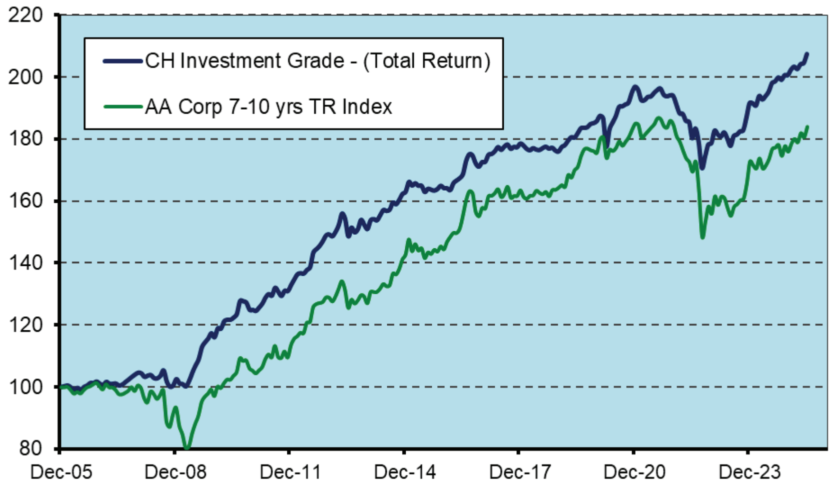
The list of the top holdings in the portfolio is little changed from the end of March. These are all 'investment grade' bonds issued by major companies or institutions, most of the names will be familiar though possibly not **IFC**. International Finance Corporation is a 'supranational' providing development loans, part of The World Bank. These bonds have a triple-A rating, the highest level of security.

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+3.5%	+4.7%	+7.4%	-7.9%	-1.5%	6.0%

Source: Church House, bid price to bid price, accumulation units.

CH Investment Grade Fixed Interest vs AA rated Corporate Securities (Total Return)



Past performance is not a reliable guide to future performance

Source: Bloomberg, Church House

CHURCH HOUSE UK EQUITY GROWTH

	30 Jun 2025	31 Mar 2025	Quarter
CH UK Equity Growth*	205.1	191.5	+7.1%
FTSE All-Share Index	4773	4624	+3.2%
FTSE 250 Index	21626	19475	+11.0%

*Source: Bloomberg * Bid to bid price, excluding distributions of income (capital performance)*

Rory Campbell-Lamerton writes: On the face of it, the second quarter of the year looked rather benign, but this couldn't be further from the truth. Over the course of a week in early April, the FTSE 100 Index dropped by more than 10% (a technical correction) as fears of a much wider fallout from President Trump's Liberation Day intensified. But by early May the market had snapped back and recovered the entirety of the losses.

Periods like this throw up opportunities for us to initiate in businesses that we have long admired but not had an investment opportunity (at a price that we were prepared to pay). One such example is **Games Workshop**, which we have held in our smaller companies portfolio since 2020, but not in this portfolio, though it has now grown to become a member of the FTSE 100 Index. Games Workshop was founded in the 1970s in Nottingham, where all of its production still takes place. The threat of tariffs on this business with its global revenue but UK manufactured base, hit the stock hard, and their shares fell 12%, at which point we quickly built up a position. We believe that the business has exceptionally strong intellectual property (IP), from board games to the soon-to-be released live-action Warhammer TV series, commissioned by **Amazon**. Trump's tariffs board showed that the company would take a 10% price hit on exports to the US (North America accounts for over 40% of sales). But we feel that their IP and customer loyalty is elastic enough to countenance a price increase. This was funded by completing the sales in our more domestically focused names, **Greggs** and **JD Sports Fashion**.

We topped-up **Diageo** and **AstraZeneca**. Diageo continues to go through a painful time for the drinks conglomerate and it is the business we probably discuss the most. Since the beginning of 2022, their stock has fallen over 50%. However, we still believe that Diageo has the brands and the firepower to stage a turnaround, though we would like to see more action in their portfolio with value being extracted from stagnant drinks, or if necessary, moved on (have they forgotten that they own Pimm's?) and newer more dynamic brands being purchased and developed. AstraZeneca is one of the UK's largest PLCs and a key player in global pharma but has been hit by Trump Tariffs and RFK Jr.'s policies (rhetoric?) for drugmakers. The company made matters worse in June, stating they were making enquiries about moving domicile to the US. If AstraZeneca were to leave the UK, it would be disastrous for the domestic market, it will soon be too late to stop the exodus of firms.

Top 15 Holdings - 30 June 2025	
Diploma	8.6%
RELX	8.4%
Halma	7.2%
Beazley	4.1%
Microsoft	4.1%
Unilever	3.7%
Auto Trader Group	3.6%
London Stock Exchange	3.6%
Experian	3.4%
Judges Scientific	3.4%
AstraZeneca	3.4%
Investor AB	3.2%
Diageo	2.8%
Alphabet Inc.	2.8%
Ashtead Group	2.8%

We also used the period in early April to top-up **ARM**, **Beazley**, **Halma** and **Sage** (using cash in the portfolio), they had all been knocked back with the market. **Croda** issued encouraging statements in Q1 and now Q2, their Consumer Care and Life Science businesses have turned a corner and we are now seeing a string of back-to-back increases in quarterly sales – long may it continue. We added to this holding too.

UK stocks continue to be swayed around by Trump, geopolitics and domestic market inertia (or irrelevance), but the fact remains that the UK is home to some excellent, high quality, businesses and we will continue to seek these out.

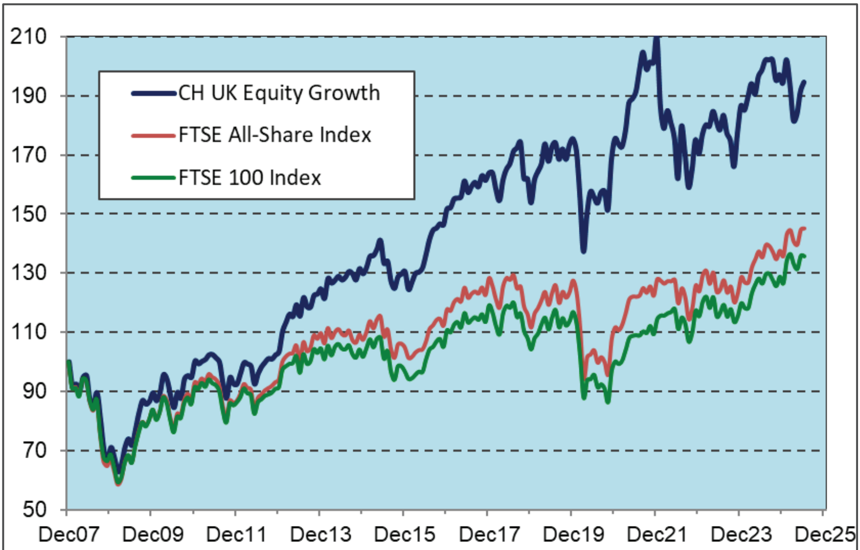
Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+0.2%	+4.4%	+10.0%	-18.6%	19.7%	0.4%

Source: Church House - bid price to bid price, accumulation units

CH UK Equity Growth vs FTSE Equity Indices

Bid Prices, excluding income – Capital Performance



Past performance is not a reliable guide to future performance

Source: Church House, Bloomberg

CHURCH HOUSE BALANCED EQUITY INCOME

	30 Jun 2025	31 Mar 2025	Quarter
CH Balanced Equity Income*	188.2	180.1	+4.5%
FTSE Higher Yield Index	4039	4003	+0.9%

*Source: Bloomberg *Bid-to-bid price, excluding income payments (capital performance)*

Craig Elsworth writes: A solid quarter for the portfolio, which outperformed the headline FTSE All-Share Index, partly thanks to not holding any oil stocks. **Shell** and **BP** account for 8.7% of the Index and despite the hostilities in the Middle East, both fell this quarter. July 4th marks the one-year anniversary of Sir Keir Starmer's Labour Government. A period of underwhelming leadership (if I was being polite), supported by a Chancellor whose 'pro-growth' agenda has been anything but. Overall sentiment remains negative, with businesses facing pressure from increased employer taxes, wage growth, and global trade friction. This has ultimately been inflationary, which in-turn, weighs on consumer confidence. A series of 'U-turns' and indecisive fiscal management has led to stuttering performance in some of the more cyclical sectors to which the portfolio is exposed.

One example is housebuilders, where, despite good progress in planning reform, the government has been unable to stimulate demand. The companies remain on lowly valuations. We prefer to look at a price-to-book valuation, which is the current share price divided by the company's total net assets. House builders carry properties on their balance sheet at the lower of cost or net realisable value. To give this context, **Bellway** has a price-to-book ratio of 0.9, which is at the lower end of its historical range and implies (ignoring some small technical accounting factors) that an investor is paying 89p for every 100p of property held on their books (at cost), which doesn't account for the upside in resale value.

Turning to portfolio activity, 'Liberation Day' presented an opportunity to invest some of our cash. We added to **IG Group**, the 'Fintech' derivatives trading company that is the beneficiary of volatile markets as customers increase trading activity. We also added to **Tritax BigBox** and **NB Private Equity** both at deep valuation discounts. Later in the period, the portfolio exited its position in **Rathbones Group**; 78% of their revenue come from wealth management, which creates a large crossover with other portfolio names: **Schroders, Phoenix Group** and **Aviva**. The revenue streams of those business are more diversified than Rathbones Group, hence the sale. Reductions were made in **Halma** and **RELX**, both on valuation grounds – RELX had grown to 5.5% of the portfolio and traded on 40x earnings, approaching an historic high. We also took profits in **BT Group**, reducing the position in the portfolio to a more palatable size given the strong run in its share price. We added to **Breedon Group**, which had been oversold because of tough UK market conditions and poor U.S. weather conditions (fourteen trading days in May lost to rain).

Top 15 Holdings - 30 June 2025	
AstraZeneca	5.0%
Barclays	4.9%
BAE Systems	4.4%
RELX	4.4%
Unilever	4.3%
Aviva	3.7%
GlaxoSmithkline	3.3%
Sage Group	3.2%
National Grid	3.2%
Lloyds	2.8%
Phoenix	2.4%
Cranswick	2.4%
BT Group	2.3%
Target Healthcare	2.3%
Schroders	2.2%

Bunzl was the biggest detractor from performance, as operational issues and an isolated (hopefully) contact loss drove the share price lower – we added to the position on this weakness. We initiated a new holding in **Clarkson**, an ecosystem of maritime services, covering ship broking, research, finance, digital tools and port services. A company with a rock-solid balance sheet, ten years of growth in earnings and twenty-two years of dividend growth. Their share price fell -33% after 'Liberation Day' in a knee-jerk reaction (no trade - sell shipping) which presented us with the opportunity to invest.

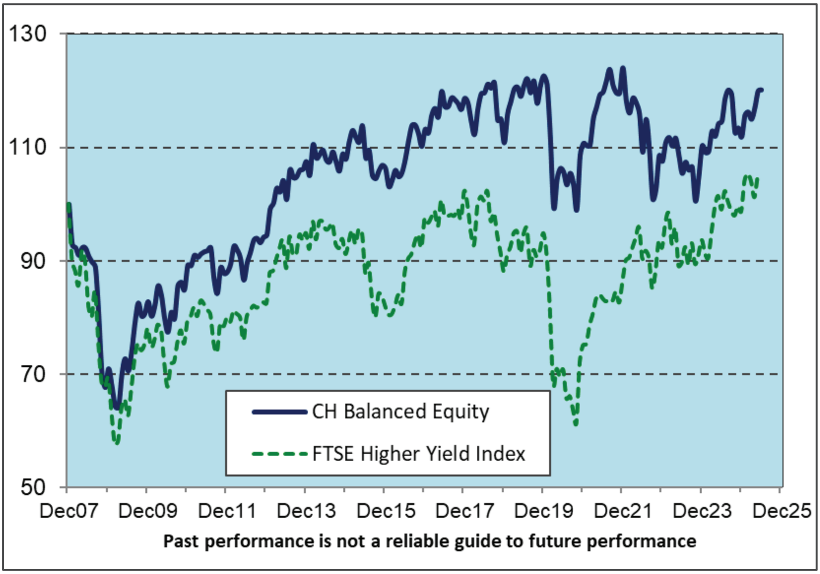
Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+8.9%	+4.7%	+6.4%	-10.6%	14.9%	-7.0%

Source: Church House, bid price to bid price, accumulation units

CH Balanced Equity Income vs. FTSE Higher Yield Index

Bid Prices, excluding Income – Capital Performance



Source: Church House

Church House UK Smaller Companies

	30 Jun 2025	31 Mar 2025	Quarter
CH UK Smaller Companies*	147.6	133.5	+10.6%
FTSE All-Share Index TR	10861	10360	+4.8%
FTSE AIM All-Share TR	951	836	+13.8%

*Source: Bloomberg *Bid-to-Bid 'A' Accumulation Shares, all Indices are Total Return*

Rose Taylor writes: Sentiment towards UK smaller companies is finally on the rise. Slowly but surely, we are seeing share prices increasing and the investment outlook improving. The UK's undervalued stocks may at last be coming into their own, with investors beginning to recognise the hidden gems sitting on their doorsteps. The UK's low valuations are still attracting M&A interest; the hero this time is **Craneware**, the healthcare software business, whose share price was bumped up by a takeover threat from US private equity firm Bain Capital but managed to defend themselves. We hope that other smaller companies take a leaf out of their book and can fight off the threat of private equity and overseas businesses looking for opportunistic deals in the UK.

It has been a busy quarter with three new companies entering the portfolio, and more on our radar after two days of meeting management teams (and Kemi Badenoch) at the Peel Hunt UK Equities Conference in June. We have added **Breedon**, the construction company, whose impressive management team confirmed our existing admiration for the business. Secondly, we bought **Renishaw**, the engineering and technology company best known for its precise measuring tools within the aerospace and healthcare industries. Last, but not least, is **MHA**, the accountancy, tax and business advisory firm which has been around since 1869… long enough to show they are a well-established company with a proven track record. Our conviction has, initially, been rewarded as all three have gained since acquisition.

Conversely, we said goodbye to **TT Electronics** following a poor statement in April announcing a 17% drop in profit, 5% drop in revenue, and departure of their CEO. In October 2024 our holding in the housebuilding company **Redrow** merged with their rival **Barratt Developments**, and while we gave the combined firm (**Barratt Redrow)** a chance, the investment case for the business had fundamentally changed so we have also sold this position.

The unsteady macroeconomic environment has, unsurprisingly, knocked a couple of companies back. **Ashtead Technology**, the supplier of equipment for offshore energy firms, has struggled with volatility in the energy markets and tariff related uncertainty. Similarly, **Somero Enterprises**, which provides machinery for concrete levelling, has been hit by high interest rates and project delays in America (75% of their revenues), causing their share price to fall by 40%. We nonetheless remain confident in both of these businesses for the long-term and have looked for opportunities to add on share price weakness.

Top 15 Holdings - 30 June 2025	
Diploma	7.0%
Beazley	6.4%
Judges Scientific	5.4%
Porvair	4.6%
Cranswick	4.6%
Young & Co's Brewery	3.4%
Raspberry Pi Holdings	3.4%
Softcat	3.3%
Greggs	3.3%
Trainline	3.1%
Somero Enterprises	3.0%
Big Yellow Group	3.0%
MHA	3.0%
Ashtead Technology	2.9%
Craneware	2.7%

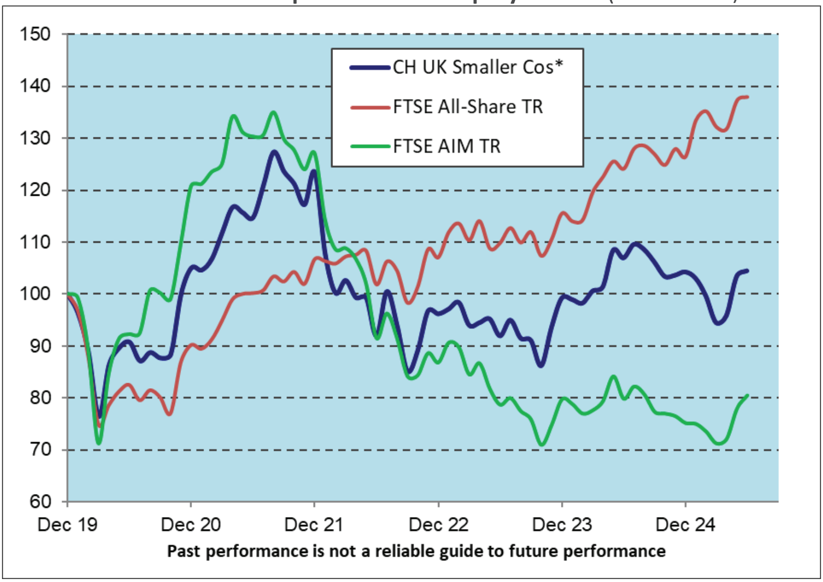
As we'd hoped, the British population, unable to resist a drink in the sunshine, have restored faith in **Young & Co.'s Brewery** and **Fevertree** – their shares are up 30% and 34% respectively this quarter, finally breaking the negative pattern of the past few years. With the weather showing little signs of breaking, we hope this trend continues. We must also acknowledge the excellent performance of **Diploma**, still our biggest holding, which reported further gains in its organic revenue and operating margins. Their performance since first acquisition in April 2020 (and regularly added to since) has been outstanding.

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+0.2%	+5.1%	+3.2%	-22.1%	17.5%	5.1%

Source: Church House - bid price to bid price, 'A' accumulation shares

CH UK Smaller Companies vs FTSE Equity Indices (Total Return)



Source: Church House, Bloomberg *Shows the performance of the Deep Value Investment portfolio initially, changes commenced in Feb 2020, the new policy was adopted in Aug. 2020.

CHURCH HOUSE ESK GLOBAL EQUITY

	30 Jun 2025	31 Mar 2025	Quarter
CH Esk Global Equity*	483.5	473.5	+2.1%
CH Global Index in £	1662	1583	+5.0%
MSCI World in $	4026	3629	+10.9%
FTSE 100 Index	8761	8583	+2.1%

*Source: Bloomberg *Bid-to-bid price, excluding distributions of income (capital performance)*

Fred Mahon writes: Who would have thought that over a quarter when the US dropped 'bunker busters' on Iran, Israel escalated its campaign of destruction in the Middle East and the American budget deficit widened to record levels (to pick just three..), financial markets would have recovered swiftly from the volatility we saw earlier in the year to stand around all-time highs? Markets can sometimes appear to move in mysterious ways, in this case, investors are looking on the bright side, believing that the underlying strength of America's increasingly enormous Technology sector outweighs the many negative economic and political developments. While we applaud Mr Market's ability to ignore and move on from Mr Trump's hot air, we do have a niggling worry that amidst all the concern for the (existential) risks of erratic policy making we might be missing the risk of a straightforward economic slowdown.

Esk was modestly ahead over the quarter, battling with the slide in the US dollar. While our more conservative positioning benefitted us in the first quarter, we have lagged the Tech-driven rally of recent weeks. We used the opportunity of weak markets during the spring to initiate two new positions: **Atlas Copco**, and **Novo Nordisk.** The Swedish-listed industrial, Atlas Copco, specialises in all things relating to the movement of air, be that the products within aircon units cooling us during the heatwave, or enormous vacuum pumps used in laboratories. This is a business that we have admired for many years but always felt that shares were too highly valued – the sell-off finally bought them into range for us.

Top 15 Holdings - 30 June 2025	
Microsoft Corp	5.2%
Alphabet	4.8%
Oracle	4.3%
Amazon.com	4.1%
Mastercard	4.0%
RELX	3.6%
Stryker Corp	3.6%
Euronext	3.5%
Intuit	3.1%
Apple	3.0%
Investor AB	2.9%
Ferrari	2.9%
Hermès	2.7%
Swiss RE	2.6%
Sony Group	2.6%

Novo Nordisk are a Danish pharmaceutical company, the world leader in insulin for diabetes care and, more recently, spearheading the growth of new GLP-1 weight-loss treatments under their brand Wegovy. Novo shares had more than halved in value up to the point that we initiated a position, concerned with competition from **Eli Lilly**'s rival obesity product – we feel that these concerns are over-hyped and that Novo will continue to grow strongly. We sold our relatively small position in **UnitedHealth Group** after a profit warning that made deciphering the Enigma code look easy and were relieved to do so as they have come out with further bad news. We also sold our **Novonesis** after concluding that the business was not quite what it once was – their renaming after the merger of Novozymes and Genesis was a step too far for us!

As would be expected during a Tech rally, our top performers over the quarter were the likes of **Microsoft**, **Amazon** and, most remarkably, **Oracle**, whose shares more than doubled. It was also pleasing to see a recovery in our banking stocks, namely **Morgan Stanley** and **Standard Chartered**. Our laggards were predominantly in the consumer space, where reduced global spending has hit everything from handbags (**LVMH** and **Hermès**) to chocolate (**Nestlé**) and makeup (**L'Oréal**). While we do not expect trading conditions to improve in the near-term, these remain excellent businesses with unique brands that we are confident will stand the test of time (again).

Portfolio Statistics

Number of holdings	42	Volatility*	9.6%
Portfolio Value	£74.2m	Income yield	0.3%

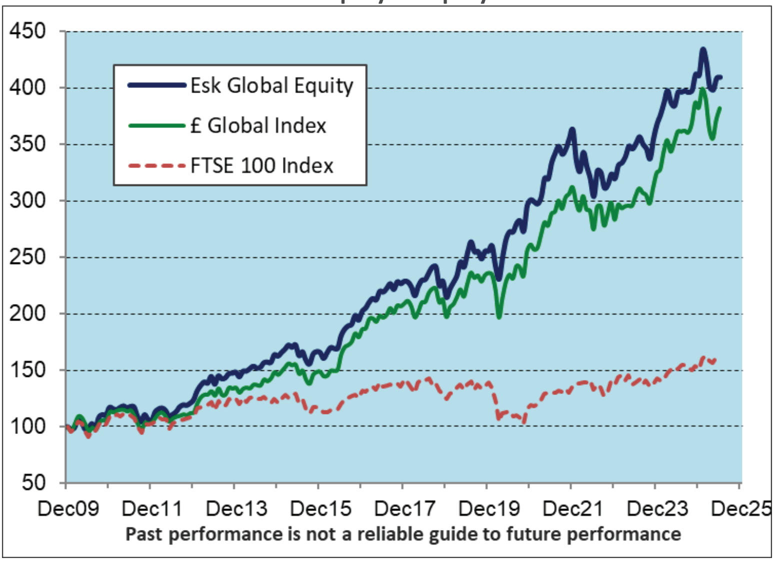
**Annual standard deviation of monthly capital returns expressed as a percentage, past year*

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+0.2%	+12.0%	+15.6%	-11.7%	20.9%	18.1%

Source: Church House - bid price to bid price, accumulation units

Esk Global Equity vs Equity Indices



Source: Church House   Bid prices of income units (i.e. capital return, excluding income)

Church House Human Capital

	30 Jun 2025	31 Mar 2025	Quarter
CH Human Capital*	105.4	98.2	+7.3%
CH Global Index in £	1662	1583	+5.0%

*Source: Bloomberg *Bid-to-bid price. Income shares*

Fred Mahon writes: It has been a year since we launched the Church House Human Capital Fund and during that time it has established its place and portfolio. It was a good second quarter with a respectable gain, reflecting the wider recovery in equity markets as well as strong results from several of our investee companies. The top performing businesses over the quarter have been:

- **Chapters Group**: the German-listed business investing in small companies in Northern Europe. Predominantly, Chapters own software businesses across a wide variety of sectors and the unifying thread is that they must provide 'mission critical' services to customers.
- **Topicus**: spun-out of Constellation Software (the legendary Canadian business) in 2021 and have hardly missed a step since, with the share price tripling in four years. Similar to Chapters, Topicus "build, acquire and manage industry specific software businesses".
- **Comfort Systems**: provide installation, repair and maintenance of industrial-scale air conditioning units. Their growth rates have gone from good to great in recent years on the back of huge demand for their products in the data centres that fuel the internet and the recent AI boom. They are a good 'picks and shovels' way to get exposure to the AI theme without having to rely on the **Nvidia** bandwagon.

Our laggards have been among our US-listed companies where the President's scattergun policy making has hurt short-term trading.

- **Installed Building Products (IBP)** distribute insulation to builders across the US, while **Watsco** specialise in heating and air conditioning products. Both are excellent businesses with rock-solid balance sheets and good growth records. As would be expected in uncertain times, US construction markets have taken their foot off the gas while they wait for some clarity of what their futures look like under Trump, so this has had the knock-on effect of IBP and Watsco seeing slightly lower levels of new orders. We have been using their share price weakness as an opportunity to add to both holdings.

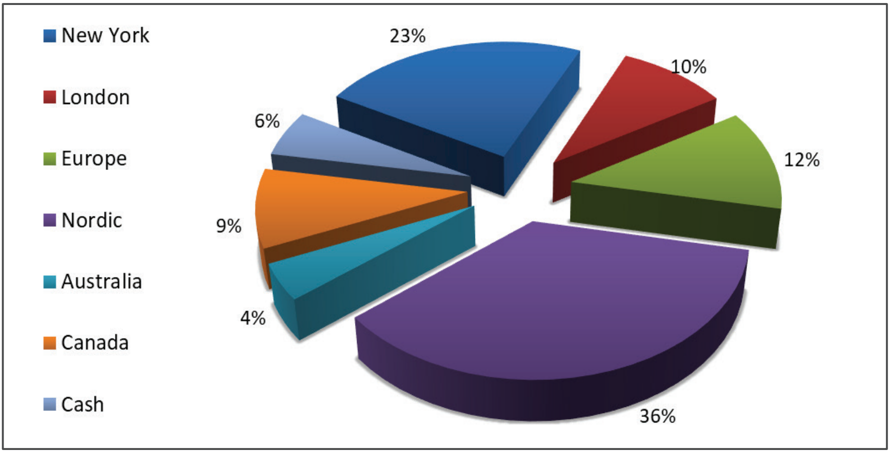
Top 15 Holdings - 30 June 2025	
Chapters Group	6.9%
Lifco	5.9%
Lumine Group	5.4%
Lagercrantz Group	5.4%
Topicus.com Inc.	5.2%
Diploma	5.1%
Addnode Group	4.4%
Judges Scientific	4.4%
Kelly Partners	4.3%
Vitec Software	4.3%
Brown & Brown	4.1%
Indutrade	4.0%
Savaria Corp	4.0%
Tetra Tech	4.0%
Addtech AB	3.9%

Over this last quarter we sold our position in **Brenntag** and introduced a new holding in **Novanta**

- **Brenntag (sold)**: are a German chemical and ingredients distribution business. We invested in Brenntag because we liked their decentralised and entrepreneurial culture, as spearheaded by their CEO Dr Christian Kohlpaintner. So, we were disappointed when it was announced that Dr Kohlpaintner would be retiring in December 2025 and that henceforth the business would be looking to pursue a more centralised and hierarchical structure – good luck to them but this is not what we are looking for. We made a small loss on our investment over the nine months we were shareholders.

- **Novanta (bought):** had been sitting on our watchlist as a strong Human Capital contender since we first met them in September 2024. Novanta manufacture highly specialised parts for industries such as medical devices, robotics and automation. In our first call with their management team, they told us that 'we openly stole most of our business model ideas from **Roper Technologies**' – that was music to our ears. Roper now has a market capitalisation of $61bn, having compounded at an annual rate of 19.2% since IPO in 1992. At a market cap. of $4.8bn, Novanta has plenty to go for.

CH Human Capital, Split by Country of Listing – 30 June 2025



Source: Church House

Calendar Year Performance:

2025 YTD	2024 part
+7.4%	-1.3%

Source: Church House –
Bid price to bid price, accumulation units

Church House Tenax Multi-Asset Strategy

	30 Jun 2025	31 Mar 2025	Quarter
CH Tenax Multi-Asset*	181.2	174.4	+3.9%
Cash Return (SONIA)**	115.8	114.5	+1.1%

*Source: Bloomberg *Bid-to-bid, Tenax 'A' accumulation shares **Compounded SONIA (BoE)*

Cranley Macfarlane writes: The Tenax Fund had a solid quarter delivering a positive return *while keeping volatility low,* proving its use in times of heightened market uncertainty.

The asset allocation over the year so far is shown in the table below. Over the quarter, the main changes to the asset allocation have been caused by natural redemptions or takeovers. With the majority of the quarter falling into the 'pause' phase of President Trump's tariffs we believe it will pay to be patient.

CH Tenax Portfolio - Allocation to Asset Classes – 2025

2025	31-Dec-24	31-Mar-25	30-Apr-25	31-May-25	30-Jun-25	YTD
Cash	0.5%	0.1%	0.1%	-0.1%	1.2%	0.6%
Gilt / AAA Fixed	1.2%	1.3%	1.3%	1.3%	1.3%	0.1%
FRN (AAA)	11.5%	11.6%	11.6%	11.6%	11.8%	0.3%
Floating Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Interest	55.5%	54.4%	54.6%	53.4%	53.9%	-1.6%
Index-Linked	0.8%	0.8%	0.8%	0.8%	0.8%	0.1%
Infrastructure	5.7%	5.2%	5.2%	5.1%	3.7%	-1.9%
Convert / ZDP	4.4%	4.8%	4.8%	4.8%	3.6%	-0.8%
Alternative / Hedge	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property / Real	4.5%	4.6%	4.7%	5.3%	5.6%	1.0%
Equity	15.9%	17.2%	16.9%	17.7%	18.1%	2.2%

Source: Church House

The equity weight in the portfolio has increased on the back of continued good performances from the financial stocks, in particular **Barclays** and **Aviva**. Both stocks offer downside protection in the form of valuation and dividend, as well as the prospect of continued gains.

The allocation to commercial property also increased due to signs of sustained recovery from **Land Securities** and **Shaftesbury** as interest rates were cut in February and May. Meanwhile **Primary Health Properties** gained shareholder approval for their £1.8bn offer for rival **Assura**, itself the subject of a bid from the American private equity group, **KKR & Co**.

In infrastructure, **SDCL Energy Efficiency Income Trust** is exploring all avenues "to drive value" for shareholders including the disposals of assets and their shares gained 27% in June. The value on offer in renewable infrastructure after a torrid time was also apparent in the bidding war for **Harmony Energy Income Trust**. Foresight beat Drax to the prize, paying 92p per share - a 94% premium to the share price prior to the announcement that the company was putting itself up for sale. This transaction resulted in the weight in infrastructure falling over the quarter but bodes well for **Gresham House Energy Storage** in demonstrating that the sell-off in these names has gone too far.

Approximately two-thirds of the portfolio remains in fixed interest assets. Our preference for this part of the portfolio has remained to be invested in shorter-dated securities as we do not feel that one gets paid sufficiently to take the risk of moving longer-dated. This continues to pay off as the yield curve steepened over the quarter as rates at the shorter end fell, and prices move inversely to yields.

As usual we finish with the table showing the duration* and redemption yield** for the fixed interest portion of the fund. The duration of the fund has nudged down over the quarter to 2.7 years, illustrating a slight drop in sensitivity to moves in interest rates. The overall redemption yield has also dropped slightly to 5.5% but remains attractive for the amount of duration in the fund.

2024	*31-Dec-24*	*31-Mar-25*	*30-Apr-25*	*31-May-25*	*30-Jun-25*
Overall Duration*	2.9	2.8	2.7	2.7	2.7
Redemption Yield**	5.7%	5.7%	5.7%	5.7%	5.7%
Fixed Int. Duration	3.4	3.3	3.3	3.2	3.3
P/folio Running Yield	4.4%	4.3%	4.3%	4.3%	4.2%

Source: Church House

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+6.2%	+5.2%	+6.2%	-7.5%	1.4%	3.8%

Source: Church House, NAV to NAV, 'A' accumulation shares

**Duration represents the number of 'periods' that it will take to repay an initial investment in a fixed interest security. It is not the same as the life of the bond or time to maturity, which will be longer. It can also be viewed as a measure of the sensitivity of the price of a bond to a change in interest rates.*

***Redemption Yield represents the total return expected from the bond(s) taking into account interest received and capital gain as the bond(s) move to 'par value' (100p) at maturity. The 'Running Yield' shown is the current expected annual income for the whole portfolio, as a percentage.*

James William Edgedale 1963 -2025

Jeremy Wharton writes: James joined the City straight from Bristol University, starting at JM Finn, then a relatively small stockbroker, in 1984. Rising rapidly through the ranks, he became a partner in 1990. James had unlimited energy and boundless enthusiasm, which he deployed in his mission to turn JM Finn into a leading wealth management firm, which he successfully achieved. He earned enormous respect from his colleagues and contemporaries, not only for his dedication and investment skills, but also for his support of the younger generation, many of whom owe their careers to him. He became Senior Partner and then Chairman in 2006 and oversaw the sale of the firm to Belgian buyers.

Following a change in management, James left JM Finn in 2021 believing that his role was all or nothing. He knew Church House well through being a substantial investor in our corporate bond fund, and we were a natural choice for him for the next chapter of his career. While at CH he built a substantial book of loyal Private Clients and spearheaded the development of our Bespoke Portfolio service. He got to know and made friends with everyone at the firm. His untimely death was and remains a deep sadness to all at CH. His funeral saw extraordinary performances from his entire family and, in a fitting tribute, was attended by around 600 people.