

October 2026

## Church House Human Capital – Quarterly Letter

The importance of embracing humble pie and acting with conviction

When writing a quarterly letter last year after a tough patch in the market, one of our directors wisely commented that taking responsibility for one's actions is good, but not to be too liberal with the humble pie. Insight gleaned from years at the coalface of capital markets. Not to disrespect our elders, but we recently dusted off an old copy of Lee Freeman-Shor's book *The Art of Execution*, a fascinating study of fund managers, that takes the opposite view. In this, Freeman-Shor makes the argument that one of the unifying features that sets apart the best money managers is their ability to accept mistakes quickly and cut losing positions. This is not seen as failure, just a necessary part of the job to accept that no stock analysis can be flawless and that we must act accordingly. As John Maynard Keynes puts it:

*"When the facts change, I change my mind."*

On the other side of the coin, Freeman-Shor says that leading managers put conviction in their top ideas and that allowing these winners to run is the engine behind outsized returns for shareholders. Just look at the concentration of Berkshire Hathaway's equity portfolio – Buffett began buying American Express shares during the "salad oil scandal" in 1964, amassing a 22.1% stake in the payments business. As at their 2024 annual report this investment generated a cool 4,258% return!

Conviction – New Investments

These principles are gloriously simple in Freeman-Shor's analysis, but that reality takes constant vigilance and, as my grandfather once told me, to *"put your pride in your pocket and your pocket in your pride"*. How does our report card look over the last quarter? Let us start with the good news. We have unearthed two new Human Capital businesses and substantially added to a third.

- **Exchange Income Corporation:** a Canadian business, which acquires mission-critical aerospace and manufacturing businesses. They were recently described as 'Berkshire Hathaway, Minnesota Style', which is demonstrative of their mindset. We met their CEO, Mike Pyle, who founded EIC in 2002, and were immediately struck by his passion for business. EIC has grown at over 20% annualised since the early-2000s and we see more of the same ahead.

- **APi Group:** a decentralised group of industrial businesses focusing on Safety Services (fire protection, fire alarms, elevator maintenance, etc) and Specialty Services (niche infrastructure-related services including structured cabling and water treatment). They target highly-regulated markets and inspection-driven services that involve lots of customer engagement. They tick all our Human Capital boxes and have more than a passing resemblance to Halma, which has been a core holding in our UK Growth Fund for over 15 years.
- **Tasmea:** an Australian-listed provider of specialised services to the Mining, Resources and Industrial sectors. We invested in Tasmea earlier in the summer after an impressive meeting with Stephen Young, the founder, CEO and majority shareholder. Shares have performed strongly since initiation and, on the back of excellent recent results, we doubled our position. Tasmea has plenty of runway to continue its impressive growth and, anyone speaking to Stephen, will be under no illusions as to his passion for his business.

| Top Holdings - 30/09/2026 | Weight | Listing     |
|---------------------------|--------|-------------|
| Lagercrantz Group         | 6.0%   | Nordic      |
| Diploma plc               | 5.5%   | UK          |
| Chapters Group            | 5.5%   | Germany     |
| Lifco AB                  | 4.7%   | Nordic      |
| Noritsu Koki              | 4.5%   | Japan       |
| Novanta                   | 4.5%   | USA         |
| Roko AB                   | 4.4%   | Nordic      |
| Bergman & Beving          | 4.4%   | Nordic      |
| Savaria                   | 4.3%   | Canada      |
| Federal Signal Corp       | 4.2%   | USA         |
| Nemetschek                | 4.1%   | Germany     |
| Momentum Group            | 4.1%   | Nordic      |
| Cicor Technologies        | 4.1%   | Switzerland |
| Tetra Tech                | 4.0%   | USA         |
| Perimeter Solutions       | 3.9%   | USA         |

Source: Church House

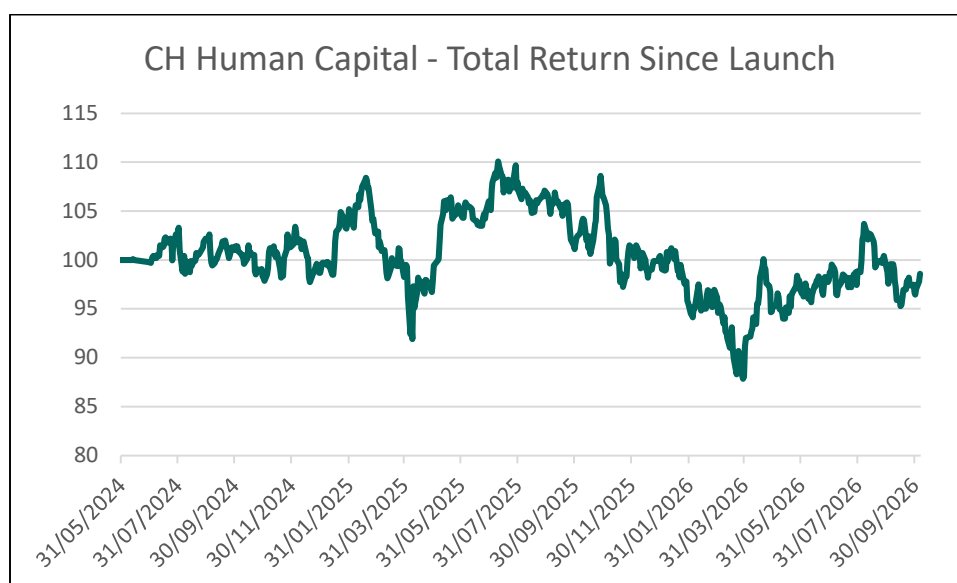
### Humble Pie – Cutting our losers

We funded the above purchases with the sale of three positions – two which had gone against us and one which had been a success.

We sold **Brown & Brown (B&B)**, the US insurer, on the back of an underwhelming year. The insurance cycle has clearly been a headwind to B&B in recent quarters but of more concern to us was the fact that management had geared-up into this downturn, making their largest acquisition to date in 2025. We saw no sign of a turnaround and so exited the position at a loss.

**Cadre Holdings**, who specialise in protective equipment for military and security services (e.g. bullet-proof vests), we held for less than one year. We continue to like the business model, but it quickly became apparent over the summer that the business was going through a rough patch for Federal orders on which management did not have a firm handle. In this environment, we did not see Cadre hitting the 15% growth target that we have for all our investments over the medium term and so sold immediately.

**Comfort Systems** was our final disposal in the quarter. Comfort Systems delivered excellent returns for Human Capital, thanks to skyrocketing demand for their cooling systems in US data centres. Shares in Comfort Systems had more than doubled in both 2025 and 2026 and we felt that the valuation had become overstretched and so took the moment to book profits.



Source: Bloomberg. The chart initially shows the performance of the F Acc shares from 15 May 2024 to 9 October 2025, at which point the F shares were soft-closed. The chart then shows the performance of the B Acc shares from 10 October 2025 to 30 September 2026

## Performance

We have not kept pace with the wider market this year, as global equity returns have been heavily concentrated around large-cap names associated with AI (or SI – Super Intelligence, as Trump has christened it). The same was true over the late summer as the unit price of Human Capital traded broadly sideways. We have no intention of AI-bashing here – it is a wonderful technology. What we would point out is that the market is currently fixated on the first-order beneficiaries – who will have the best frontier model? Who has the superior chips? Will data centres be built in space? The fact that has yet to be priced in and is why we are particularly positive on the outlook for the smaller and medium sized businesses that we invest in for Human Capital is this:

*“It's just mind-blowing. We're now in this frontier space where things are accelerating. The performance improvements, the cost decline, AI is becoming so performative and so affordable, it is going to be ubiquitous, and we are all going to benefit from it.*

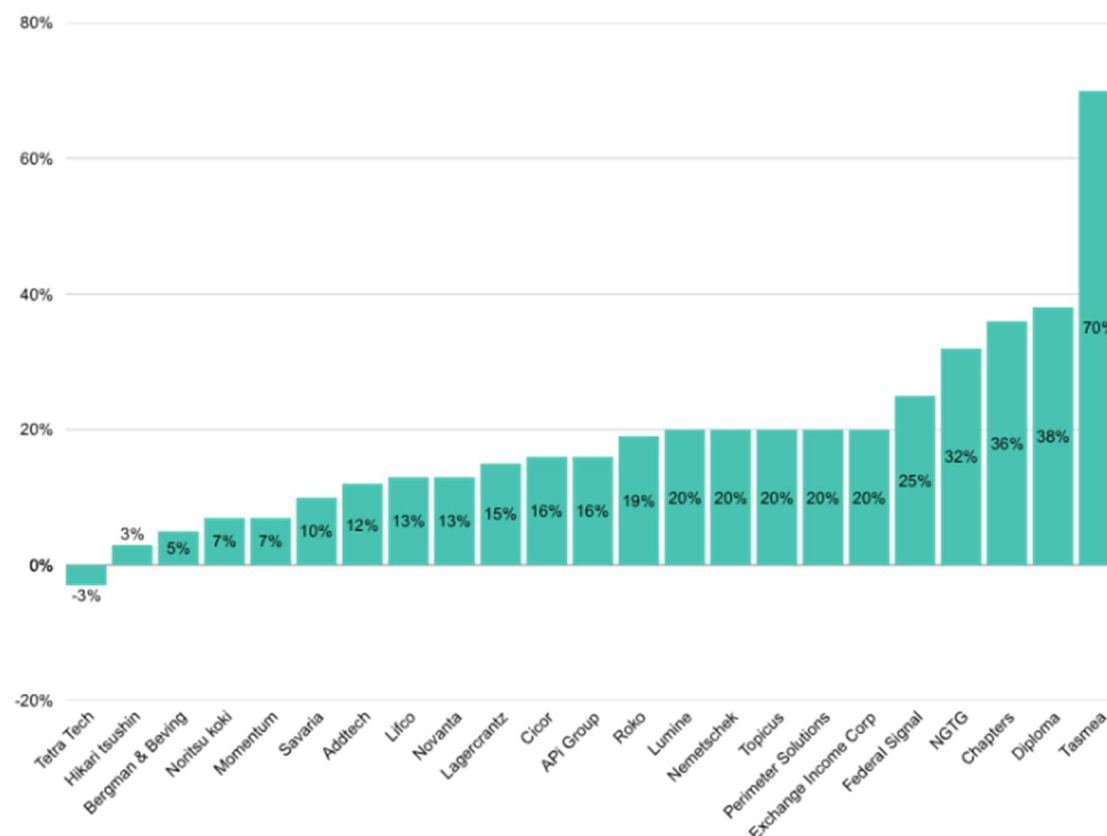
*You can download it on your computer for free today, to do what was the most advanced technology in human history less than a year ago. It's all here today. I thought it was just worth taking a beat to step back and make sure we all recognize that.”*

Jason Calacanis – US entrepreneur and angel investor, founder of Weblogs (sold to AOL in 2005)

For high-performing and entrepreneurial businesses, AI is manna from heaven – it democratises access to the cutting edge of technology/expertise/knowledge (the list goes on) that otherwise might have been a barrier to entry for larger corporations to hide behind. Our Human Capital businesses are ambitious, nimble and have form in punching above their weight. These are the type of businesses that are perfectly placed to be first to adopt and capitalise on the opportunities that this shift in technology gives. As fund managers and analysts, we must be vigilant in monitoring whether our investee companies are indeed doing this and unsentimental in weeding-out any that are not.

In the meantime, our underlying businesses continue to demonstrate strong growth and heading into the final quarter of the year, we fully expect to be able to report the portfolio overall hitting our target 15% earnings progress target. This chart below illustrates the consistency of growth across the portfolio nicely:

## EPS growth forecast for 2026



Source: Church House

Thank you for your ongoing support for Human Capital. We are lucky to have such an engaged shareholder base, so please do send us any questions that you have or, better still, pop in to see us on Old Bond Street.

Fred Mahon

October 2026

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