Church House Investment Management

Quarterly Review

Spring 2025

Issue No. 100

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. 100 - Spring 2025

Contents

The Economic & Market Background

The new moon in mid-April has pushed Easter back to late in the month and presents me with even more of an issue with timing than usual. Writing this on 14th April means that it will be 2 ½ weeks before it arrives, let alone before anyone actually reads it! That feels like a long time in the current climate. With apologies for being overly verbose, I have given myself more space this time.

The quarter got off to a relatively calm start but, following inauguration of the new President and a welter of 'Executive Orders', the tone was set. Orders that included a withdrawal from the World Health Organisation and the Paris Agreement on climate change, establishing the Department of Government Efficiency (DOGE) under Elon Musk and pardoning over 1,500 January 6 rioters. Vice President Vance then poured derision on Europe at the Munich conference, and a low point was reached with the ghastly treatment meted out to President Zelensky in the Oval Office.

The positive side to this is that Europe has been shaken into action, most notably Germany. Friedrich Merz (Germany's likely Chancellor-in-Waiting) has moved with exemplary speed and the Bundestag (parliament) has passed a landmark fiscal reform bill. That sounds dry but it was vital to unlock defence spending and remove borrowing restrictions.

But then came that extraordinary performance in the Rose Garden, the President's 'Liberation Day', outlining massive increases in tariffs. These were significantly worse than feared, many were apparently 'reciprocal' but seemingly based on flimsy evidence. Stock markets took their cue and fell sharply, while the President talked blithely of some pain before the benefits would be felt. But then the US Treasury market cracked and many of us began to wonder if this was a 'Liz Truss' moment.

The difference, of course, being that the UK's tribulations in autumn 2022 were effectively limited to the UK (though the scars remain). The US Treasury market is the biggest and most important in the World, where 'risk free' rates are set, undermining this is deeply damaging. The 'great negotiator' blinked and backed off some of his more extreme measures, but not without lifting the tariff on Chinese goods to 125% as they, unsurprisingly, retaliated with tariffs of their own. Incredibly, the President said that this was: "based on the lack of respect that China has shown to the World's markets".

US Federal employees have been traumatised by the abrupt laying-off of 250,000 workers by the DOGE (the figure is debatable as a number have been rehired). I struggle to see how the Trump 'base' can be feeling anything other than betrayal. Federal workers (including many military veterans) being fired in their droves are now seeing their 401Ks (their pensions) being hit, and as for that pledge that he would get rid of inflation… This has broad implications for the US economy too as so many companies supply the Federal Government and are now uncertain.

It has been put to me that this is a grand plan to re-balance the international trade playing field (which, I agree is distorted in some areas) and that tariffs will reduce for all when the conclusion is reached. Well, that is possible and might be desirable but tackled in this manner it is most unlikely to be achieved and certainly not without huge disruption. At one point last week, US stocks were falling at the same time as US Treasuries and the dollar. That is more reminiscent of Japan in the 1990s than the world's pre-eminent economy and keeper of the principal reserve currency.

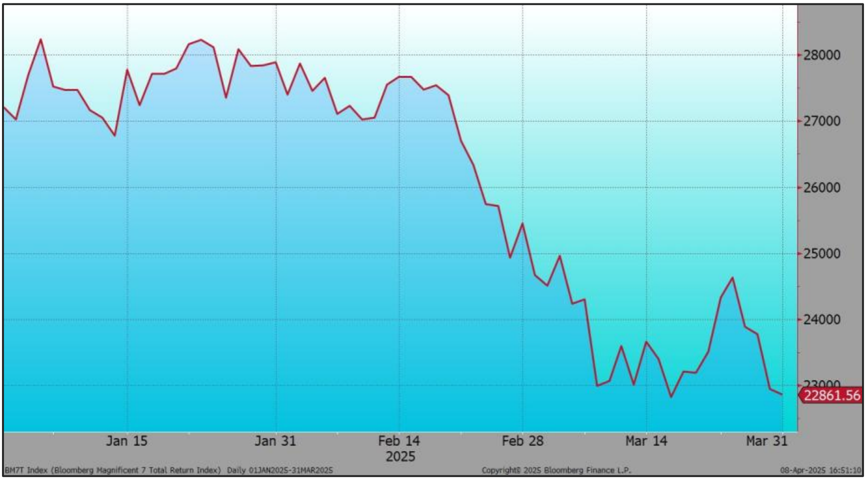
The President has raised uncertainty to ludicrous levels and, possibly more importantly, a lot of trust in America has been destroyed. An atmosphere of caveat emptor is settling on American assets. This will take a long time to recover. I do find it deeply depressing that the US administration does not appear to understand what it is doing or have any meaningful grasp of the facts.

Presumably this is as bad as it gets in terms of tariff announcements, and there will be many 'deals' announced to fanfares of Trumpets, but the damage has been done. At least the European Union is responding in a measured way as is our Prime Minister. If there is a silver lining to be found it must be that the European Union is (at last) 'getting its act together' and presumably the UK can draw closer again.

James Mahon *April 2025*

US 'Exceptionalism' began to be questioned before President Trump's 'Liberation Day' announcements and subsequent market rout (I prefer *The Economist's*, Ruination Day). This chart shows the performance of the leading US technology stocks, the 'Magnificent Seven' over the quarter (-16%):

Bloomberg Magnificent 7 Total Return Index - 2025

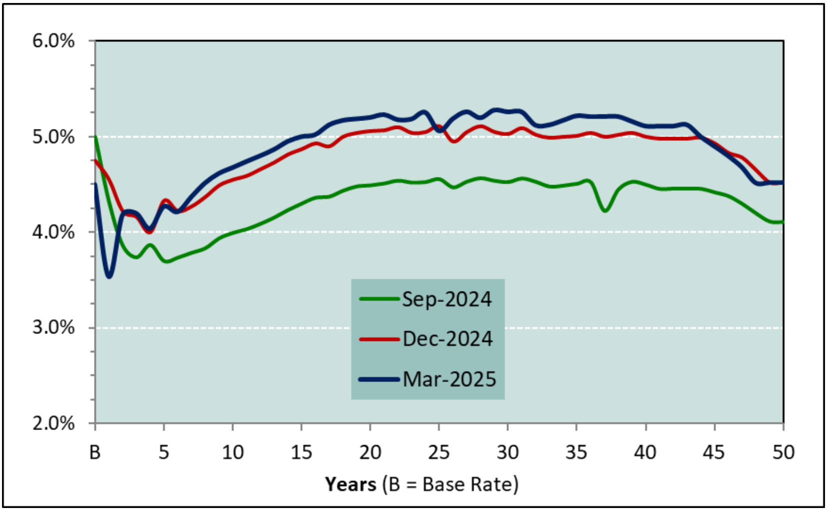


Source: Bloomberg

THE UK ECONOMY AND INTEREST RATES

Our economy is in a bit of a tight spot. Growth has been proving to be illusive, forcing the Chancellor into (unpopular) spending cuts, hemmed in by her own fiscal rules. The Bank's Monetary Policy Committee (MPC) did cut rates by another quarter point in February but has since sat on its collective hands. Without the impact of a trade war, we were facing the prospect of inflation edging back up again just as UK Plc faced higher National Insurance payments and minimum wages. As the MPC noted on 19th March: "While UK GDP growth estimates have been slightly stronger than expected at the time of the February Report, business survey indicators generally continue to suggest weakness in growth and particularly in employment intentions." and "global trade policy uncertainty has intensified, and the United States has made a range of tariff announcements, to which some governments have responded. Other geopolitical uncertainties have also increased, and indicators of financial market volatility have risen globally." Quite so. Our chart of UK interest rates out to fifty years shows them edging up again for most time periods but slightly lower again at the shortest (Base Rate) end of the curve. We will shortly be in dire need of lower rates to 'encourage' the economy so I would expect further rate cuts soon.

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	4.5%	4.5%	4.2%	4.3%
Longer-Term	10 years	20 years	30 years	50 years
Interest Rate	4.7%	5.2%	5.3%	4.5%

*Source: Bloomberg *Sterling overnight index average.*

Free Trade and The Great Depression

I am still flabbergasted by President Trump's assertion that it was the *lifting* of tariffs in 1934 that caused the Great Depression – apparently the Smoot-Hawley tariffs should have been left in place to work their magic… This is depressing to hear and, to me, suggests complete delusion.

The initial Wall Street crash in late 1929 was principally caused by our old friend gearing ('margin trading' / 'leverage') on top of a stock market whose pricing had lost touch with reality (closely akin to the dot.com bubble in the late 1990s that popped in March 2000). But a first version of the Tariff Act had been passed in May 1929, imposing tariffs on agricultural and industrial goods. Republicans Reed Smoot and Willis Hawley, respectively Chairmen of the Senate Finance Committee and House ways and Means Committee, then proposed their broader Tariff Act, according to its authors, designed to:

> "Provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labour." *(sound familiar?)*

President Hoover was not supportive, calling it: "vicious, extortionate and obnoxious" but caved in to Party pressure and the Act was passed in 1930. The stupidity of the subsequent trade war tipped the already bruised US economy over the edge, and the ensuing slump quickly spread to the rest of the world. US GDP fell around 30% between 1929 and 1933 and US exports fell from $5.2bn in 1929 to $1.7bn in 1933. Around 9000 US banks failed, mostly over the period 1930/1933, taking many Americans savings with them. Of course, all leading to mass unemployment and poverty. US stocks that had recovered quite well from a low point in late 1929 proceeded to sink a further 85% until summer 1932. How on earth this can be viewed as anything other than a complete disaster leaves me speechless.

George Segal's *Depression Bread Line*, located at the F D Roosevelt Memorial in Washington

Messrs Smoot and Hawley both lost their seats in the 1932 Election that (thankfully) ushered in President Roosevelt. The Smoot-Hawley Tariff Act was effectively repealed by the Reciprocal Trade Agreements Act of 1934.

Credit Market Commentary – Jeremy Wharton

Uncertainty, combined with volatility, is certainly the atmosphere across markets and the macro picture as this year unfolds. The unpredictable nature of this President makes it difficult to forecast anything (everyone's crystal ball has Trump written on it) and the chaotic nature of his 'thinking' leads many to suspect that he doesn't actually have a plan. Unfortunately, the quality and competence of those that surround him is low and they are unable to stand up to him, leaving that to the likes of the head of the world's biggest bank.

"The bond market is now beautiful" said Trump recently after he pivoted to delay the implementation of his shiny new tariffs for 90 days for everyone but China who remain at 145% and have just responded with their own 125% tariffs. He joins the ranks of politicians who have discovered that displaying arrogance towards your sovereign debt markets does not have happy consequences. His ill-conceived, badly implemented and erratic tariff 'strategy' that came into force on 'Liberation' day caused equity markets to collapse (albeit from a high base) and then yields to rise leading to margin calls on highly leveraged players in both equities and bonds. These calls and the unwinding of basis trades (where investors borrow to buy bonds and sell associated derivatives) led to a wave of selling in US treasuries to raise cash, especially in ten-year and thirty-year bonds, and yields spiked higher, bid-offer spreads doubled and liquidity evaporated, conditions not seen since covid and the Global Financial Crisis. The US treasury market also suffered from a general loss of confidence in the US dollar and America Inc and foreign selling of US Treasuries intensified the rout.

Another tremor came earlier in February from talk about a 'Mar a Lago' accord. The idea of forcing your foreign creditors to switch their US Treasury holdings into ultra long-term bonds to weaken the dollar and lower borrowing costs might seem powerful but how it could be achieved without a flight from US bonds is incomprehensible, and the effects on the global financial system unfathomable, not least as it most likely would be seen as a credit event. China's strong response to recent events mean that this concept is dead in the water.

Bear in mind that this is now a $36tn problem (US debt has doubled from $18tn in the last decade). The US dollar is the reserve currency and therefore US Treasuries are the world's 'risk free' asset, but if there is a buyers' strike and foreign investors do not have the same confidence to buy US bonds and US investors are forced to sell them, yields will only go one way. The whole concept of US exceptionalism, underpinned by long-term low rates of inflation and highly profitable corporates, looks to be under threat and many are reassessing the credibility, and creditworthiness, of the US system as a whole.

Pity then the Federal Reserve, to whom stagflation is now more of a certainty than a possibility. US CPI was softer at a recent reading, but the numbers are backward looking, and US inflation expectations are at a thirty-year high. Growth prospects have reduced considerably and cutting rates in the face of potential inflation due to supply chain disruption and higher prices for just about everything is not an easy option. The US President's list of sycophants does not extend to the Chairman of the Federal Reserve, Jerome Powell, and the FOMC held rates at their last meeting and reduced the pace of balance sheet shrinkage (QT). The chances of fewer cuts this year than expected have risen and in his press conference Powell directly emphasized 'uncertainty' especially for the outlook for inflation.

EU President von der Leyen referenced 'geo-economic uncertainty', however we are seeing the bloc acting with more unity and cohesion in the face of this. The beginning of March saw the most volatile week in German bonds since 1990 as yields rose by 40 bp reflecting the notion that unified defence spending will be financed through sovereign issuance.

The EU is showing remarkable restraint by saying they will not impose reciprocal tariffs for 90 days and they are even sitting down together and talking about it. The ECB still has an easing program to stimulate weak growth across the Eurozone but longer term a flood of rerouted Chinese goods could help contain inflation and make their job easier.

The BoE is also in a bind; the MPC remained on hold at their last meeting with an 8-1 vote. Despite an unexpected pick-up in GDP in February, our growth prospects are weak and with NI contributions and a rise in the minimum wage now in effect, with their own inflationary consequences, the room for manoeuvre is limited. The spike in our own sovereign yields does not help either, especially at the longer end, as term premium reasserts itself. The thirty-year Gilt reached 5.65%, a level not seen since 1998, as the yield curve steepened sharply causing the Debt Management Office (DMO) to pull the next long Gilt auction of £600m and switch it to shorter-dated issues. The Labour government's defence spending plans and the disappearance of any fiscal headroom mean that the Gilt market saw plenty of volatility too. The DMO has just announced £299bn of Gilt issuance in 2025/26 after the Spring Statement was delivered by our Chancellor in her usual underwhelming performance.

Unsurprisingly, recent primary market activity has been limited. Credit spreads have widened out but only to early 2024 levels and are not signalling recession. All-in yields available in the secondary market from high quality companies are compelling but we remain highly selective.

Jeremy Wharton, *April 2025*

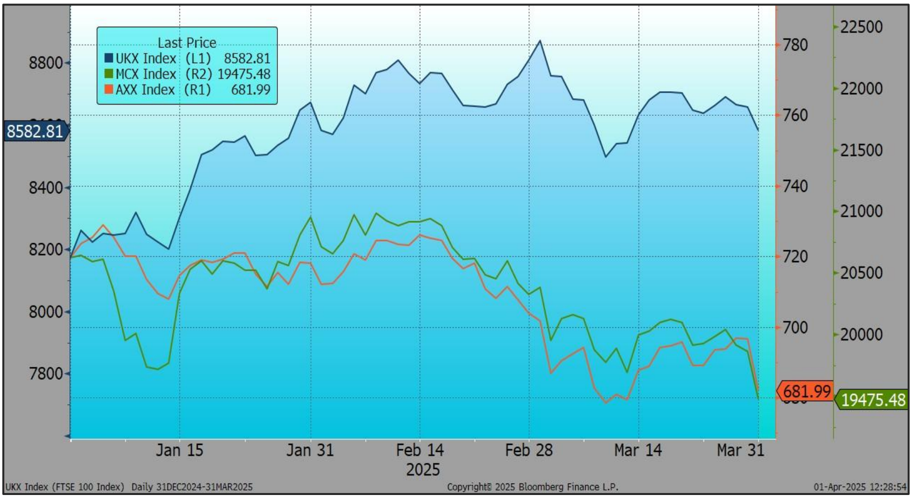
UK Equity Markets

Index:	31 Mar 2025	31 Dec 2024	Quarter
FTSE All-Share	4624	4468	+3.5%
FTSE 100	8583	8173	+5.0%
FTSE 250	19475	20623	-5.6%
FTSE Small Cap	6510	6844	-4.9%
FTSE AIM All-Share	682	720	-5.3%

Source: Bloomberg

The first quarter of 2025 saw some startling contrasts across the UK stock market. The headline FTSE 100 Index was up while the lesser indices were all down; 27 of the 37 sectors in the market fell. A small number of the biggest companies gained significantly, **AstraZeneca**, **HSBC**, **Shell** and **British American Tobacco** provided most of the impetus, supported by **BAE Systems** and **Rolls-Royce**. The broader market indices, rather more representative of UK Plc, all sank:

FTSE 100 (dark blue), **FTSE 250** (green) and **AIM Indices –2024**



Source: Bloomberg, FTSE International

Markets have been treated to such a roller coaster ride since the quarter end that there seemed little point in writing a detailed report for this period, so just a couple of highlights. Shares in **WPP**, the advertising company, sank 30% over the quarter after their CEO, Mark Read, said that he was concerned that customers would pull back on spending because of the political environment (and that was back in February). Shares in the leading supermarket groups, **J Sainsbury** and **Tesco**, fell after Asda announced plans to cut prices. Of course, both groups are also in the vanguard facing higher National Insurance costs and higher wages, squeezed from both sides…

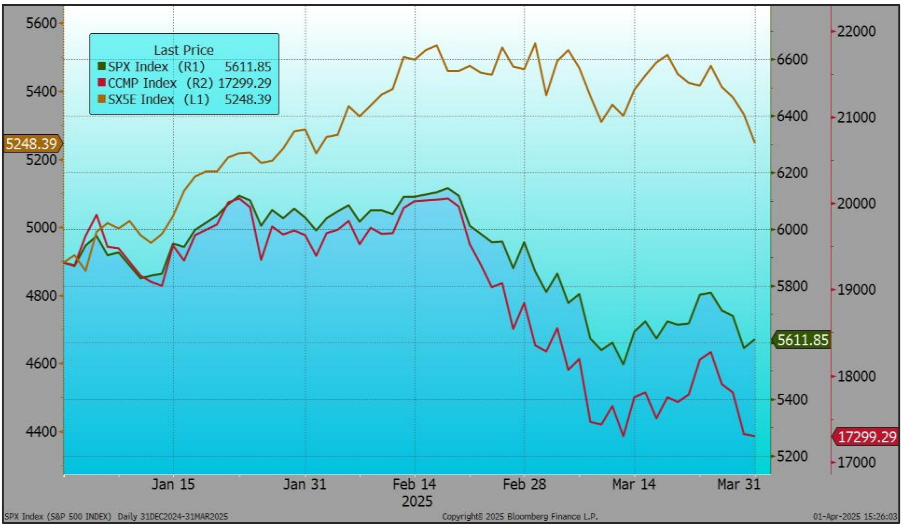
INTERNATIONAL EQUITY MARKETS

Index:	31 Mar 2025	31 Dec 2024	Quarter*
US - S&P 500	5612	5882	-4.6%
US - NASDAQ	17299	19311	-10.4%
UK – FTSE All-Share	4624	4468	+3.5%
Germany - DAX	22163	19909	+11.3%
France - CAC 40	7791	7381	+5.6%
Switzerland - SMI	12598	11601	+8.6%
Japan - TOPIX	2659	2785	-4.5%
Brazil - Bovespa	130260	120283	+8.3%
China – Shanghai Comp.	3336	3352	-0.5%
Hong Kong – Hang Seng	23120	20060	+15.3%
Australia – ASX 200	7843	8159	-3.9%

*Source: Bloomberg *Change in local currency*

Our table of international equity markets presents a very mixed picture. It is unusual to see quite such a contrast between the world's biggest stock market, America, and the rest. But, of course, the American markets have been leading for some while, notably the NASDAQ Index and those 'magnificent seven' technology stocks, so a turning point was likely, and this quarter's 10% fall in the NASDAQ, would appear to have marked it:

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



Source: Bloomberg

Foreign Exchange

	Cross Rate:	**31 Mar 2025**	**31 Dec 2024**	**Quarter**
£	US $ / £ sterling	1.291	1.252	+3.1%
	Euro € / £	1.194	1.209	-1.2%
	£ Exchange Rate Index	85.0	84.4	+0.7%
$	US$ / € euro	1.081	1.035	-4.3%
	Yen ¥ / US $	149.9	157.2	-4.6%
	Renminbi / U S$	7.26	7.34	-1.1%
	$ Exchange Rate Index	104.2	108.5	-4.0%

Source: Bloomberg

As with so much of this report, commentary on the first quarter appears to be being overrun by subsequent events. But this chart of the performance of the US dollar, does present quite a nice picture. The dollar gained in value after President Trump's victory in early November. But, post his inauguration, doubts began to creep in and strategists to wonder openly if there might not be better opportunities elsewhere in the world, maybe the US was not quite as 'exceptional' after all… by March the dollar was coming under increasing pressure:

The US Dollar Index (dixie) – Five Months

Source: ***Bloomberg***

Sterling gained v. the US dollar as did the other major currencies, notably the euro. Europeans are keen to present the euro as an alternative global reserve currency to the US dollar, that remains to be seen.

COMMODITIES

	31 Mar 2025	31 Dec 2024	Quarter
Oil – Brent (barrel)	$74.7	$74.6	+0.1%
Natural Gas (10/- MMBtu)	$4.12	$3.63	+13.5%
Gold (troy ounce)	$3118	$2625	+18.8%
Copper* (25 tons)	$9710	$8768	+10.7%
Milling Wheat (50 tons)	€220	€237	-7.2%

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

The star turn in the commodity markets came from the price of gold, driven up as uncertainties increased and the US dollar wobbled:

Gold (US$ per troy ounce)

Source: Bloomberg.

The price of oil did really very little over the quarter, moving up a bit, down a bit and ending where it started. Making it all the more surprising to see the strong stock market performance over the quarter from **BP** and **Shell**, who, of course, also sell the oil that they produce for US dollars. Everything changed after Liberation Day at the beginning of April, but that is for another day.

The gas price was strong in response to a cold European winter and reduced gas reserves (not helpful for our domestic inflation). This too is changing in the brave new post-liberation world.

Church House Investment Grade Fixed Interest

	31 Mar 2025	31 Dec 2024	Quarter
CH Investment Grade* - Inc.	106.8	107.0	-0.2%
iBoxx AA Corporate 5-15 year	75.3	76.4	-1.4%
CH Investment Grade - Accum.	190.3	188.4	+1.0%
iBoxx £ ABS 5-10 year TR**	346.7	340.8	+1.7%

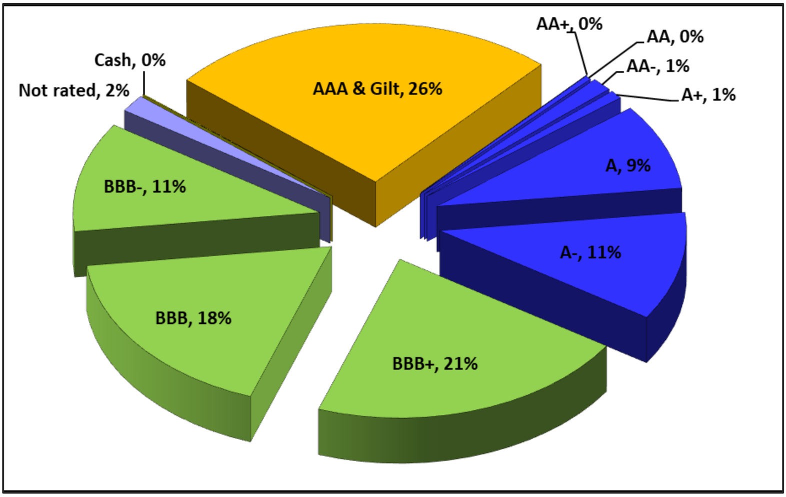
*Source: Bloomberg *bid price to bid price, excluding income. **Total Return Index.*

The Investment Grade Fixed Interest portfolio was steady over the quarter and its profile (below) is little changed. It remains a predominantly short-dated portfolio, avoiding the volatility being experienced at the longer-dated end of the fixed interest markets:

CH Investment Grade Fixed Interest	Mar 2025	Dec 2024
Short-dated Securities (less than 7 years)	74%	78%
Medium-dated Securities (7 to 15 years)	22%	18%
Long-dated Securities* (over 15 years)	4%	4%
Duration of Portfolio**	3.3	3.2
Volatility*** (past year)	3.0%	3.6%
Number of Holdings	124	118
Yield (historic)	4.8%	4.8%
Portfolio Value	£375m	£375m

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

CH Investment Grade Fixed Interest – by Credit Rating – 31 March 2025



Source: Church House

Top 15 Holdings - 31 March 2025	
Standard Chartered LTII 5.125% 06/2034	1.9%
Bank of America 7.000% 07/2028	1.8%
SSE Hybrid 01/14/49 3.740% 01/2026	1.7%
Goldman Sachs Group Inc 7.250% 04/2028	1.7%
IFC 4.500% 10/2028	1.6%
BP Pnc5 6.000% 11/2029	1.6%
EIB (SONIA) 5.969% 09/2025	1.5%
EIB 4.000% 02/2029	1.5%
Segro 2.375% 10/2029	1.4%
John Deere 5.125% 10/2028	1.4%
EIB (SONIA) 5.545% 01/2027	1.4%
Pacific Life 5.375% 11/2028	1.4%
Bayerische Landesbank Covered 5.125%	1.3%
Deutsche Pfandbriefbank 7.625% 12/2025	1.3%
New York Life 4.950% 12/2029	1.3%

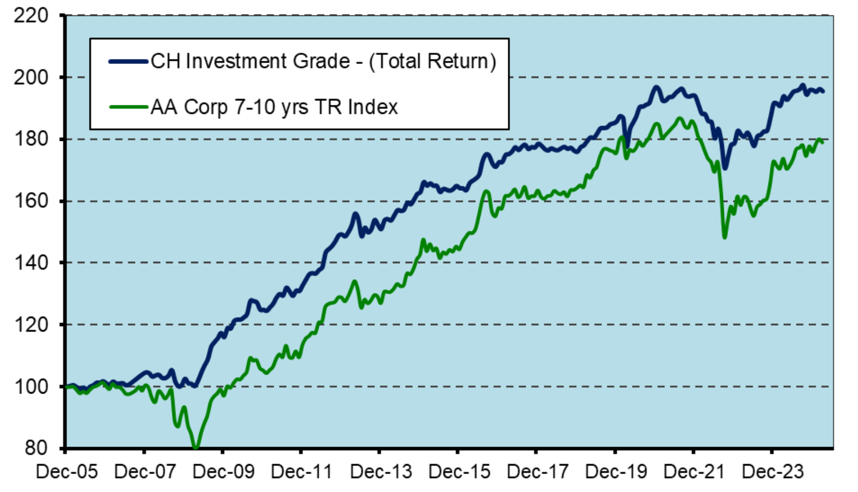
There really is very little change in this table of the top holdings in the portfolio. In December a **UK Treasury Bill** topped the list, but this matured (paid back) in January. Two of the short-dated holdings, from **Bayerische Landesbank** and **Deutsche Pfandbriefbank**, edge back into the list, with gains in this area. As short-dated issues mature, we have introduced a couple of longer-dated holdings such as a 6.625% bond from **Legal & General** maturing in 2034.

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+1.0%	+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

	31 Mar 2025	31 Dec 2024	Quarter
CH UK Equity Growth*	191.5	204.8	-6.5%
FTSE All-Share Index	4624	4467.8	+3.5%
FTSE 250 Index	19475	20623	-5.6%

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

Rory Campbell-Lamerton writes: Frankly, the first quarter of 2025 was a rather torrid period for the UK markets and our UK Equity Growth portfolio. Almost all the losses coming in the month of March. The disparity between the indices was so stark thanks to the outperformance of the big banks and oil giant, **Shell**, which make up a significant proportion of the headline indices.

The UK Equity Growth portfolio focuses on quality companies, which are structural winners, with compounding returns. We like businesses that have strong fundamentals and are price makers (rather than price takers), so when sectors like Oil & Gas and the Banks outperform, we feel the negative effects in relative performance. Since the quarter-end there has been a substantial reversal in this move, and we have seen more opportunities to sharpen up the portfolio.

Running into this period of volatility, we made a start in exiting positions in two consumer discretionary names: **JD Sports Fashion** and **Greggs.** Greggs had been hit hard on the back of the Autumn Statement where the increase in National Insurance and minimum wage were going to have adverse effects on the company’s balance sheet and ability to maintain margins (an estimated extra £100m a year). To mitigate the effects, the company announced a 5p rise in the price of their sausage rolls (now £1.40) but issued a pessimistic outlook for 2025. We also started exiting JD Sports after a gloomy statement in January where the company warned of a tough future on the back of heavy discounting from their rivals along with the spectre of Trump’s tariffs and the effects these will have on their supplies from Adidas, Nike, etc.

In the consumer staples sector, **Unilever** announced the shock departure of its CEO, Hein Schumacher, with immediate effect. Schumacher will be replaced by Unilever ‘lifer’ and CFO, Fernando Fernandez. From the outside, it looks like Schumacher had been brought in to do the dirty work (mass redundancies, selling off the ice cream divisions) but in his short tenure he has successfully turned the business around. The company announced mixed results on the back of shaky consumer confidence, but the new CEO takes on a more streamlined business and kickstarted his tenure with the acquisition of UK start-up success story, Wild Cosmetics, for over £200m.

Top performance over the quarter came from our largest holding, **RELX**, who continue to harness the strength of their intellectual property (legal and scientific) with the monetary benefits that AI will the bring the company.

Top 15 Holdings - 31 March 2025	
RELX	8.9%
Diploma	7.4%
Halma	6.3%
Beazley	4.2%
London Stock Exchange	4.2%
Unilever	4.1%
AstraZeneca	3.8%
Investor AB	3.7%
Auto Trader Group	3.6%
Experian	3.5%
Microsoft	3.5%
Judges Scientific	3.3%
Diageo	3.2%
Spirax Group	3.2%
Compass Group	3.1%

Amongst the financials, **Berkshire Hathaway**, who started the year with over $330bn in cash, began to boost its investments in big Japanese conglomerates (Mitsubishi, Sumitomo, Mitsui etc). London-listed insurer, **Beazley**, moved to an all-time high in March after increasing profits by over 10% to £1.2bn. This company is benefitting from its diversified lines of underwriting and is now leading the way in cyber risk, which makes up close to 20% of the business. Despite the difficulties of the quarter, we remain confident with the underlying strength of the companies in the portfolio. We will use any opportunity of excess market volatility to add to quality businesses on attractive valuations.

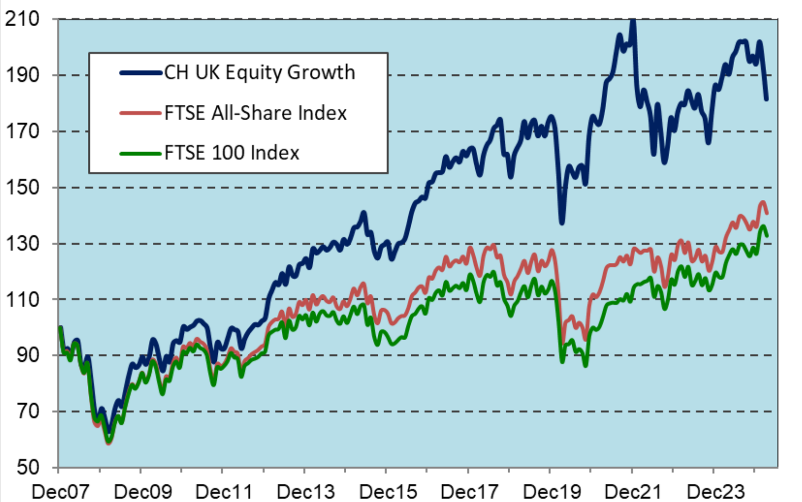
Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
-6.5%	+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

	31 Mar 2025	31 Dec 2024	Quarter
CH Balanced Equity Income*	180.1	175.2	+2.8%
FTSE All-Share Index	4624	4468	+3.5%
FTSE Higher Yield Index	4003	3800	+5.3%
FTSE Index-Linked All Stocks	461.6	467	-1.2%
Composite Benchmark**	121.9	117.6	+3.7%

*Source: Bloomberg *Bid-to-bid price, excluding income payments (capital performance)*
***46% FTSE All-Share, 43% FTSE Higher Yield, 11% FTSE Index-Linked All-Stocks Indices.*

Craig Elsworth writes: A solid quarter for the portfolio, though it lagged the headline FTSE All-Share Index return, owing to its underweight position in Oils and Tobaccos: **Shell**, **BP**, **British American Tobacco** and **Imperial Brands** account for 13.4% of the Index but generated >50% of its return. Macroeconomics and geopolitics continue to be the main drivers of markets. In the UK, the Chancellor, hamstrung by her own 'fiscal rules', delivered her spring statement promising to cut welfare and departmental budgets after rising borrowing costs and anaemic economic growth eroded the government's 'fiscal headroom'. This cycle of rising taxes, over-borrowing and budget cuts hardly feel like the characteristics of a pro-growth administration.

The Trump tariff rhetoric was influential in the period, but, given evolving post period events, the fallout is probably best kept for another day. It is worth discussing tariffs in the context of the portfolio, which is a mixture of domestic and multinational companies. Focussing on the top holdings - c.90% of their revenues are generated globally. These are high quality businesses with globally diverse supply chains: e.g. **Unilever** operate 300 factories across 69 countries, **BAE Systems** operate in 40 countries and **AstraZeneca** have 95 manufacturing sites across 60 countries. There is plenty of scope to manage tariff supply chain issues, albeit it is immensely complex.

Turning to portfolio activity, the unloved alternative income trust sector showed signs of a revival as investors finally woke up to the value in these depressed assets. The portfolio's battery energy storage position in **Harmony Energy** returned 35.5% over the period after becoming the subject of a bidding war. We took the opportunity to exit the position marginally above the bid price and recycle the proceeds into **Gresham House Energy Storage** at a 44% discount to Net Asset Value. **BBGI Global Infrastructure** returned 15.8% and was also subject to a bid – again, we exited the position following this announcement. We added to **Croda International**, who despite having had a tough year, reported encouraging results, including H2 volume and margin recovery as well as stabilisation in its end markets. Croda is a truly global business and interestingly, ~70% of its US revenues come from US assets. We also continued to build out the position in **NB Private Equity Partners** at a c.35% discount to its Net Asset Value.

Top 15 Holdings - 31 March 2025	
AstraZeneca	5.7%
RELX	5.4%
Unilever	4.6%
Barclays	4.4%
BAE Systems	3.8%
GSK	3.6%
Aviva	3.4%
Sage Group	3.2%
National Grid	3.1%
Lloyds	2.8%
BT Group	2.5%
Bunzl	2.5%
Rio Tinto	2.5%
Halma	2.4%
Barclays 3.75% 2030	2.3%

We sold **Greggs** a long-standing and profitable investment, as falling like-for-like volumes, additional NI contributions and an increase in the national living wage squeeze its margins. In fixed interest we added a new **Whitbread** 5.5% 2032 issue. Financials had a strong period with **Lloyds** appearing in the top holdings after gaining 32%. **Aviva**, **Barclays** and **Schroders** all produced double digit returns. Pharmaceutical stocks also gained with both **AstraZeneca** and **GSK** performing strongly. However, the biggest mover was **BAE Systems** which rose 36% as Europeans adjusted their defence spending as American isolationism becomes reality.

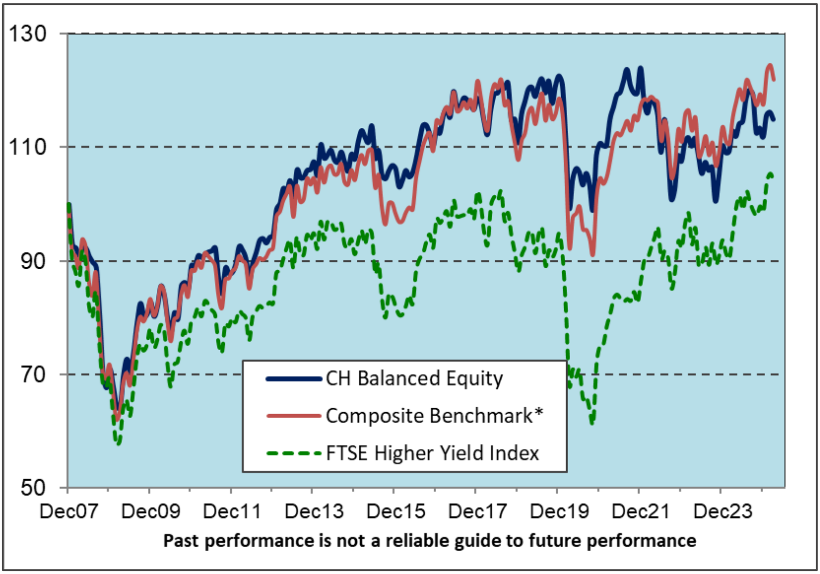
Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+3.3%	+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 Composite Index* & Higher Yield

Bid Prices, excluding Income – Capital Performance



*Source: Church House *46% All-Share, 43% FTSE Higher Yield, 11% Index-Linked All-Stocks*

CHURCH HOUSE UK SMALLER COMPANIES

	31 Mar 2025	31 Dec 2024	Quarter
CH UK Smaller Companies*	133.5	147.3	-9.4%
FTSE All-Share Index TR	10360	9913	+4.5%
FTSE AIM All-Share TR	836	879	-4.9%

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

Rose Taylor and Rory Campbell-Lamerton write: UK small and mid-cap equities remain firmly out of favour. Mid and smaller company indices all fell, along with AIM listed companies. Despite the overarching gloom, our faith remains in good-quality, well-run businesses trading at valuations that feel increasingly disconnected from their underlying fundamentals. The UK may be unloved, but that doesn't mean it's un-investable; we are taking the opportunity to add to exciting, undervalued businesses with long-term growth potential.

Our top performer for the quarter was **Beazley**, the specialist insurer, which delivered a strong set of full year results. Written premiums surged, and management demonstrated their confidence by announcing a $500m share buyback. The market rewarded them accordingly, their shares rose +13.5%, and we remain supportive shareholders. Following closely behind, **A.G. Barr**, the soft drink dynasty behind IRN-BRU (second in line as Scotland's national drink after Scotch), continued to deliver steady growth in a choppy consumer environment.

A familiar name we added to this quarter was **Ashtead Technology**. Based in North-East Scotland, Ashtead provides specialist subsea rental equipment – from remotely operated vehicles to marine growth removal systems. Despite reporting 14% organic growth and 39% inorganic growth from recent acquisitions (Seatronics and J2 Subsea – their largest to date), their shares fell 5%. We saw that as an opportunity and added accordingly. We also topped-up our holding in **Craneware**, the healthcare software firm which we re-invested in last quarter.

The culprits dragging us down this quarter were **Trustpilot** and **Trainline**. Trustpilot, the online reviewing platform, saw their share price drop alongside the wider global tech sell off and Trainline's share price was bruised by rumours of a rival government app. Having met with Trainline's management team in February, we were reassured that the market reaction overestimated any threat, and their long-term growth strategy remains firmly on track… On the hospitality front, **Fuller's** continues to be weighed down by poor sentiment, despite a strong portfolio of assets across London and the UK, and decent underlying results. The last two weeks of sunshine may help shift the mood and we remain optimistic about the long-term case for Britain's pubs.

Top 15 Holdings - 31 March 2025	
Beazley	7.0%
Diploma	6.1%
Judges Scientific	5.4%
Porvair	4.8%
Cranswick	4.7%
Raspberry PI	3.9%
Ashtead Technology	3.9%
Somero Enterprises	3.5%
Softcat	3.4%
Trainline	3.3%
Greggs	3.3%
Big Yellow Group	3.0%
Young & Co's Brewery	2.9%
Bytes Technology	2.7%
Fuller Smith & Turner	2.5%

This quarter we initiated a new position in **4Imprint**, the custom-branded merchandise company based in London, after a positive meeting with their experienced management team. Founded in 1921, 4Imprint is the name behind those personalised pens, tote-bags and water bottles that seem to end up everywhere. The business is quietly delivering excellent returns whilst growing their international presence.

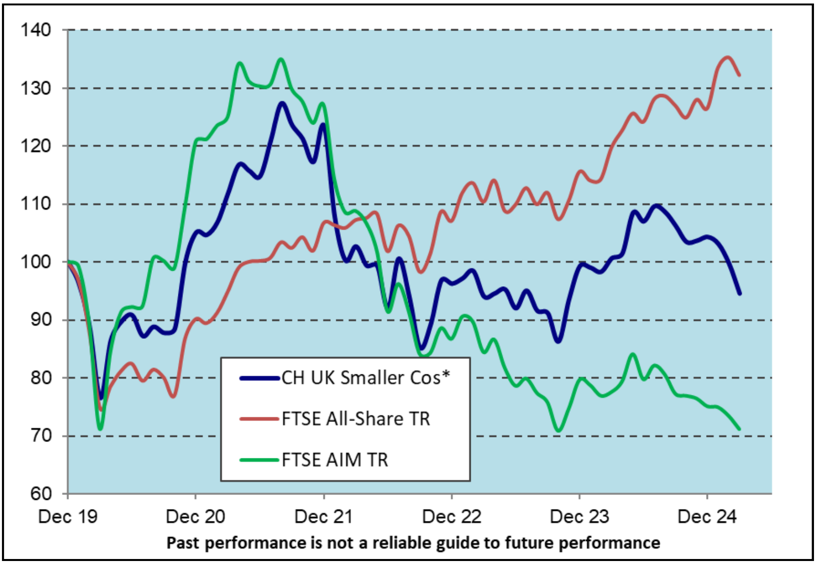
It was a difficult quarter for us, yet while headlines point to weakness, we remain focused on the fundamentals and long-term prospects of the businesses we own.

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
-9.4%	+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

	31 Mar 2025	31 Dec 2024	Quarter
CH Esk Global Equity*	473.5	485.5	-2.5%
CH Global Index in £	1583	1664	-4.9%
MSCI World in $	3629	3708	-2.1%
FTSE 100 Index	8583	8173	+5.0%

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

Fred Mahon writes: In this report last quarter, we said that:

> *"We do not have the luxury of a crystal ball but would say that there appears to be a lot of enthusiasm priced-in to US equities here, so it would not be a surprise to see them disappoint over 2025."*

Little did we know what President Trump had in store for us and what a few months lay ahead for global markets. Placid (complacent) and positive markets led by US Tech giants have given way to volatility not seen since the early months of COVID and, before that, the Financial Crisis of 2008. This is no small market 'correction' and, at the time of writing, the ingredients for a recovery are not yet in place. As ever in difficult times it is important to be invested in quality companies with decent balance sheets, these are the ones that survive.

Top 15 Holdings - 31 March 2025	
Alphabet	4.6%
Microsoft Corp	4.2%
Mastercard	4.2%
Amazon.com	3.8%
Stryker Corp	3.6%
RELX	3.6%
Apple	3.5%
Euronext	3.2%
Investor AB	3.2%
Oracle	3.0%
Berkshire Hathaway	2.8%
Hermès	2.8%
Sony Group	2.8%
Swiss RE	2.7%
Ferrari	2.7%

The portfolio was down over the period, albeit by less than most major global indices. We benefitted from our relative under-weight position in both the US and the Technology sector during the sell-off seen this year. On the other hand, our exposure to Financial, Healthcare and Consumer names was beneficial in these more defensive markets. Our sector positioning heading into early-2025 was driven by our belief that Big Tech was expensive and that there was better value elsewhere, rather than a macro call made against the Tech sector.

Our top performers over the period were Financials, such as **Euronext** (London Stock Exchange's French-listed peer), **Swiss RE** (reinsurance) and **Standard Chartered** (bank), while we also saw Swiss giants **Nestlé** and **Roche** (pharmaceuticals) recover after an extended period of weakness. Notable mention also goes to **RELX**, the Anglo-Dutch publishing and data analytics powerhouse, which is knocking on the door of being a top five position after an excellent decade for both the shares and the underlying business.

Our main detractors, particularly more recently, have been in Technology names **Oracle**, **Microsoft** and **Alphabet** (Google's parent company). We have also seen ongoing weakness in **T Rowe Price** (asset management) shares. Our Japanese holdings have also experienced heightened volatility – these predominantly export-led businesses have, understandably, been at the mercy (short-term) of US tariff fluctuations.

Overall, we are satisfied that the portfolio has performed as we would expect it to have done in a US Tech-driven market sell-off and shown its defensive qualities in trickier times. As ever, we will stick to investing in the highest quality businesses and be on the lookout for opportunities in these volatile markets.

Portfolio Statistics

Number of holdings	42	Volatility*	10.2%
Portfolio Value	£72.5m	Income yield	0.3%

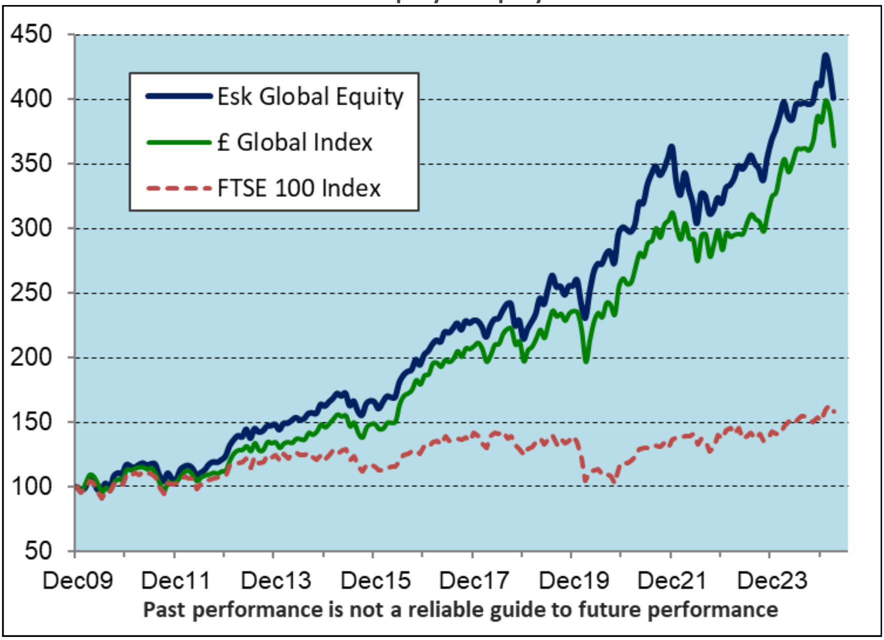
**Annual standard deviation of monthly capital returns expressed as a percentage, past year*

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
-2.5%	+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

	31 Mar 2025	31 Dec 2024	Quarter
CH Human Capital*	98.3	98.7	-0.4%
CH Global Index in £	1583	1664	-4.9%

*Source: Bloomberg *Bid-to-bid price*

Fred Mahon writes: We launched the Human Capital Fund last summer and in its short life it has already had to contend with some dicey market conditions. We are pleased to say that to-date Human Capital has held up well, showing its defensive qualities amidst the Trump-driven volatility. As regular readers will know, this is exactly what we would expect from any Church House fund thanks to our focus on investing in the highest quality businesses.

Our list of the top holdings in the portfolio is largely unchanged over the quarter. Over this period, Human Capital benefited from having no exposure to Big Tech darlings such as **Nvidia** and **Tesla**, which all fell sharply, while also having a relatively lower US weighting than most global portfolios. This was not a clever macro-economic call made on our part – our geographic weightings are the output of where we see interesting Human Capital businesses to invest in that we can acquire at reasonable valuations.

Top 15 Holdings - 31 March 2025	
Lifco	6.2%
Chapters Group	6.1%
Lagercrantz Group AB	5.6%
Lumine Group	5.3%
Bergman & Beving	5.0%
Diploma	5.0%
Brown & Brown	5.0%
Topicus.com Inc.	4.9%
Vitec Software	4.8%
Watsco	4.7%
Addtech AB	4.7%
Momentum Group	4.7%
Indutrade	4.5%
Addnode Group	4.5%
Kelly Partners	4.5%

With Human Capital we are looking to generate high long-term returns for our clients by investing in businesses who believe in the power of steadily acquiring niche, cash generative businesses within a decentralised structure. Every company we invest in must demonstrate:

1. Decentralised Culture
2. Organic growth
3. Impressive financials
4. Acquisitive
5. Exceptional leadership

Underlying these five pillars of our strategy, we also ask the question of all our investments:

Can this business compound equity value at 15% annually for the foreseeable future?

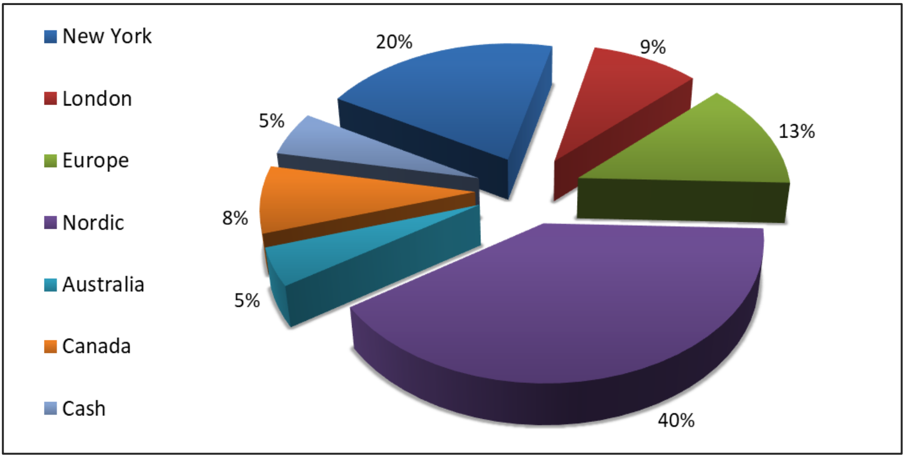
We borrowed this shamelessly from one of our Swedish companies who set themselves this target decades ago AND have delivered the result many times over. 15% compounded is a lofty target for our holdings to hit, but when we have a focused portfolio of 20-25 positions, there is no room for businesses that are not striving to build something special.

We have had new money to invest and have been putting this to work in core positions. To pick out two companies that we have met with recently:

- **Chapters Group:** is a Hamburg-based holding company investing in small businesses across Europe. Chapters own software businesses that must provide 'mission critical services to customers' – for example, their operating company Solarys Software provides alarm and management software for fire departments, about as mission critical as it gets. We have met with their CEO, Jan-Hendrik Mohr, several times and we are backing him to generate exceptional returns.

- **Momentum Group:** is relatively new to listed markets but has a wonderful pedigree, having originated from the **Bergman and Beving** school of Swedish compounders (as did our holdings **Lagercrantz** and **AddTech**). Momentum focus on acquiring businesses that sell into the industrial and infrastructure sectors. They have a clear and publicly stated target to grow earnings at 15% annually (sound familiar?) and are 55% owned by the Ax:son Johnson family, who provide long-term continuity for their equity base. If Momentum come close to achieving what Lagercrantz and AddTech have done (and we believe they will), then we will be happy shareholders.

CH Human Capital, Split by Country of Listing – 31 March 2025



Source: Church House

Church House Tenax Multi-Asset Strategy

	31 Mar 2025	31 Dec 2024	Quarter
CH Tenax Multi-Asset*	174.4	170.6	+2.2%
Cash Return (SONIA)**	114.5	113.3	+1.1%

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

The Tenax portfolio has a new name. We are not doing anything different with the portfolio, it was simply that many people found the previous 'Absolute Return' name confusing. It has always invested in a range of different asset classes aiming for steady growth and seeking lower overall volatility from the diverse range (and type) of investments held, so nothing changes. Over this first quarter the portfolio gained in value and its annual volatility* is running at less than 3%.

There have not been any major changes in the portfolio's allocation to the various asset classes, its progression over the quarter and position at the end of March is shown below:

CH Tenax Portfolio - Allocation to Asset Classes – 2025

2025	31-Dec-24	31-Jan-25	28-Feb-25	31-Mar-25	YTD
Cash	0.5%	0.1%	0.2%	0.1%	-0.4%
Gilt / AAA Fixed	1.2%	1.2%	1.2%	1.3%	0.1%
FRN (AAA)	11.5%	11.3%	11.5%	11.6%	0.2%
Floating Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Interest	55.5%	55.0%	54.8%	54.4%	-1.2%
Index-Linked	0.8%	0.8%	0.8%	0.8%	0.1%
Infrastructure	5.7%	5.6%	4.5%	5.2%	-0.5%
Convert / ZDP	4.4%	4.6%	4.7%	4.8%	0.4%
Alternative / Hedge	0.0%	0.0%	0.0%	0.0%	0.0%
Property / Real	4.5%	4.5%	4.6%	4.6%	0.2%
Equity	15.9%	16.9%	17.6%	17.2%	1.3%

Source: Church House

The equity proportion gained over the quarter and here we trimmed back the holdings in **Barclays** and **Standard Chartered**, which had had a strong run. But the best returns over the quarter came from the infrastructure holdings (a pleasant change!). The agreed bid for **BBGI International**, our largest holding, saw a jump in their share price and we took advantage of this to sell the holding. Latterly, there has been corporate activity swirling around **Harmony Energy Efficiency**, which has led to a good recovery in their share price, here we have retained the holding awaiting developments.

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

Our holdings in commercial property have generally been quiet, though **Land Securities** has slipped back again, and the sector more generally is seeing the return of corporate activity. As with so many smaller UK companies there would appear to be a 'for sale' sign up at the moment.

The largest proportion of the portfolio is still invested in fixed interest securities (along with their cousins, floating rate notes (FRN), here we have not been tempted to take our investments longer-term, preferring to remain with shorter-dated investments. Longer-dated stocks are just exhibiting too much volatility whereas our existing holdings continue to provide good returns. In other words, there is simply not enough return on offer for longer periods to justify the additional risk.

This final table shows the duration* and redemption yield** figures for the fixed interest and FRN portions (around two thirds of the portfolio at present), as they have developed over the quarter. The duration edges down again (as above) but the redemption yield is still up at 5.7%. As ever, these are quite confusing numbers, the average time to maturity of this portfolio of bonds is around 4½ years, the duration of 2.8 reflects the high coupon (interest) stream that the portfolio will be receiving in the meantime.

2025	*31-Dec-24*	*31-Jan-25*	*28-Feb-25*	*31-Mar-25*
Overall Duration*	2.9	2.9	2.8	2.8
Redemption Yield**	5.7%	5.7%	5.5%	5.7%
Fixed Int. Duration*	3.4	3.4	3.4	3.3
P/folio Running Yield	4.4%	4.4%	4.3%	4.3%

Source: Church House

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+2.2%	+5.2%	+6.2%	-7.5%	1.4%	3.8%

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

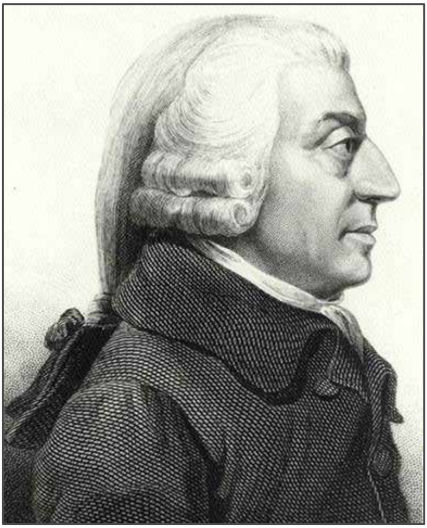
**Duration represents the number of 'periods' that it will take to repay an initial investment in a fixed interest security. It is not the same as the life of the bond or time to maturity, which will be longer. It can also be viewed as a measure of the sensitivity of the price of a bond to a change in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

Adam Smith

On the topic of free trade…

Adam Smith



Adam Smith, philosopher and economist, 1723 – 1790. Etching taken from an original enamel by James Tassie in 1787

Donald Trump

The 45th and 47th US President

I am repeating this picture of Adam Smith from our Winter 2016/17 Quarterly Report. I think we can repeat what we said back then too: The new American President might do well to refer back to the founding fathers' love of Adam Smith's most famous work: *The Wealth of Nations*. On the topic of international trade, he wrote:

> 'It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy… What is prudence in the conduct of every private family, can scarcely be folly in that of a great kingdom.'