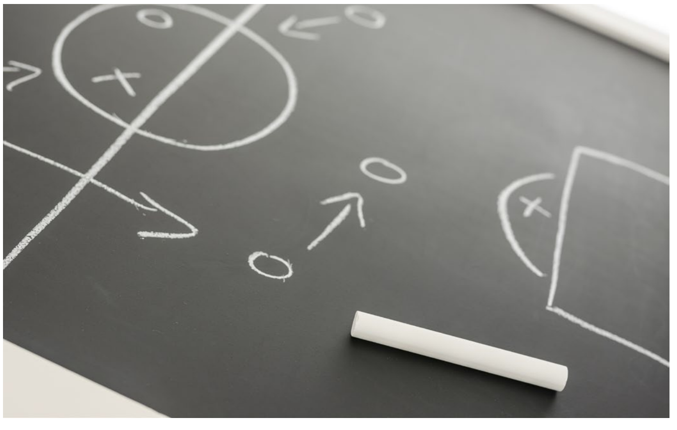
CORE THOUGHTS

Fund Literature	Fund Facts	Views & News

Selecting the right 'players' for long-term success

Attack wins you games, defence wins you titles – Sir Alex Ferguson



The **JOHCM UK Opportunities Fund** employs an investment philosophy focused on three key pillars:

1. **Structural Growth** – The team identifies companies benefitting from long-term tailwinds which will help to drive growth through economic cycles
2. **Capital Preservation** – The team see capital preservation as an essential component of long-term value creation, and place significant emphasis on balance sheet strength, competitive position and valuation control
3. **Engagement** – The fund managers engage directly with companies to encourage them to improve their impact on the environment and society

The JOHCM UK Opportunities Fund is a concentrated portfolio of 20-40 large and mid-cap companies. It is not constrained by benchmark weightings.

In December, England goalkeeper Mary Earps won the BBC Sports Personality of the Year. Mary's journey to success has not been straightforward. Only two years ago she was excluded from the England squad and nearly retired, but she persevered with hard work and dedication, and her efforts paid off in 2023 when she returned from the World Cup with the Golden Glove award.

Goalkeeping is the highest-pressure job on the pitch, yet it often receives no glory. Much like investing, everyone talks about their winning strikes, yet for the most part, it is careful selection of 'players' and good defending which generate long-term consistent success.

Our focus on sustainable long-term growth combined with downside protection resonates with Sir Alex Ferguson's views, that long-term rewards are primarily about defence.

Performance

During the final quarter of the year the fund generated a strong return of 4.58%. This was ahead of the FTSE All Share which rose by 2.62%.

The fourth quarter marked a turbulent period for company reporting as higher rates began to slow activity, and companies across the market had to reassess their expectations for the year. The fund defended well through the period, with the long-term themes helping to drive through-cycle growth and cash-generative business models with strong balance sheets enabling ongoing re-investment.

Infrastructure and re-shoring

Ashtead and CRH, two holdings benefitting from the US infrastructure and re-shoring theme, performed well, helped by the steady drip of news on US re-shoring and infrastructure projects announced during the last quarter of the year. In October, Toyota announced a $8bn investment in a battery plant in North Carolina, whilst Micron's $15bn memory chip plant and Texas Instrument's $11bn semi-conductor facility both broke ground.

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Our holdings in electricity network businesses SSE and National Grid rose 10% and 15% respectively. The perception of these businesses as purely income stocks is out of step with the significant growth that both companies are generating from the expansion of the UK's electricity network. SSE, in particular, expects its network assets to grow 15% p.a. by 2027, which would make it the fastest expanding network in Europe.

Artificial intelligence

RELX reported group like-for-like sales growth of 8%, driven by a strong performance across the group. The risk division is benefitting from rising demand for digital fraud and identity data and increased levels of switching in the insurance market. The group is testing Lexis + AI in its Legal division, which will soon deliver generative AI for customers, building on the strengths of the division's extensive AI offering.

Whitbread

Whitbread is still seeing strong demand for its hotels in the UK and Germany, with its popular value offering gaining share through hotel openings, customers trading down and independent hoteliers exiting. In the first half of their financial year, UK accommodation sales were up 15% year-on-year and the group increased its earnings by 37%. Investment remains strong, with CAPEX investment rising £100m more than previous guidance thanks to more freehold purchases and a new reservation system, all whilst group ROCE grew from 9% in 1H23 to 12.6% in 1H24.

Anglo American

Anglo American was a notably weak performer due to disappointing production numbers. We hold Anglo primarily for its exposure to copper and other energy transmission metals. Supply of these commodities is increasingly constrained as remaining reserves are in areas that are geographically or politically difficult to mine. The increasing difficulty that all mining companies have in extracting ore results in highly unpredictable cashflows. Our preference for lower volatility growth necessitates smaller position sizes in companies such as Anglo, giving our investors some protection from these periods of short-term weakness but the long-term benefits of exposure to globally-leading mineral grades and best-in-class operations.

Diageo

Another weaker spot was Diageo, where a new management team lowered market expectations because of a normalisation of growth rates post-COVID, especially in Latin America, and a realisation that margin progression will be limited in the coming years as they invest more behind the brands. While the market has thrown its arms up in horror, we do not think that Diageo's business model is in any way broken and we see today's valuation as an attractive level for a business with an exceptional distribution model and global runway for growth.

Attack Wins You Games

We started a new position in Haleon, the ex-GSK consumer healthcare business, listed as a separate entity in 2022. Haleon gives the fund exposure to some attractive consumer health segments, including specialist oral care, pain relief and respiratory health. The company spends over 20% of its sales on investing in its brands, and over 60% of sales are in markets where they are the number one player. The company is well placed to drive organic growth from its existing portfolio through brand penetration and new markets whilst also being able to bring ex-pharma drugs into the over-the-counter market. Our purchase of the shares was driven by confidence in the strategy, weak share price performance since listing and the pace of balance sheet de-gearing.

Defence Wins You Titles

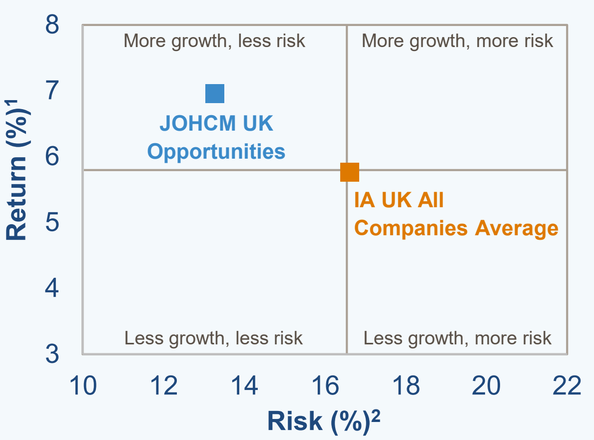
We sold to zero our long-term holding in the recruitment business Hays. Whilst the company is still benefitting from investment in opportunities across the globe and structural drivers such as wage inflation, margins are coming under pressure from competition enabled by technology. Internet sites such as LinkedIn are lowering the barriers to entry for smaller competitors and enabling increasingly sophisticated HR departments to conduct recruitment searches in-house. Whilst Hays has invested in its own systems to further benefit from technological shifts, we see the market's expectation of structurally higher margins as unrealistic and took advantage of a recovery in the share price to exit our position.

In November, we sold out our position in WPP. The company had breached our golden rule on financial leverage with gearing increasing to 1.75x net debt to EBITDA (in absolute terms, debt has gone from £700m in 2020 when we bought the shares to around £2.6bn in 2023), which we think is inappropriate for a company that has cyclical earnings. The pathway to reducing this gearing had become increasingly steep due to accelerating disintermediation in the advertising sector and the scale of the company's reorganisation plan.

The addition of Haleon and the sales of Hays and WPP reflect our preference for stable and resilient cashflows whilst maintaining our focus on growth that is more structural than cyclical.

Risk / Return

JOHCM UK Opportunities



Source: JOHCM / Lipper. Data since inception (30 November 2005) to 30 September 2023 based on JOHCM UK Opportunities Fund A GBP share class against the IA UK All Companies. [1]Annualised since inception total return. [2]Annualised since inception volatility

Being on the Right Side of Technological Change

The sale of Hays and WPP were linked by the theme of technological change. Both businesses have faced opportunities and threats from technology for many years, but it's the point at which headwinds of structural change tip the balance that we must act in defence of client capital.

On the flip side, many companies in the fund see accelerating growth as the power of artificial intelligence gets ever greater. For example, Relx and Experian have surprised the market positively with their growth rates as demand for their unique data sets and technology solutions continues to build.

The Impact of Targeted Engagements

We continue to engage at multiple levels with companies, encouraging better governance and relevant improvements to environmental and social performance.

What makes our approach stand out is the level of work we do as a team to really delve into topics which we view as integral to the future success of the business. We don't outsource this research to separate ESG teams or rating agencies and in the words of Mary Earps, our style of engagement is very much "unapologetically yourself". We take pride in asking the difficult questions of management that, all too often, other investors (especially passive funds) are unprepared to do.

In December, we met with the incoming Chair of Smith and Nephew to push for better board oversight of capital allocation and an improvement in the quality of the company's accounting. We are encouraged by a new commitment to return on capital employed at the board level and look forward to accounts where the adjusted earnings on which management is remunerated bear some relation to the cashflows that matter for equity holders.

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Hargreaves Lansdown proposed a new remuneration policy, which was a significant improvement on the one we had previously voted against. We have been engaging with the Board regularly since May 2022 and are pleased that the new policy largely meets our request for a greater focus on long term results and a broader range of financial metrics. We responded with a vote in favour of the new policy at the December AGM.

We continue to hold companies accountable for their social and environmental impacts. We met twice with executives from Bunzl to discuss their approach to supply chain audits and to encourage greater transparency and external verification. We have also pushed the company to improve its carbon emission data and improve its policies on plastic and other waste.

Outlook

As we look forward to 2024, the fund is well placed to both 'attack' with its positive exposures to structurally growing end markets and 'defend' with its strong set of balance sheets and attractive valuations. We will continue to take advantage of buying opportunities in world-leading businesses which are on discounted UK valuations. We believe an environment where interest rates are higher than in the recent past will continue to 'sort the wheat from the chaff' and really benefit larger companies which have the cash flows to both continue to invest organically whilst smaller competitors may struggle with volatile trading conditions, rising costs and difficulty financing. This is a great time to have the best of the UK 'whale sharks' with the current behind them and an environment which favours our investment approach.

JOHCM UK OPPORTUNITIES FUND Q4 2023 Review

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Fund Literature	Fund Facts	Views & News

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FUND PERFORMANCE

Periodic performance (%)	1 month	3 month	1 year	3 years	5 years	SI	SI annualised
Fund	**4.91**	**4.58**	**6.49**	**12.49**	**22.17**	**237.80**	**6.96**
Benchmark	4.37	2.62	7.69	27.76	37.90	192.55	6.11
Relative return[1]	0.51	1.91	-1.11	-11.96	-11.40	15.47	0.80

Discrete performance (%)	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Fund	**6.49**	**-4.02**	**10.06**	**-3.93**	**13.06**
Benchmark	7.69	0.74	17.77	-9.52	19.29
Relative return[1]	-1.11	-4.73	-6.55	6.17	-5.22

Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up and investors may not get back the amount invested. For further information on risks please refer to the Fund's KIID and/or the Prospectus. Source: JOHCM/Bloomberg/FTSE International. NAV of share class A in GBP, net income reinvested, net of fees, as at 31 December 2023. Inception date: 30 November 2005. All fund performance is shown against the FTSE All-Share TR Index (12pm adjusted). Performance of other share classes may vary and is available upon request. [1]Geometric relative.

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This is a marketing communication. Please refer to the fund prospectus and to the KIID / KID before making any final investment decisions.

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Sources: JOHCM/FTSE International/Bloomberg (unless otherwise stated)