

DEFENSIVE PORTFOLIO

Target Market: Retail Clients

At Henry Spain we work hard to create tailored portfolios to help fulfil our clients' long-term investment needs. Our aim is to take the stress and complication from investing by providing a holistic service, which is centred on understanding your goals. We manage portfolios in line with your attitude toward risk to take advantage of any opportunities as we identify them, and endeavour to achieve your investment goals.



Managing Expectations - and emotions

2025 proved to be a good year for Henry Spain clients in the main. The Cautious portfolio saw returns of 16%. This is a strong outcome by any reasonable long-term standard — and it also creates a subtle risk

As Charlie Munger used to say, *“The secret to happiness in life, as well as marriage, is low expectations.”*

Clients who joined us during 2025 should be particularly mindful of this. Not every year will look like this one — however disciplined our process remains and however hard we work. Markets move in cycles, and periods of strong performance are often followed by quieter stretches, and occasionally by uncomfortable ones.

The danger is not short-term volatility itself, but the emotional responses it can provoke: chasing what has gone up, abandoning what has disappointed, and mistaking recent performance for permanent reality.

Leading contributors for the year were **Gold (+53)**, **UK (Gov. Of) 0.125% 30/01/26 (+4%)**, and **Berkshire Hathaway (+3%)**. Leading detractors were **Hammerson 6% 23/02/26 (-1%)** and **Lindsell Train (-7%)**.

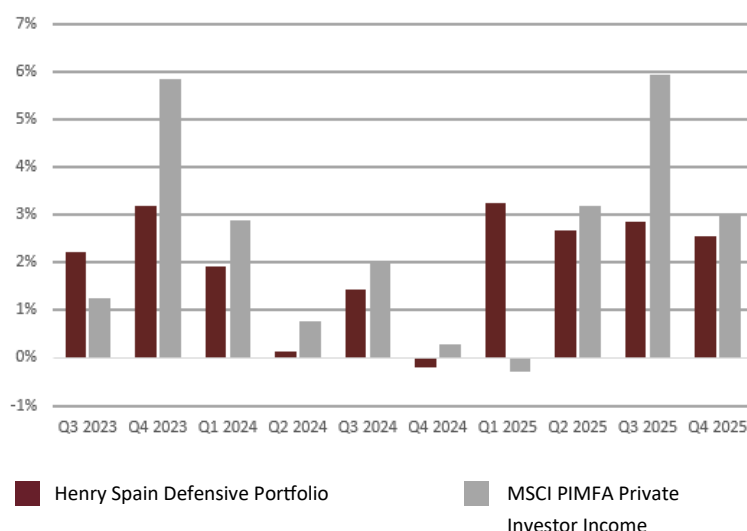
We remain convinced of the investment case for all businesses mentioned above. Share prices move far more than underlying business values in the short term, and we would strongly encourage clients not to become either overly enthusiastic or overly discouraged by recent price movements alone.

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Portfolio Performance

Past performance is not indicative of future results.

There is no guarantee that a positive return will be delivered.



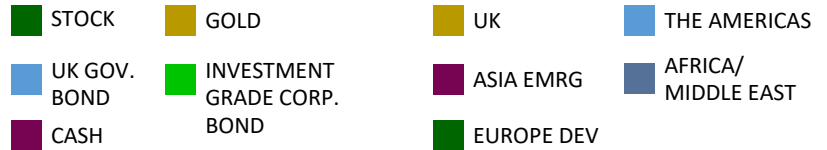
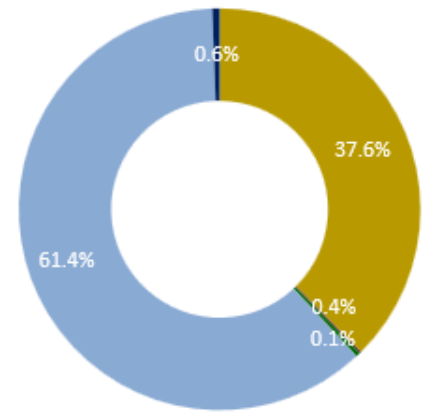
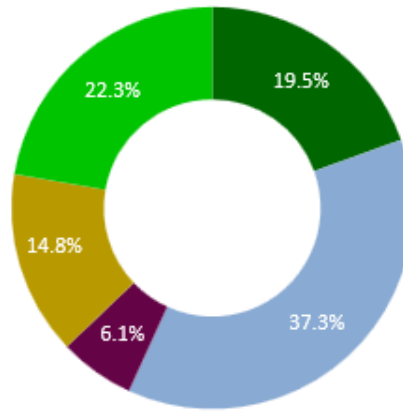
Data reference points: 01.01.2012 - 31.12.2025.

Performance is based on a portfolio value of £500k+ net of 1.2% + VAT annual management fee.

The factsheet should be read in conjunction with a Costs & Charges Illustration.

TOP HOLDINGS

Holding	Yield to Maturity*
HSBC 6.25% 30/01/41	5.80%
Tesco 5.5% 13/01/33	4.80%
Yorkshire Power 7.25% 04/08/28	4.58%
Goldman Sachs 3.125% 25/07/29	4.38%
UK (Gov. Of) 3.25% 31/01/2033	4.27%



*As at end of Quarter 4

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Our approach is to invest like **business owners**, much as minority shareholders would in a private company where daily market quotations do not exist. In that world, you would not reassess the value of your stake every morning based on a flashing screen. Instead, you would focus on the quality of the business, its cash-generation, and the price you paid relative to its long-term earning power.

A few words on bonds . . .

In a game where we are playing for singles, small gains add up over time, and the hope is that with bonds paying a regular income and maturing at various intervals we can smooth out some of the uncertainty. None of us knows which way interest rates will move, or when, but as we intend to hold all our bonds to maturity, we have the advantage of knowing the investment return we will achieve, subject to no broken promises. This is called the yield to maturity.

Unlike equities the price of our bonds is unlikely to change very much, but they will change a little day by day either up or down based on people's expectations of interest rates, inflation, and the credit worthiness of the person we are lending capital to. For the avoidance of doubt, we only hold UK government bonds and investment grade credit in the portfolio. This makes the chances of broken promises, not impossible, but unlikely to occur.

Shorter dated bonds will generally move a lot less than longer dated bonds and this is mainly because the lender must wait longer before having their capital is returned. As a result, a small change on expectations for interest rates will have a much greater effect on a twenty-year bond than one maturing next year. This is one of the reasons we stagger maturities, depending on the rates of return offered and how comfortable we are with the risk taken by their duration. As interest rates change, the present value of these future cash flows changes also. Generally, there is an inverse relationship between bond prices and interest rates; when interest rates rise bond prices fall, and vice versa.

Should interest rates come down at the back end of this year or next, it would be logical to expect the value of many of our bonds to rise and those with the longest time to maturity to rise the most. It should be noted that if you hold to maturity the total return won't change, but for a while bond holders may feel a little richer as a result. a little richer as a result.

PORTFOLIO PERFORMANCE

Cumulative Performance

	Henry Spain Defensive Portfolio	MSCI PIMFA Private Investor Conservative
1 Year (01/01/2025 to 31/12/2025)	8.68%	10.02%
Since Inception (05/07/23 to 31/12/25)	18.59%	25.49%

Discrete Annual Performance

	Henry Spain Defensive Portfolio	MSCI PIMFA Private Investor Conservative
01/01/2024 - 31/12/24	3.97%	6.08%
01/01/2025 - 31/12/2025	8.68%	10.02%

UNDERSTANDING OUR INVESTMENT PHILOSOPHY

Stock investments are not ticker symbols they are a share of a real business. Many people choose to watch their portfolio on a daily basis and change things regularly, we believe that this can lead to mistakes and is likely to lead to higher costs. As long as the fundamentals remain solid once you have bought a great business the time to sell is rarely ever.

Our preferred approach is to buy businesses with a proven track record of growing their earnings successfully over a long period of time, and whose products are likely to be required in twenty-five years. Companies that succeed in increasing the price of their products above inflation, can give us the basis for a successful long-term holding.

Be objective and dispassionate. We are conscious of behaviour that drives poor investment decisions, which we believe helps to give us an edge over many other investors. While stock markets are a useful reference point they are not our guide to the intrinsic value of a business.

As long as our facts and reasoning are right we are content to go against the herd.

We believe that advantages can be gained by just being rational and endeavouring to avoid mistakes. We believe in only investing in what we can understand and by doing so increases the likelihood of achieving the best results.

Pay attention to risk. Most investors are primarily focused towards returns – how much they can make and pay little attention to risk – how much they can lose. The pay-off from a risk-averse long term portfolio orientation is just that, long-term. Selecting businesses with inherent competitive advantages does not always result in short term gains, but overall it should significantly reduce the risk of an inadequate rate of return.

Never invest short term or emergency money. Prices will vary and any investor should be prepared to weather a downturn. Portfolios should be matched to goals and objectives, not the stock market as a whole.

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TOM SPAIN
INVESTMENT MANAGER

“Most investors are primarily oriented towards return - how much they can make and pay little attention to risk - how much they can lose. My chief concern is the quality of the businesses we buy because when I get that right, returns have been more than satisfactory”.

Important Information:

Henry Spain Investment Services ('Henry Spain') brings the following important information to your attention, which you should read closely. If you have any questions on the below please ask your Henry Spain Wealth Manager:

At Henry Spain we hold concentrated positions in companies in which we have the highest degree of conviction. Capital is always allocated to our best ideas while at the same time seeking to avoid outcomes that would result in a permanent loss of capital. This means that upside return benefits and downside risks for the portfolio may be more affected by the returns and market sentiment towards individual companies than in more widely diversified portfolios, which is sometimes referred to as greater 'volatility'.

Where we hold positions for our clients which in aggregate are more than 10% of the shares in issue of a company, our concentration may mean that it will require us more time to sell and realise cash in respect of positions we decide to liquidate. This means that if you were to instruct the liquidation of your entire portfolio, it might take longer to realise cash in respect of such positions than others in your portfolio and that the price might be affected by that liquidation process.

At times, portfolios may have exposure to smaller companies including stocks listed on the Alternative Investment Market (AIM) which are less liquid. Upside returns and downside risks may be greater than those of larger companies. In times of market or company-specific stress, it may be harder to trade stocks than at other times. This includes the possibility that a company (no matter the size) or fund may have had its trading suspended by exchanges or other authorities, or subject to lock up. This means that we may not be able to liquidate a position in part or in whole in order to release cash into your portfolio and/or meet a redemption request due to circumstances beyond our control. Under certain circumstances it may be necessary to transfer an existing position out to you or an alternate provider.

Henry Spain may invest its own money in stocks which are also part of client portfolio holdings. This may include having a material interest in such companies. We will always ensure that client trades are prioritised over any Henry Spain trades. The Personal Dealing Supervision Team acts to ensure that clients will not be disadvantaged and are fairly treated and adheres to our Conflicts of Interest Policy and Aggregation and Allocation Policy. Details of positions will change over time but should be assumed to be any position in client portfolios. Details are available on request, as are details of our conflicts of interest handling process.

We may be appointed as a Board member (such as a Non-Executive Director) in smaller companies where client interest is significant and we believe that it is in the best interests of shareholders and clients for us to be able to exert influence on company management in order to target better returns for shareholders and our clients. A Board member may have access to non-public price sensitive information from time to time. We and the underlying company typically manage this by stringent application of "closed periods" where we and company senior employees are only permitted to trade in specific open windows to ensure that trades are not placed in breach of any Market Abuse or comparable rules.

Risk Warnings:

Past performance is no guarantee of future results. Certain investments carry a higher degree of risk than others and are, therefore, unsuitable for some investors. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down.

Opinions constitute our judgement as of this date and are subject to change without warning. Neither Henry Spain nor any connected company accepts responsibility for any direct or indirect or on sequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this Leaflet.

Before contemplating any transaction, you should consider whether you require any advice from a financial adviser which we would be happy to provide. Tax benefits and allowances described in this Leaflet are based on current legislation and HM Revenue & Customs practice and depend on personal circumstances. These may change from time to time and are not guaranteed. This is a financial promotion.

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