

GROWTH 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 Growth portfolio saw returns of 13%. 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.

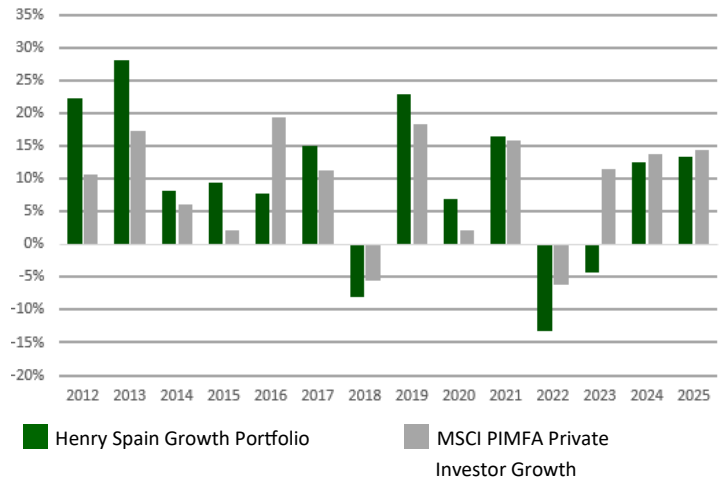
Leading contributors for the year were **Staffline (+92%)**, **Lloyds Banking Group (+85%)**, and **Alibaba (+63%)**. Leading detractors were **Novo Nordisk (-43%)**, **Kraft Heinz (-22%)** and **Lindsell Train (-7%)**.

We remain convinced of the investment case for all six 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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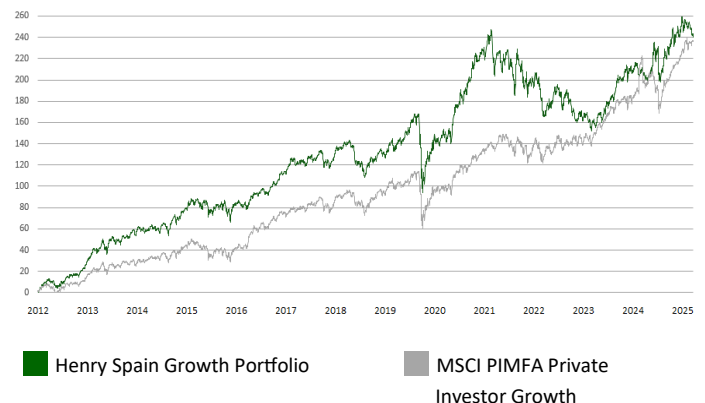
Portfolio Performance

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.



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

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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.

Two holdings from the year — **Lloyds Banking Group** and **Novo Nordisk** — provide useful and contrasting examples of this discipline in action **undervalued enterprise** operating well below its intrinsic worth.

Lloyds Banking Group — when boredom is mispriced

When we topped up Lloyds Banking Group in 2020 at around **26p**, and **10x earnings** some clients quite reasonably questioned the future of a “boring” banking business that appeared to have delivered very little since the Global Financial Crisis. To many observers, Lloyds looked more like a bond substitute than an equity investment.

That scepticism was understandable — but it missed what mattered.

What we saw was not a broken business, but a **highly undervalued enterprise** operating well below its intrinsic worth. Lloyds was generating **attractive returns on tangible equity**, had a dominant position in UK retail and commercial banking, a simplified balance sheet, conservative underwriting, and a capital position that was steadily strengthening.

At the time of our purchase, the shares traded at a **material discount to tangible book value**, despite returns that comfortably exceeded the bank’s cost of capital. The market remained anchored to the past — government ownership, conduct costs, ultra-low interest rates — rather than the economic reality of the business as it stood.

Some argued the shares would do little better than a bond. In practice, they proved to be something quite different.

As interest rates normalised, Lloyds’ earnings power became more visible. Excess capital began to flow back to shareholders through **dividends and share buybacks**, steadily reducing the share count and increasing each remaining shareholder’s claim on future profits. This is exactly the sort of quiet, compounding dynamic we look for — progress that often goes unnoticed until it becomes impossible to ignore.

The result was a **380% gain since that top up and 124% in the last two years alone**, making Lloyds one of the strongest contributors across client portfolios in that period. With hindsight, our only unforced error was trimming the position too early at the start of the year.

The broader lesson is not about banks per se. It is about **valuation and patience**. Markets routinely misprice businesses that are unfashionable, dull, or associated with unpleasant memories. Lloyds had all three characteristics — and that was precisely the opportunity.

Novo Nordisk — when valuation matters more than momentum

Novo Nordisk provides a useful counterpoint.

We held a relatively **large position** in Novo for many years, and for a number of clients the investment delivered gains of **well over 250%**. It was, by any measure, one of our most successful holdings.

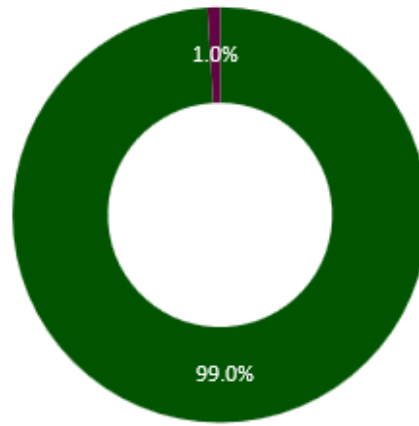
As the share price surged, however, the business became **priced to perfection** — trading at **over 40x earnings in 2024**. At that valuation, even an outstanding business offers little margin for error. Expectations were extreme, and the share price left no room for disappointment.

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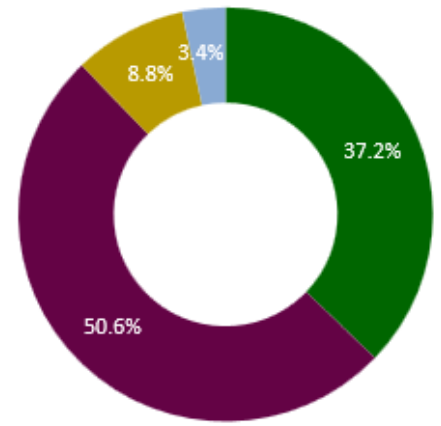
TOP HOLDINGS

Company

Berkshire Hathaway
 The Character Group
 The Staffline Group
 Alibaba
 Lloyds Banking Group



■ STOCK
 ■ CASH



■ UK
 ■ NORTH AMERICA
 ■ ASIA EMERGING
 ■ EUROPE DEV

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We therefore chose to **significantly reduce the position**. At the time, a few clients questioned the logic and judgement of reducing one of our best-performing investments. That reaction is entirely human. Selling what has worked best often feels harder than selling what has failed.

What followed illustrates why valuation discipline matters.

Novo had a market-leading position in what is probably the most exciting drug development in around three decades into extraordinary expectations. Weight loss drugs were about to go to the moon, according to prevailing media narratives at the time. Yet, it has since slipped into a **secondary competitive position** and failed to prevent **illegal generic competition in its core US market**. Many of these challenges were not obvious in advance — to us or to the wider market — but the valuation left no room for such setbacks.

In this case, it was **valuation**, not foresight, that protected capital.

If anything, with perfect hindsight, we would have been better off selling the final 1-2 percentage points of the remaining position and considering a re-entry at today's far more reasonable prices. The important point however is this: we allowed **valuation to dictate our decisions**, not momentum, narrative, or recent success.

Process over prediction

Lloyds and Novo Nordisk illustrate opposite sides of the same discipline. One was an unfashionable business bought at the right price; the other a wonderful business trimmed when expectations ran too far ahead of reality.

We will not always get the timing perfect. What we can control is our **process**: focusing on intrinsic value, insisting on a margin of safety, and managing emotions when markets test patience.

That discipline — rather than forecasting headlines or chasing what is working — remains the cornerstone of how we will manage your capital in 2026 and beyond. Thank you for your continued trust — we don't take it lightly.

PORTFOLIO PERFORMANCE

Cumulative Performance

	Henry Spain Growth Portfolio	MSCI PIMFA Private Investor Growth
1 Year (01/01/2025 to 31/12/2025)	13.44%	14.41%
5 Year (01/01/2021 to 31/12/2025)	32.08%	61.22%
Since Inception (01/01/12 to 31/12/25)	241.47%	269.47

Discrete Annual Performance

	Henry Spain Growth Portfolio	MSCI PIMFA Private Investor Growth
01/01/2016—31/12/2016	7.68%	19.37%
01/01/2017—31/12/2017	15.01%	11.35%
01/01/2018—31/12/2018	-8.07%	-5.46%
01/01/2019—31/12/2019	22.97%	18.24%
01/01/2020—31/12/2020	6.99%	2.22%
01/01/2021—31/12/2021	16.48%	15.93%
01/01/2022—31/12/2022	-13.25%	-6.12%
01/01/2023—31/12/2023	-4.31%	11.42%
01/01/2024—31/12/2024	12.55%	13.68%
01/01/2025 - 31/12/2025	13.44%	14.41%

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.

Henry Spain Investment Services

49 High Street
Market Harborough
Leicestershire
LE16 7AF
+44 (0)1858 898023

3 Church Passage
Oakham
Rutland
LE15 6DR
+44 (0)1572 897510

info@henryspain.co.uk

www.henryspain.co.uk



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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