HENRY SPAIN | INVESTMENT SERVICES

Market Harborough & Oakham

Q2

CAUTIOUS 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.

Market Update Q2 2026

The last three months have been a positive period for our portfolios, with our Cautious Portfolio delivering gains of +2.4%. Whilst it is always pleasing to see portfolio values move higher, I would encourage investors not to place too much significance on any single quarter's performance.

One of the great ironies of investing is that performance is often judged over three-month periods, whilst the businesses we own are built over decades and, in many cases with some of our holdings, centuries. Our objective has never been to outperform every quarter, nor every year, such a goal is unrealistic. Instead, our aim is to own exceptional businesses at sensible prices and allow time to do the heavy lifting.

The stock market exists to serve us, not to instruct us. Short-term fluctuations simply offer opportunities—sometimes to realise gains, but more often to buy larger stakes in wonderful businesses when temporary pessimism allows us to do so at attractive prices. **Our economic fortunes long-term will mirror the progress of the businesses we own**.

This quarter happened to be one where several of our investments delivered excellent returns, but our enthusiasm comes less from the share price appreciation and more from the improving economics of the underlying businesses.

Standout Performers:

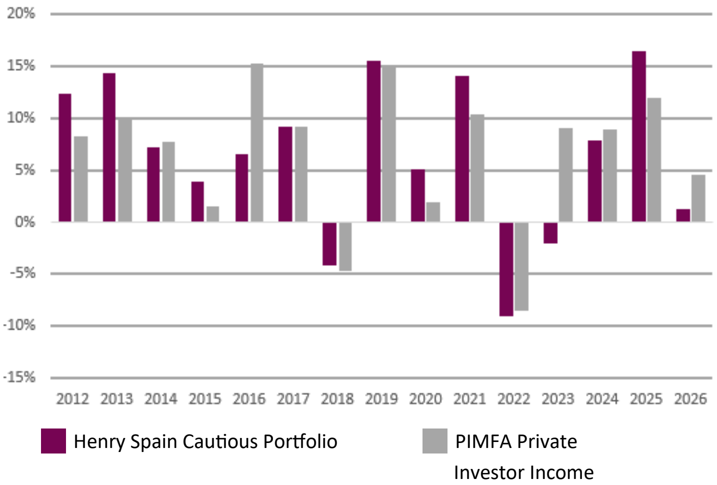
Crocs (+44%)

Crocs was our strongest performer during the quarter, rising approximately 44%.

Continued Overleaf...

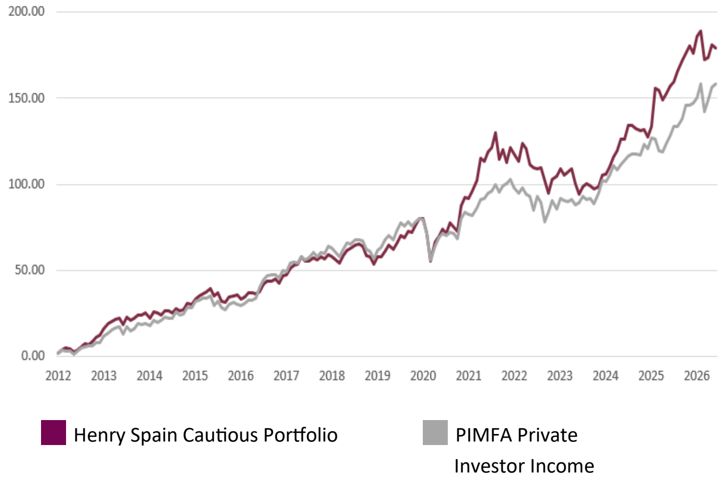
Portfolio Performance

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 - 30.06.2026.

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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Despite continued concerns surrounding consumer spending, the company has continued to demonstrate the remarkable strength of its brands. Recent trading updates showed healthy revenue growth, excellent profitability and, importantly, substantial free cash flow generation.

We expect the next trading update at the end of July, and if progress continues at this rate, I would expect to see Crocs become the default shoe of choice at the next Henry Spain Investor Day!

Management continue to deploy that cash intelligently through share buybacks. During 2025, Crocs repurchased approximately 6.5 million shares, investing around $577 million at an average price of $88.68 per share.
This reduced the Company's share count by approximately 10% in a single year. It is worth remembering that every share repurchased increases our ownership of the business without requiring us to invest another pound, whilst also increasing future earnings and free cash flow on a per-share basis.

Combined with consistently high returns on capital, strong cash generation and a balance sheet that continues to strengthen, we believe Crocs remains one of the highest-quality consumer businesses trading at an attractive valuation. Even after the recent share price appreciation, based on free cash flow per share of approximately $15, the shares continue to offer a free cash flow yield of around 11.5%—a level we still believe represents compelling value for a business of this quality

Whilst the share price has recovered sharply, we continue to view the investment through the lens of long-term owner earnings rather than short-term market sentiment. In our view the shares are still materially undervalued. Management's willingness to repurchase such a significant proportion of the company when the shares traded at what we believed to be an attractive valuation demonstrates both confidence in the business and a disciplined approach to capital allocation.

As Charlie Munger used to say: “Pay close attention to the cannibals – the businesses that are eating themselves by **buying back** their stock." Or in the words of Warren Buffett “If you do it at the right price, there’s nothing better than **buying in your own business**.”

Novo Nordisk (+34%)

Novo Nordisk also enjoyed an excellent quarter, appreciating approximately **34%**, recovering some of the significant share price decline experienced over the previous year. We did well to reduce the position previously near the all-time high but would have done even better selling the last 1%. Thankfully we didn’t miss the opportunity to buy at the recent low, more on that later.

The company's latest results continued to demonstrate the strength of its position in the rapidly growing global market for obesity and diabetes treatments. Obesity care sales, including Wegovy, increased by approximately **22%**, highlighting the continued underlying demand for these treatments.
The investment question facing shareholders has therefore changed. Novo is no longer simply a story about whether demand exists for obesity treatments—it clearly does. The question is increasingly how much of the enormous economic value created by these medicines will ultimately accrue to manufacturers as competition increases and governments, insurers and healthcare systems negotiate lower prices.

Whilst we continue to believe the long-term opportunity in obesity treatment is substantial, we are under no illusion that Novo will have this market to itself. Dare I mention Eli Lilly a competitor who trades at nose bleed valuations and has been a fierce and successful rival. Competition is increasing and lower pricing is likely to form part of the industry's future.

Nevertheless, Novo remains an extraordinarily profitable business with considerable competitive advantages, exceptional returns on capital and one of the strongest positions in a healthcare market that could continue expanding for decades.

Management also continues to return surplus capital to shareholders through its **DKK 15 billion share repurchase programme**, alongside significant investment in expanding manufacturing capacity and developing the next generation of treatments.

Continued Overleaf...

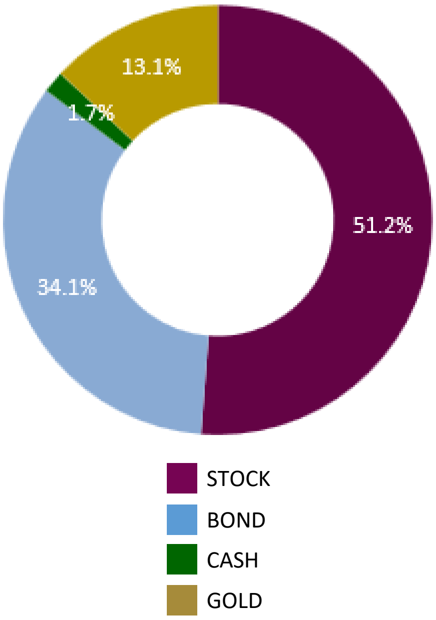
CAUTIOUS PORTFOLIO

TOP HOLDINGS

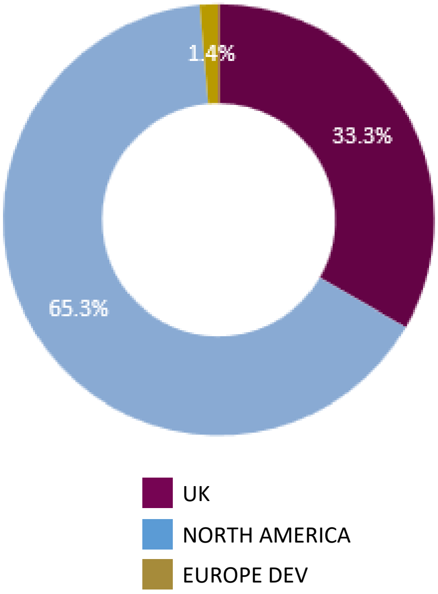
Company

Gold Bullion
Berkshire Hathaway
Electronic Arts
The Staffline Group
The Character Group

PORTFOLIO BREAKDOWN BY ASSET CLASS



GEOGRAPHICAL EXPOSURE



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Periods of share price weakness over the last year reflected concerns surrounding competition, pricing and the pace of future growth. We used that weakness as an opportunity to increase our investment at what we believed were considerably more attractive valuations, topping up our position at **DKK 238**, with the shares now **at DKK 322**. The subsequent **34% recovery this quarter** is pleasing, although—as with all our investments—our focus remains firmly on the long-term earning power of the business rather than short-term movements in its share price.

Healthcare innovation rarely follows a straight line, but we continue to believe Novo Nordisk is exceptionally well positioned to create significant value for shareholders over many years.

The Character Group (+28%)
Character Group delivered a strong quarter, rising approximately 28%.

The most significant development was the announced disposal of one of the company's investment properties. Combined with the approximately £13 million of net cash reported previously, the sale is expected to leave Character with close to £25 million of cash and property proceeds on a business currently valued by the stock market at around £52 million. Put another way, almost half of today's market value is supported by cash.

If Character returns to generating annual earnings in the region of £5–6 million, (which we expect to be the case this year and go higher from there) the operating business is effectively being valued at an exceptionally attractive earnings yield, comfortably into the high 20% range after adjusting for surplus cash.

This is precisely the type of situation we seek to identify: a conservatively financed company with a strong management team, significant balance sheet strength and a valuation that appears disconnected from its long-term earning power.

Looking Ahead
Whilst rising share prices are naturally welcome, our investment process remains unchanged.

We continue to spend considerably more time analysing company accounts than we do monitoring share prices. The value of a business is determined by the cash it can generate for its owners over many years, not by where the market happens to price it this week or this quarter.

Markets will continue to fluctuate, and there will undoubtedly be periods when prices move against us. Indeed, those periods often present our best opportunities to increase our ownership of outstanding businesses at more attractive prices.

As always, we remain patient, disciplined and focused on owning businesses that we believe will be substantially more valuable over the next decade than they are today.

Thank you, as always, for your continued trust and confidence.

PORTFOLIO PERFORMANCE

Cumulative Performance	Henry Spain Cautious Portfolio	PIMFA Private Investor Income
1 Year (01/07/2025 to 30/06/2026)	8.40%	13.12%
5 Year (01/07/2021 to 30/06/2026)	26.73%	32.05%
Since Inception (01/01/12 to 30/06/26)	178.77%	158.16%

Discrete Annual Performance	Henry Spain Cautious Portfolio	PIMFA Private Investor Income
01/01/2016—31/12/2016	6.51%	15.31%
01/01/2017—31/12/2017	9.18%	9.24%
01/01/2018—31/12/2018	-4.17%	-4.64%
01/01/2019—31/12/2019	15.52%	15.15%
01/01/2020—31/12/2020	5.09%	1.94%
01/01/2021—31/12/2021	14.12%	10.42%
01/01/2022—31/12/2022	-9.09%	-8.49%
01/01/2023—31/12/2023	-1.72%	9.09%
01/01/2024—31/12/2024	7.86%	8.96%
01/01/2025 - 31/12/2025	16.43%	11.95%

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.