

January 2026

Church House Human Capital – Quarterly Letter

“Belief in the ability of people” – Adrian Cadbury

In his letter to Berkshire Hathaway shareholders in 2000, Warren Buffett wrote that, *“Nothing sedates rationality like large doses of effortless money”*. Our efforts with the Church House Human Capital Fund in 2025 have felt somewhat the opposite of this – 12 months of diligent fundamental analysis and many company meetings have generated only a modest return for shareholders against the backdrop of a market that has been off to the races. We analyse the Fund’s performance in detail later, but must begin by assuring investors that our underlying investee companies grew earnings on average over 15% during the period and that we have been active in strengthening and diversifying the portfolio throughout. At current levels, we see opportunity to add to positions in the highest quality Human Capital businesses on more than reasonable valuations and have been doing so across the board.

A quick refresh on what we are looking to achieve with Human Capital, before discussing recent activity, and why we have taken this unique approach. Our objective is to deliver high and compounding returns for investors over the long term. We believe that the most important factor in the success of truly extraordinary businesses (and so share prices) is **people**, the *Human Capital*. Intelligent, motivated and driven individuals can achieve wonderful results when given suitable incentives, support and autonomy from their management. As Adrian Cadbury (of chocolate and Olympic rowing fame), wrote in his book *Corporate Governance and Chairmanship: A Personal View* in 2002:

“The Company is made up of individuals and its success turns on their collective commitment to its aims. That commitment can only be won through our ability to bring about a convergence of individual, team and company goals. People should know what is expected of them and be given every help to meet those expectations. Our standards should be demanding and demanding standards require appropriate rewards. Belief in the ability of people to grow means planning to promote from within, except when an outside infusion is needed. Equally it means that where we fail with people, the situation must be faced up to openly and promptly and resolved with the least loss of individual self-respect, because the failure is shared. In the same way the responsibility for the development of people is shared, the drive must come from the individual and the training resources from the Company. Everyone in the Company should be encouraged to make the most of their abilities.”

The best example of this Human Capital approach in practice is what Warren Buffett has achieved. Bringing together hundreds (and now thousands) of high performing companies made up of entrepreneurial individuals under the umbrella of Berkshire Hathaway *and resisting the urge to get involved in the day-to-day running of the companies* has supported the growth of Berkshire businesses as disparate as GEICO (insurance), See's Candy and Nebraska Furniture Mart for decades. It is a simple and repeatable business model, but it is *not easy* and requires a mindset that few CEOs are blessed with.

Portfolio Activity

Over the year, we took the number of investments in Human Capital from 24 to 26 companies, introducing seven new investments, while exiting five. This shows the quality of new investment ideas we are seeing and healthy competition for places in the Fund rather than any of the companies that we sold being disappointments, far from it. We introduced the Fund's first direct investments into Japan and Switzerland, whilst also significantly diversifying our end-market exposure. For example, through exiting US names **TopBuild**, **SiteOne Landscape Supply** and **Watsco**, we have taken out all but one of our businesses selling into the US construction market, while their replacement with names such as **Cicor Technologies** and **Novanta** brings in earnings from increased European defence spending and high-tech manufacturing in technology and healthcare respectively. The net effect is Human Capital having lower revenue correlation across its portfolio and higher underlying earnings growth.

New positions added over the final quarter of 2025 were:

1. **Federal Signal Corp**: a remarkable story of American persistence and adaptability. Founded in 1901 manufacturing electric signs, Federal Signal (FS) diversified into electrically operated sirens in 1915, the same sirens that were used by the Allies during WW2. Post-war they began selling police sirens and even lit Las Vegas Strip. From the 1980s, FS began acquiring niche industrial vehicle businesses, think enormous sewer vacuums or tractors for clearing snow. We met with the management team of FS earlier in the year and they ticked all the boxes of what we are looking for – decentralised, entrepreneurial, acquisitive and a proven record of sustainably high growth. Having followed the company for a while, we took the chance of a brief drop in the share price to initiate a position in the autumn.
2. **Noritsu Koki**: comes with a similarly quirky history, having led the market in photographic film processing for 50 years until photography turned digital. Noritsu has since sold their legacy film

assets and recycled the capital into acquiring niche and growing businesses such as AlphaTheta, who hold a 70% market share in DJ and club equipment globally, and Hamamatsu Metal Works, a precision manufacturing business. Noritsu have committed to continue on the acquisition trail and with Japan's ageing demographic leaving hundreds of founder-run businesses in need of long-term buyers, they have a deep pool to fish in and pricing is attractive.

These purchases were funded thanks predominantly to steady inflows from our clients and also from the aforementioned sales of **Watsco** and **SiteOne**.

Top Ten Holdings:

		Weight	Listing
1	CHAPTERS GROUP AG	6.0%	Europe
2	ADDECH AB-B SHARES	5.1%	Nordic
3	LAGERCRANTZ GROUP AB-B SHS	5.0%	Nordic
4	LIFCO AB-B SHS	4.9%	Nordic
5	DIPLOMA PLC	4.8%	UK
6	SAVARIA CORP	4.1%	Canada
7	INDUTRADE AB	4.1%	Nordic
8	TETRA TECH INC	4.0%	US
9	BERGMAN & BEVING AKTIEBOLAG	3.9%	Nordic
10	ROKO AB	3.9%	Nordic

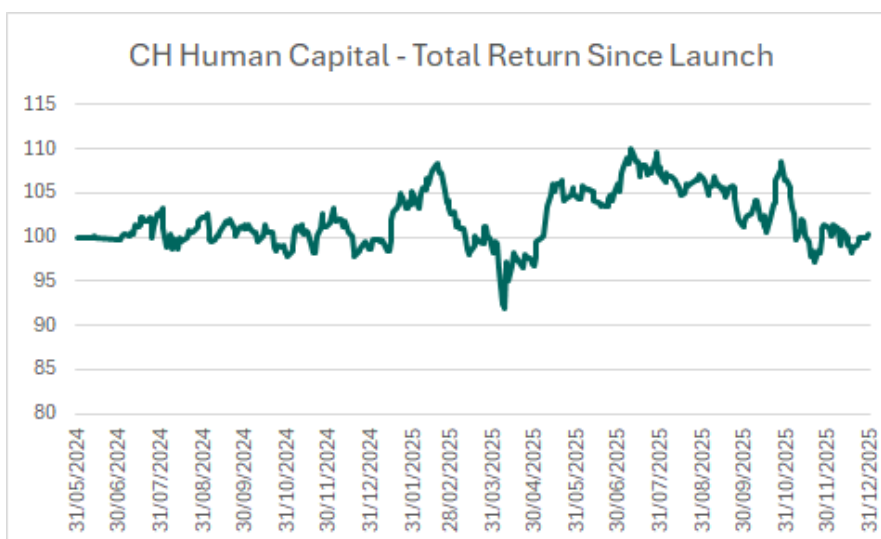
Source: Church House

Performance

At risk of sounding like a broken record, the factors leading to underwhelming performance in the first quarter of 2025 are consistent with what we discussed in our last letter. To develop on these points:

1. **Perceived AI losers in Software:** our investments in Canadian software acquirers **Topicus** and **Lumine** and Swedish-listed **Vitec Software** have had a tough six months as investors are nervous that free AI products will replace the subscription-based products that these businesses sell. Having spoken with both management and customers of these businesses recently, we are confident that these doubters will be proven wrong.
2. **Judges Scientific:** have had a difficult year as US Federal budgets have been diverted from scientific progress to defence spending. Our first meeting of 2026 was with Dr Tim Prestidge, the new CEO, who we were impressed with. It appears that Judges are through the worst of their challenges but we will continue to monitor the situation closely.

3. **Derating:** we have seen a derating of some of our larger holdings. This has not been due to bad news, but rather the market's shift away from mid-caps in favour of big tech and financials. Q3 earnings season (the last time we received financial results from our investments) was overwhelmingly positive and we saw share prices spike over the period, only for the gains to wear-off later in the year. A short-term frustration but long-term chance to keep adding to core holdings, as we have been doing.



Source: Bloomberg

Looking Ahead to 2026

We would like to thank you all for your support of Human Capital and assure you that we will do everything in our power to deliver more satisfactory returns to meet your loyalty in the year ahead. We are in the fortunate position to have an outstanding and knowledgeable investor base. The Fund continues to grow thanks to steady inflows and we look forward to keeping you updated on these as the year progresses.

We have settled into our new offices on Old Bond Street so please do drop if you are in the area.

Fred Mahon

January 2026

The above article has been prepared for investment professionals. Any other readers should note this content does not constitute advice or a solicitation to buy, sell, or hold any investment. We strongly recommend speaking to an investment adviser before taking any action based on the information contained in this article.

Please also note 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.