

April 2026

## Church House Human Capital – Quarterly Letter

### Sticking to the Process and the Rule of 15

It has been a nasty start to 2026 with tensions in the Middle East flaring up and all forecasts of a 'goldilocks' market in 2026 being well and truly put in the shredder. Before looking into how the CH Human Capital Fund has performed in these markets and detailing the action we have taken, we wanted to begin by giving you a look under the bonnet of the Fund and how we are consistently applying our processes through volatile conditions. Our long-term goal for the Human Capital Fund is simply stated:

- **Our objective:** is to deliver high (i.e. above global market) compounded returns to investors over many years.
- **Our process:** is to invest in a suitably diversified portfolio of businesses that can grow shareholder earnings at **15% per annum**. This means doubling earnings every five years.

This is easily said but how do we achieve this, particularly given recent choppy markets? We do this through diligently and unemotionally analysing the underlying performance of each and every one of our holdings and potential investments line by line. If each of our investee companies can compound at this target rate through a cycle and we are disciplined in not overpaying for these earnings, then returns for shareholders in Human Capital will be similarly impressive. We will make mistakes along the way, not all of our companies will turn out to be high enough quality to maintain these high growth rates and valuations will fluctuate, it is on us as managers to be proactive in cutting any positions that are not contributing positively to the whole (Fund) and never lose sight of our goal. As Vincent van Gough wisely said:

*"Great things are done by a series of small things brought together"*

To illustrate this we recently pulled together all the data on Human Capital portfolio earnings for 2024, 2025 and expected 2026 figures. To calculate this, we took the earnings of each company adjusted for the Fund's shareholding to give us a total portfolio earnings per share in the Fund. The results made for encouraging reading – portfolio earnings over the year to December 2024 (the year of Human Capital's launch) was 3.17p, increasing by 19% to 3.77p over the year to December 2025. Our expectation for 2026 is an increase of 12% to 4.24p, albeit we are still early in the year and acquisition activity from our companies should increase this number to more than the 15% level as 2026 progresses. Interestingly, only just over half of our investments grew at over the 15% level in 2025 yet the average

of 19% growth was achieved thanks to a handful of outstanding performers and few real laggards (just two companies saw earnings lower in 2025). We see this as a natural pattern for a diversified portfolio, where different companies will have better or worse years at points in a cycle, yet we are always demanding tangible progress and evidence that 15% will be achieved over any reasonable time frame.

We hope that in 2034 we will be reporting Human Capital earnings of 12.82p per share (2024 earnings compounded at 15%), but this cannot be wished into existence – it must be built on the culmination of a decade of diligence, one set of investee company earnings at a time.

When we pair the growth of Human Capital portfolio earnings with the lagging share price that tells us that the Fund's earnings multiple has contracted. By our numbers, Human Capital's portfolio multiple is now 33% lower than at launch even though **underlying growth has continued strongly**. For us, the price of shares in our unique, growing and high-quality Human Capital businesses has gone from attractive to *very* attractive. It has been many years since such businesses have traded on such modest multiples and the upside for patient investors is palpable.

### **Portfolio Activity**

We have been putting Human Capital money where our mouth is regarding the opportunities we see currently. We were in the fortunate position to have inflows to the Fund during January and February and we steadily put this capital to work, adding to 21 of our 27 positions over the period and initiating two new investments.

Our two new names are:

- **Next Generation Technology Group**: is a Japanese company that specialises in the acquisition of small and mid-sized local businesses typically in manufacturing, aerospace components, industrials, and technology sectors. Japan has a generational challenge with the thousands of niche businesses founded during the 1980s boom years still being under family ownership and looking for long-term owners now that their founders are typically at (or past) retirement age. NGTG presents an attractive home for these businesses as proven perpetual owners located onshore. It is a buyers' market for private businesses in Japan and NGTG is a fantastic way to access this opportunity through a listed holding company.
- **Nemetschek**: is a German company which develops and distributes software used in architecture, engineering and construction. It was founded in the 1970s by Georg Nemetschek, who's family still owns around 45% of the business. The company helps customers with

construction planning, computer aided design and product visualisation. We first met Nemetschek in February 2024 and were very impressed but felt that at 40x earnings their valuation was too high. We took advantage of the broad software sell-off at the start of this year to revisit the business and initiated a position in early March.

In addition to cash inflows, we funded these investments through the sale of our positions in **Kelly Partners Group** and **Vitec Software**. Both businesses have been poor performers in recent months due to market perception that their business models would be damaged by AI challengers. Having spoken with management of both and analysed recent results, we felt that the doubters had a viable case and so exited in favour of the above businesses.

**Top Ten Holdings:**

		<b>Weight</b>	<b>Listing</b>
1	CHAPTERS GROUP AG	5.3%	Germany
2	LAGERCRANTZ GROUP AB-B SHS	5.1%	Sweden
3	ADDTECH AB-B SHARES	5.0%	Sweden
4	DIPLOMA PLC	5.0%	UK
5	LIFCO AB-B SHS	4.9%	Sweden
6	SAVARIA CORP	4.7%	Canada
7	BERGMAN & BEVING AKTIEBOLAG	4.6%	Sweden
8	ROKO AB	4.4%	Sweden
9	COMFORT SYSTEMS USA INC	4.3%	USA
10	FEDERAL SIGNAL CORP	3.9%	USA

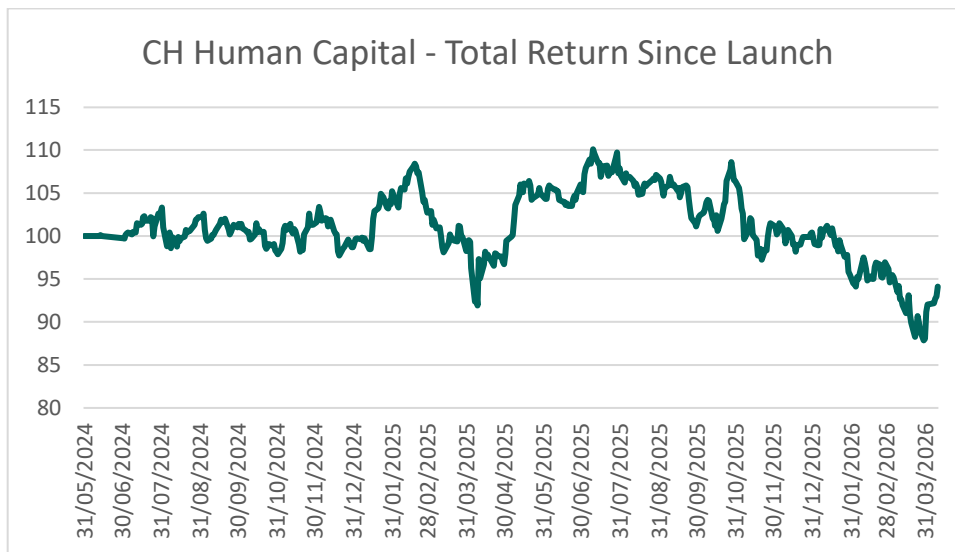
Source: Church House

**Performance**

As detailed above, the short-term performance of the Fund was hit by two main factors:

1. **Software sell-off:** not long into 2026, market sentiment switched from excitement surrounding the growth that AI developments could bring, to one of rampant fear that this new technology would rip through many ‘old world’ sectors, destroying their business models and undercutting their prices. Software was the hardest hit sector, with investors indiscriminately selling businesses of all sizes. From mighty **Microsoft** to **AddNode** (one of our Swedish investments) no stock was immune, and the stock price moves were in some cases over 50% down in a matter of weeks. Software was not and is not our largest sector, but we held enough in the space for these moves to knock the Fund’s share price quite hard during these weeks. We are confident that all our current software names can survive and indeed thrive in a world of AI and it is on the management teams of each to prove this to a market that is not believing them at present.

2. **De-rating across the quality-growth space:** has hurt the share price of even our companies that have nothing to do with software. As we outlined above in our analysis of underlying portfolio earnings, our focus is on ensuring that Human Capital is made up of a portfolio of exceptional and growing businesses that we have purchased at a reasonable price. The market will go through periods when certain themes are in or out of favour and it is our responsibility to be disciplined with our process and not let outside noise distract from this. Just as in 2022 when quality-growth came under great pressure, the market will move on and shares can make progress again. We cannot tell you when this will happen, but it will.



Source: Bloomberg. The chart initially shows the performance of the F Acc shares from 15 May 2024 to 9 October 2025, at which point the F shares were soft-closed. The chart then shows the performance of the B Acc shares from 10 October 2025 to date

**Donald who?**

Geopolitical developments are as unpleasant and unpredictable as in recent memory but no amount of complaining about Trump and his cronies on our part is going to help Human Capital to progress. We would like to thank you, our shareholders, for your support and reiterate that we are keeping our heads down and focusing on the job in hand of maintaining a strong and growing portfolio.

We are just back from a roadshow where we introduced Human Capital to investors across the four corners of the British Isles and are pleased to report that interest in the Fund was high and we have been busy with follow up conversations in recent days. We hope and expect to be reporting further progress to you as the year continues.

We mentioned in our last letter that we have moved to new offices at 14 Old Bond Street and please do drop in if you are in the area – the offer very much stands.

Fred Mahon

April 2026

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