

July 2026

Church House Human Capital – Quarterly Letter

AI: The only game in town?

The second quarter flew past in a whirl of Middle East negotiations and AI excitement. Markets wasted little time dwelling on the details of peace talks with Iran, roaring back to record highs through April and May. It was very much a 'risk on' quarter as the great majority of assets saw positive returns, except for oil and gold, where prices retreated after spiking during the worst of the fighting in Iran.

Over the second quarter, the semiconductor sub-sector almost DOUBLED in market value on the back of current and expected astronomical demand for their products to fuel growth in AI and now make up a fifth of the FTSE World Index. While the likes of Nvidia, Broadcom and Taiwan Semiconductor did perform positively in the period, it was DRAM (dynamic random-access memory) chip makers that really rocketed – Micron Technology (+241% in 3 months), Samsung (+100%), SK Hynix (+228%). Samsung and SK Hynix now make up 67% of the MSCI Korea Index – these are extraordinary times.

“The popular definition of 'prudent' – especially in the investment world – is often twisted into 'what everyone does'” – Howard Marks, Dare to Be Great

“You don't understand... We've moved to an entirely new way of valuing stocks here in Japan” – unnamed Japanese trader in 1988

The Human Capital Fund offers diversification to investors looking to spread their risk within increasingly narrow global markets, whilst also giving exposure to a portfolio of dynamic, fast growing and entrepreneurial companies. We are not now going to launch into a letter of AI-bashing and welcome how in many ways the technology is making all our lives that bit easier or more productive. What we would say, is that markets have become very concentrated on the AI theme and this heightens the risk. The fact that so many piled into the SpaceX IPO despite the prospectus being so light on financial detail and heavy on hype is clear speculation to us. The Warren Buffett quotation, *“be fearful when others are greedy”* comes to mind.

CH Human Capital - Industry Weights – 30/06/2026

Trading Companies & Distributors	17.6%
Electronic Equipment	12.0%
Machinery	11.4%
Industrial Conglomerates	10.8%
Software	9.1%
Construction & Engineering	6.8%
Financial Services	5.9%
Chemicals	5.1%
Health Care Technology	4.7%
Leisure Products	4.2%
Commercial Services & Supplies	3.5%
Household Durables	2.6%
Aerospace & Defence	2.0%
Insurance	1.9%
Cash	2.5%

Source: Church House

Stockholm Visit

Regular readers will know that a unique feature of Human Capital relative to most global funds is our Nordic exposure. We own six Swedish-listed names, making up 29% of the Fund. Early in the spring we travelled to Stockholm for an intense few days meeting the management teams of existing and prospective investments. There is no substitute for in-person meetings and visiting headquarters to really get a feel for a company. A few highlights from our trip that particularly chimed with our Human Capital approach:

- **Headquarters** of all the top performing businesses are small, unglamorous offices but with a real energy about them. Management use Stockholm as a base but spend the great majority of their time on the road visiting their businesses and meeting potential acquisition targets. It must be bl**dy hard work, but the leaders we met truly loved their position.
- **Ownership** kept coming up as a point of difference. As a reminder to readers, our six Nordic holdings are publicly listed but each have a majority shareholder, typically a first or second generation family office. The management teams that we spoke to kept returning (unprompted) to the importance of this ownership structure in giving them clear goals, support and accountability.
- **Per Waldemarson** (CEO of Lifco) is consistently our most quotable manager and he did not disappoint this time around. Per has been CEO of Lifco since 2019 and on the executive team for over twenty years. In that time, he has been part of the acquisition of over 200 private companies for Lifco. Anyone (with the cash available) can acquire, but few have Per’s skill at picking niche businesses, paying a modest

multiple for them and integrating them smoothly. What does Per look for in a manager? Three points he told us:

1. **Results-driven:** Per gives all his managers one target – grow profit every year. This must be front-and-centre of everything.
2. **Action-oriented:** managers who waste no time doing what it takes to achieve point 1. This is about being proactive and taking responsibility for results.
3. **Decent person:** managers must respect Lifco’s culture and *leave their egos at the door*.

Top Holdings – 30/06/2026	Weight	Listing
Chapters Group	5.9%	Germany
Lagercrantz Group	5.8%	Nordic
Diploma	5.5%	UK
Lifco AB	5.2%	Nordic
Perimeter Solutions	5.1%	USA
Federal Signal Corp	5.0%	USA
Addtech AB	4.8%	Nordic
Savaria	4.8%	Canada
Roko AB	4.7%	Nordic
Comfort Systems	4.7%	USA
Bergman & Beving	4.4%	Nordic
Noritsu Koki	4.2%	Japan
Novanta	4.1%	USA
Tetra Tech	3.5%	USA
Hikari Tsushin	3.3%	Japan

Source: Church House

Portfolio Activity

As a reminder, with Human Capital we are focusing on mid-cap businesses across the globe, offering high compounding growth through three primary themes:

- Outstanding leadership
- Decentralised structures, empowering action and an entrepreneurial culture
- Acquisitive businesses

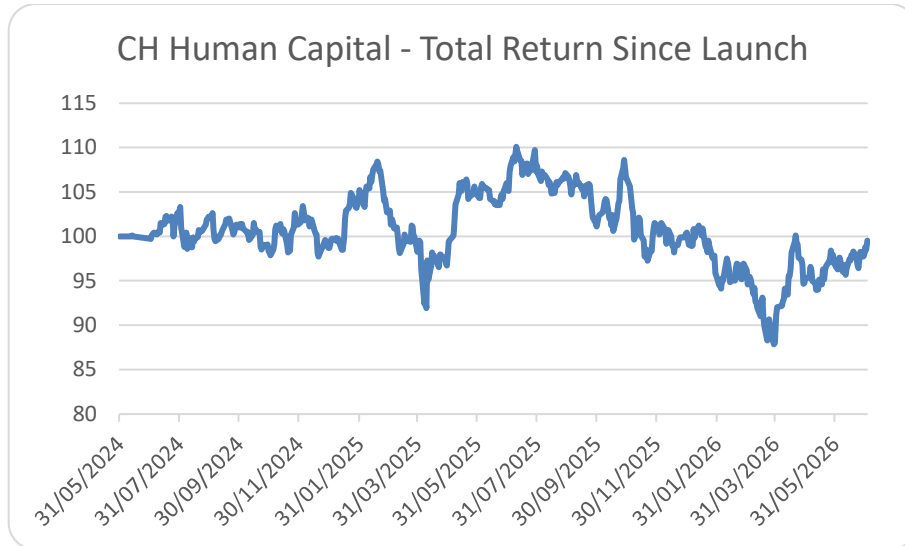
In a narrow and tech-focused market, such businesses have not been in vogue, but this has not stopped the companies we invest in from making progress and we see excellent value on offer here. Reflecting this, we were buyers throughout the quarter, adding one new name to the portfolio and adding across our core positions.

Our new investment is in **Tasmea**, the Australian-listed provider of specialised services to the Mining, Resources and Industrial sectors. Tasmea was founded by Stephen Young in 1999, and he remains the CEO and majority shareholder. We met Stephen in June at our offices and he exudes energy for his business and, having recently announced their largest acquisition to date, his drive to grow the company is as strong as ever. Tasmea has a strong record of buying service businesses on low multiples and, most importantly, integrating them into their model effectively and without compromising growth. As Stephen told us:

“I don't run 28 businesses; I support 28 businesses who are run by exceptional men and women”

Of note are our three Japanese holdings, **Hikari Tsushin**, **Noritsu Koki** and **Next Generation Technology Group**, which we have been adding to steadily. Japan is a particularly attractive market in which to be acquiring small, high-tech businesses at present, it has an ageing population of business owners who founded their companies during the 1980s boom years. These entrepreneurs are now at (or past) retirement age and are looking for long-term homes for their legacies. Such owners are happy to accept remarkably low multiples for their companies in return for the longevity and respect that, for example, Noritsu Koki offer. We met the management teams of Hikari and Noritsu during the spring and were suitably impressed.

We sold two of our Nordic investments, **AddNode** and **Indutrade**, both of which we felt were not performing at as high a level as they had in the past. Both remain strong businesses but competition for a place in Human Capital is high and we saw better opportunities elsewhere.



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

Performance

The Human Capital Fund had a positive second quarter, making up most of its losses seen at the start of the year. The Fund has not kept pace with the AI-driven excitement of large-cap indices but we are pleased to report that the underlying growth of our investee companies has been impressive – earnings grew at an average of 19% across the Fund in 2025 and we predict another year of strong progress in 2026. In recent weeks share prices in our holdings have begun to pick up momentum, reflecting the fundamental progress seen across our companies, but still with plenty of upside on offer from here.

Thank you for your ongoing support for Human Capital. It has been a challenging year, but we have stuck to our processes and will, in time, see the results come through in improved returns. In the meantime, please do get in touch if you have any questions about the Fund – we are always happy to discuss.

Fred Mahon

July 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.