

Letter to Investors – Interim 2025

Dear Fellow Investors,

Overview

This is our first interim investor letter after having produced quarterly letters for the last six years. The reason we made this change is to better align our communication with key tenets of our strategy, specifically, that investment is a long-term endeavour and investors should focus on underlying business fundamentals rather than the short-term fluctuations in the stock price. Six months provides more scope to report on meaningful business developments.

In this letter, we discuss performance, remind you of our philosophy, highlight an important change in Chawton Global Investors' (CGI) business and then review portfolio related business developments and activity.

Performance

The YFS Chawton Global Equity Income Fund (CGEIF) objective is to grow the purchasing power of its investors' capital and provide the flexibility to derive a regular and growing income stream. We believe CGEIF's progress is best assessed over a minimum period of five years and therefore that is most appropriate for performance. Our favoured comparative measure is the compound annual growth rate of CGEIF versus the returns of equities over the very long term as measured in the Barclays Equity Gilt Study.

We are no longer including MSCI performance data. The MSCI World Index was initially chosen as CGEIF's comparator index at launch due to it being the reference for the yield threshold to qualify as a global equity income fund as defined by the Investment Association. However, MSCI charge a large fee and provide many restrictions on the use of the data. We think this fee is better spent on useful research resource.

The long-term compound annual growth rate (CAGR) of the Fund stands at 9.5%¹ since inception six years ago.

A breakdown of performance is shown below encompassing 2025 year to date and preceding periods.

	Annual Percentage Change		
	CGEIF B Acc GBP (1)	IA Global Equity Income (2)	Relative Results (1)-(2)
2019	9.3%	7.0%	2.3%
2020	14.2%	3.2%	11.0%
2021	18.2%	18.7%	(0.5%)
2022	(8.3%)	(1.2%)	(7.1%)
2023	10.8%	9.2%	1.6%
2024	7.2%	11.0%	(3.8%)
2025 YTD	7.2%	3.2%	4.0%
Since Inception	72.0%	62.2%	9.8%
Compound Annual	9.5%	8.4%	1.1% p.a

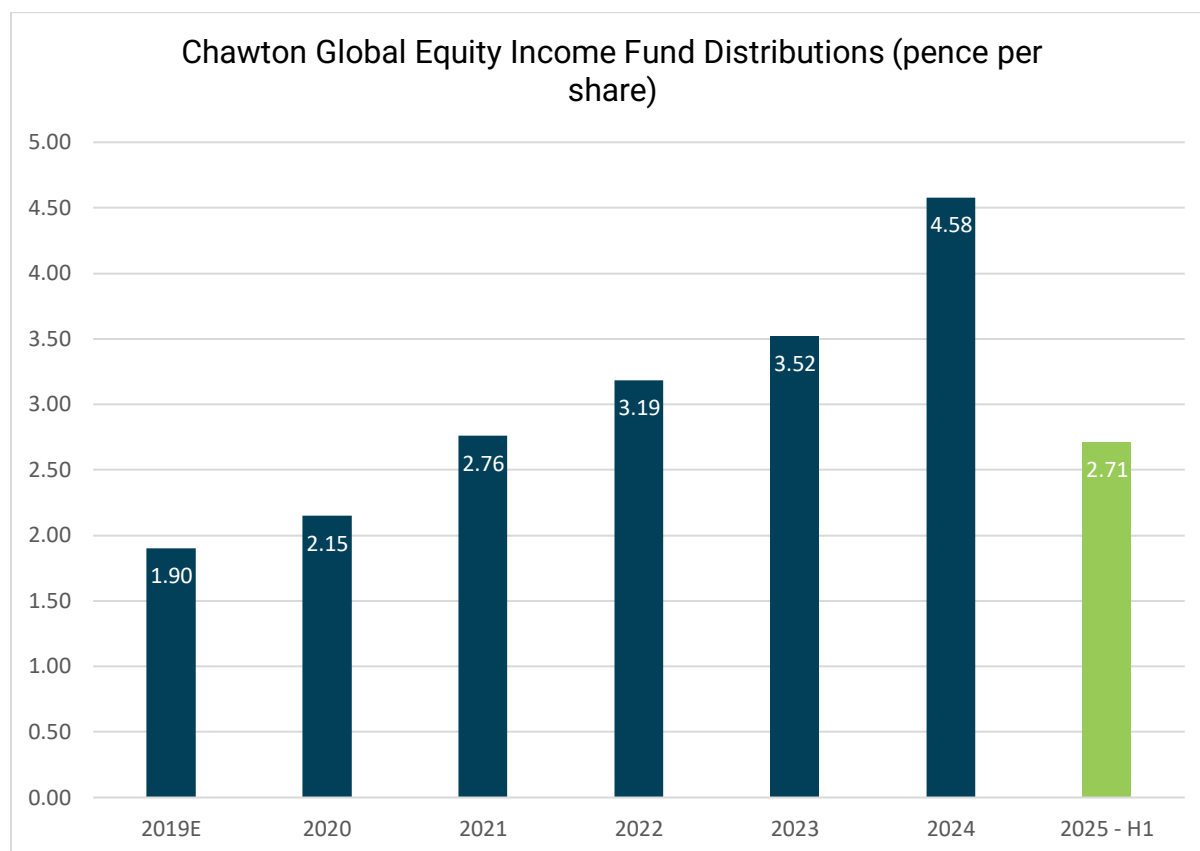
Source: FE fundinfo as at 30 June 2025. Total return in GBP. Past performance is not a reliable indicator of future results. The value of your investments and the income derived from it can go down as well as up and you may not get back the money you invested.

Fund results are net of fees and charges and are compared to the comparator group as represented by the Investment Association Global Equity Income sector. CGEIF's is exceeding this measure and the very long-term nominal returns from UK equities which stands at around 9%². As active managers we are seeking to exceed this level materially so would hope to improve on this level as the strategy progresses.

¹ B Class ACC GBP, Source Chawton Investors

² Barclays Equity Gilt study UK equities: 1899-2024

The following graphic shows the dividend distributions we have made to our shareholders to date. 2025 is likely to surpass the strong returns seen in 2024.



The CAGR in dividend from inception to 2024 is 16.7%³. The 2024 payout equates to a 4.6% yield⁴ on the share class launch price of 100p. This is an important observation for those of our investors, including myself, who are looking for the fund to provide a future income stream.

Overall, the fund is delivering both capital growth, income and income growth in line with its objective.

Philosophy

We see investment as a multi-generational endeavour.

³ Source: Chawton Investors

⁴ Source: Chawton Investors

We invest with a long-term view and so are researching the potential of a company to grow and compound shareholder value over time.

This requires a focus on first principles, business analysis. The quality company lifecycle model forms the basis of our strategic analysis and we use it to screen, evaluate ideas and to determine whether management are deploying the optimal capital allocation strategy.

We only turn to valuation once our research indicates a company clears our business quality and value creation potential 'criteria' for investment. Our mindset is to view the stock markets as there to serve us rather than influence us.

Business Development

As Chawton Global Investors LLP develops, we are continually seeking to optimise the operational performance of the business. This will enable us to deliver a more efficient service and increase resources and reduce costs for investors.

In the last six months we have chosen to make a significant change have through promoting a change of Authorised Corporate Director (ACD). Our original ACD, T Bailey Fund Services (TBFS), was a family-owned company which was acquired by Waystone in late 2022. We had originally chosen TBFS as we felt their values were aligned with CGI.

Waystone; however, is owned by private equity and is growing by acquisition. They are seeking to benefit from scale and will likely wish to sell themselves in the not-too-distant future. In our view, this is potentially misaligned with our investor's interests. Our suggested replacement, Yealand Fund Services Limited (YFSL) is family owned, with committed owners and a long-term mindset.

After much preparatory work, the transfer took place on 5 July 2025 with Waystone Management (UK) Limited being replaced by YFSL.

As a result, the name of the Company (CGEIF is structured as a sub-fund of an open-ended investment company) changed from WS Chawton Investment Funds to YFS Chawton Investment Funds and the Fund name changed to the YFS Chawton Global Equity Income Fund. This also resulted in changes to the depository, the registrar and fund accountant. Full details will be in the interim accounts to be published shortly.

Portfolio Activity

Background

In my letter covering quarter four, 2024, I said that the risk for the very large companies (Magnificent seven etc) that have driven US stock market performance for the last fifteen years, was a slowdown in earnings rather than excess valuation. There is no indication a slowdown is occurring in the first half of 2025. Meta, Microsoft, Amazon and Alphabet all delivered strong earnings. Apple and Tesla have seen some moderation in growth but still maintain substantial competitive advantages.

There is evidence of earnings improvement outside large US listed corporates. Some European companies are starting to benefit from increased defence and infrastructure spending, while early signs of a consumer recovery in China are supporting local companies.

At the same time, uncertainty persists. In the global industrial sector, companies exposed to general industrial production are facing uneven demand and supply chain challenges due to US tariff confusion.

Consumer facing companies are also facing lacklustre demand across regions due to a mix of to higher interest rates, inflation in consumer goods and demographics which are starting to become a significant headwind.

Healthcare companies were affected more than other sectors by tariff and regulatory issues as the US Government seeks to reduce overall US healthcare spending. The net effect of these is that their US drug pricing is under severe threat.

Over the first half, the fund's aggregate performance reflected its exposure to these diverging shorter-term factors. Technology, internet and media holdings performed well, industrials were mixed, consumer facing stocks were generally weak and health care, where we have two holdings, suffered sizeable drawdowns. Financial services, including banks, have been less effected and were generally resilient.

Pexip

Given this narrowing of corporate success in the US and general anaemic demand globally, it is more important than ever that companies in the portfolio demonstrate the potential to drive shareholder value through the appropriate capital allocation given their position in the corporate lifecycle.

For example, select smaller growth companies we have identified through our growth lifecycle phase screen – such as new holding; Pexip, and FinVolution (see June 2025 Factsheet) – have delivered strong fundamental results, reflecting disciplined capital deployment and attractive market positioning. Interestingly both of these, being

predominantly software orientated, have sufficiently strong operational cash flow that they can invest to grow and provide meaningful dividend payments.

Pexip develops and sells software for video conferencing. It sells to large enterprises such as NASA, the US Air Force, HSBC and AstraZeneca.

Rather than going head-to-head with the dominant suppliers, Microsoft teams and Zoom, Pexip focuses on two niche services; interoperability - allowing a Teams set up meeting room to operate seamlessly with a Zoom set-up meeting room - and very secure video conferencing where sensitive information is being discussed. The only direct competitor now is Cisco as other players have been acquired or exited the market.

Pexip has advantage through its Norwegian domicile. The country is perceived as being neutral from a geopolitical perspective and stable from a financial perspective. This helps both from acting as an intermediary between much larger digital players and for security given growing digital sovereignty trends.

Management estimates this market is growing at double digit percentage rates and that the total addressable market is 10x the current market capitalisation of the company. Our research suggests it could be higher. This implies a large runway for growth.

There is also huge margin potential off the back of an asset light model and a gross margin which is around 90%. In 2024, the company delivered a 12% operating margin, and this is forecast to rise to 16% in 2025. Recognising the potential, we acquired a full position early in the first half prior to a surge in the price resulting in it quickly entering the Fund's top ten.

L'Oreal

L'Oreal is a mature company in our lifecycle categorisation but importantly, management understand how to exploit the potential of the group.

CGI has held the global beauty and cosmetics market leader in the Fund since inception in 2019. The company owns and manages multiple brands it sells across different beauty categories appealing to different demographics in all regions globally.

Apart from the original L'Oreal, the brands were all acquired. The model, developed by the founding family and continued major shareholder, the Bettencourt's, is to identify strong, fast growing local brands that have global potential, acquire them and market them through their global platform. This underpins compounding in a mature consumer market.

In the first half of 2025, L'Oréal made two major acquisitions to strengthen its premium beauty portfolio. In June, it agreed to acquire a majority stake in the British skincare brand Medik8, a science-led label focused on dermatological and sustainable products, in a deal valued around €1 billion. Later that month, L'Oréal announced the purchase of Color Wow, a fast-growing professional haircare company known for its innovative frizz-control and textured-hair solutions.

We added to our position in the company in the first half on share price weakness.

Nestle

In contrast, our five-year rolling critical factor monitoring of Nestle has indicated declining revenue growth. The group has grown revenues at a compound average growth rate of only 0.5% over five years leading to a total shareholder return of -22% over this period. Whilst management has changed, they have not articulated a strategy to rectify this situation. For example, value could be created by shrinking back to the strong core. Accordingly, we exited our position.

Ferguson

Ferguson, the USA listed value added distributor of plumbing and heating, ventilation and air conditioning (HVAC) materials to the construction market is also in its mature compounding phase. They have an in-fill acquisition strategy to maximise potential. In addition, management recognised early that HVAC has both structural growth drivers and a similar customer set and so set about a nationwide branch conversion program to add this capability.

Air based cooling equipment demand by new build datacentres is now adding to climate change related demand for HVAC equipment. Some of the latest most powerful datacentres now require water cooling playing to Ferguson's utility plumbing materials distribution. We added to the Fund's position on share price weakness.

Shareholder Engagement and Stewardship

CGI carries out extensive research on companies before deploying the Fund's capital into them. This takes account of the Governance structure, management skill in allocating capital, approach to sustainability and cultural integrity. We seek to engage with management in accordance with our research and ongoing monitoring activities.

Given our scale and approach, we no longer think it is a good use of our resource to systematically complete checklists and prepare extensive reports on shareholder engagement nor commit to a single countries voluntary code on stewardship.

We have been an approved signatory of the FRC UK Stewardship Code for the last two years indicating our approach and processes are sufficiently robust. We have decided to not seek approval from now onwards for the reasons stated above. We will therefore cease to report specifically on engagement both in investor letters and on the CGI website instead covering these aspects in the general activity commentary.

Conclusion

The investor letter now covers a longer-term frame to be better aligned with the CGI investment philosophy and approach. The strategy continues to deliver a greater total shareholder return than the very long-term average for equities and at the same time provides a growing income stream.

Our research seeks to identify quality businesses with potential to drive future shareholder returns. Whilst the fund continues to invest in select US mega-companies, we are focused on identifying, through our lifecycle phase screens, and researching smaller companies across multiple global regions. We have successfully invested in two new stocks identified from this screen.

We have increased weightings in two compounding companies already held that are driving value through serial in-fill acquisitions and divested one that is failing to address increased maturity.

As a concentrated equity portfolio of typically less than 50 stocks the fund may involve higher volatility and therefore higher risk for those with shorter term investment time horizons (under 5 years). The value of an investment and the income from it can fall as well as rise as a result of market and currency movements and you may not get back the amount originally invested. You should therefore regard your investment as long term. Details of the risk factors are included in the fund's prospectus available at <https://yealand.com/fund/yfs-chawton-investment-funds/#literature>