www.taml.co.uk June 2020

Trojan Global Equity Fund Newsletter

The strategy of the Trojan Global Equity Fund is to deliver capital growth over the long term (at least 5 years) without taking excessive risks. We aim to do this by investing in exceptional companies with high returns on their invested capital, run by sensible management teams and sustained by durable competitive advantages and strong balance sheets. We intend to buy them at fair prices or better.

The Great Realisation

2020 has been an extraordinarily stressful and challenging time for all of us. We have faced a global humanitarian crisis, and the economy has been dealt a near-mortal blow. Many aspects of life, previously taken for granted, have changed forever.

The Trojan Global Equity Fund's positive returns to the end of May belie the dramatic volatility and widespread damage experienced during the first five months of the year. We have assimilated a new reality at all levels – personally, professionally and for the Fund's investments – and come away with a very clear sense that an economic revolution has occurred. Tobi Lütke, the Founder and CEO of Shopify, the e-commerce platform, said in a recent interview that '2030 has happened 10 years early'. The chief executives of Microsoft, PayPal, Alphabet, Visa, Mastercard, Facebook, and Amazon, among many others, have echoed the same sentiment. Against a grim economic backdrop of historic declines in GDP, rapid increases in unemployment, and massive fiscal and monetary interventions, the digitisation of commerce has taken a sudden leap forward. So many aspects of business will never be the same again. This is a critical moment for all companies to adapt and investors can glean invaluable information by scrutinising this process. Over the past three months we have redoubled our efforts to stay in close contact with the Fund's companies in order to monitor how they are managing each of their stakeholders' interests.

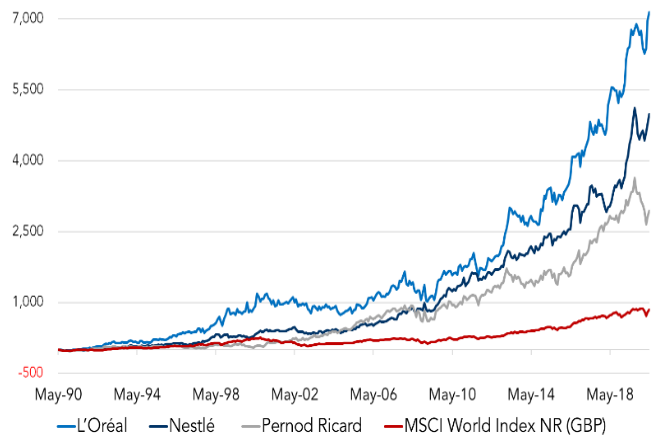
Looking back to look forward

I arrived in London in September 1990, fresh from University College Dublin and green in every respect. The Berlin Wall had fallen the previous November, and with German reunification underway, Europe was changing shape. It was hugely exciting to leave behind drab 1980s Ireland, long before the Celtic Tiger emerged, to join the European equity team at Royal Insurance. The market narrative throughout the early years of my career was dominated by a litany of macro-economic concerns – the ERM, Europe's reintegration of East Germany and the Eastern Bloc, the first Gulf War and, of course, the UK's thorny relationship with the Continent. Margaret Thatcher had left the government by the end of 1990 and Britain crashed out of the ERM in September '92. Away from the gaze of the top-down investors, who obsessed about the next move in the lira or deutschmark, corporate Europe was transforming. Huge swathes of the economy were privatised and the GATT Accord of 1994, and subsequent creation of the WTO, allowed European companies to compete on the global stage. American investors and investment banks were an increasing presence, bringing with them a lot of capital and aggressive financial practices, not all of which were attractive. Despite all of the macro distractions, Europe was a great place to be a bottom-up equity investor.

Some things never change

When I look back at this period, it is fascinating to me that so many of the best companies back then are still great today. In stark contrast, those for which we spent so much effort attempting to call the share price lows have either been recapitalised countless times, merged, changed their names, or long since been forgotten. L'Oréal was a wonderful company in the early '90s. That is still the case today. Mr Arnaud at LVMH was just getting going, but we all knew he was heading for the stars. Nestlé was irrefutably the bedrock of any good quality European equity portfolio, and of course it remains so. There is a common theme of stable and growing market opportunities for these sorts of companies, often guided by the generational thinking of family ownership or a dominant shareholder. This pattern is evident in the compounding success of Heineken, Roche, Pernod Ricard and Novo Nordisk, to name just a few. Of course, several newer companies have subsequently joined this illustrious group, but the failures are too many to mention.

Cumulative Total Return in GBP from 31 May 1990 - 31 May 2020
L'Oréal, Nestlé, Pernod Ricard and MSCI World Index NR (GBP)



Past performance is not a guide to future performance

Source: Bloomberg, 31 May 1990 to 31 May 2020.

There were also harder lessons learnt throughout this period. Europe was the Wild West when it came to corporate governance and state interference was rife. Stock market liquidity could disappear in a heartbeat. So many of those lessons now inform the core of the equity investment discipline we practise at Troy. I moved on from focussing exclusively on Europe in the late '90s to become a global investor, yet I am strongly reminded of these formative years as we all learn to 'live with COVID-19'. To focus too much on the awful, unsettling headlines was to miss the gems of equity investment that hid in plain sight. The same principles apply when it comes to staying out of trouble – conducting deep due diligence on businesses we can truly understand, using common sense, and maintaining very high investment standards. Despite the many horrors of the current environment, the set of investment opportunities before us is no less challenging and exciting than those early days when 'the Wall' came crashing down.

What about valuation?

Some of the toughest lessons learnt in my experience have been in recognising poor thinking about valuation. The investment industry obsesses about these dark arts and it searches for scientific precision where it cannot be found. Some people voluntarily label themselves 'value' or 'growth' investors, as if great value and healthy growth are somehow mutually exclusive. These titles have never made much sense to us and we find it bizarre that more energy is spent on equity valuation than on analysing long-term company fundamentals. For us, equity investing has always been about buying a stake in the future economic success of a company. Projecting future cash flows and valuing them are inevitably subjective exercises. Our starting point is to seek out companies that generate masses of cash in the first place by virtue of their superior competitive position, high profitability and low capital requirements. We also want that cash to be relatively free from other claims on it – by creditors or other interests – and managed by people we respect. Only when we understand what makes a company enduringly special in its industry, and what provides the capacity for long-term growth, can we begin to appreciate how to place a value on its cash flows. We aim to pay a reasonable price based on all the valuation tools we have at our disposal. We then allow for plenty of time so that the compounding growth of cash flows does the heavy lifting for us. Great businesses are rare, in part because they have an underappreciated capacity to deliver their owners pleasant surprises. Once they are part of the Fund, we aim to capture this by deliberately standing out of their way. We believe investors are ill-served in interfering with this process when valuation alone is allowed to govern investment decisions.

Our method is reflected in our analysis of the underlying components which we believe have driven the Fund's historic returns. We find that operational performance, as represented by free cash flow growth, is the main contributor to the Fund's returns, as illustrated in Appendix I (below). In this analysis, capital returned to shareholders, mostly in the form of dividends with a smaller contribution from share repurchases, provided a minority of the Fund's return. Changes in valuation were a small drag on results over the six and a quarter years since the portfolio was repositioned to focus exclusively on global equities. This is primarily due to the sell-off precipitated in Q1 2020; before this, the impact from valuation was modestly positive.

Teamwork makes the dream work

It is a laborious exercise to thoroughly research a company and its industry, taking enormous amounts of reading, listening, number-crunching and, done properly, thinking. It is best to do this if you are genuinely interested in the companies and you have a natural grasp of what it is they do. It is way more effective – and a lot more fun! – to share the workload with a talented group of colleagues. Patience and long holding periods also help. We have worked hard at Troy over the years to build an investment team of people with complementary skills and personalities. Each bring a different perspective to the investment process. Intellectual honesty and humility is fostered through open research meetings and deliberate collaboration on individual projects across mandates. We keep an online research library which documents and stores all our work. The lockdown has altered the way the team communicates but teamwork is as important as ever. We are fortunate that Troy has made significant investments into the firm's technology infrastructure in recent years so that we can execute on transactions and interact seamlessly on Zoom and Microsoft Teams, all from our own living rooms.

Back to the future

As ever, we ask investors to judge the Fund's performance over long stretches of time. Over the last five years, for instance, the Fund has returned +13.5% p.a. net of fees which compares to +10.4% p.a. for the MSCI World Index (£, net return).

The merits of our investment discipline tends to be most evident at moments of stress in stock markets. Although the current crisis is unprecedented, the Fund's resilient behaviour is broadly consistent with our expectations. In the calendar year to the end of May, the Fund returned +6.9% which compares to the MSCI World Index (£, net return) of -1.6%.

Technological disruption has been a recurrent theme in these newsletters for many years. We had no idea that a pandemic would precipitate its acceleration, but we have firmly believed that the portfolio must be aligned to this trend. Whilst the digitisation of business is clearer to see today, we remain convinced that the profound consequences for global investment are only beginning to be properly understood. The Fund's holdings in companies at the vanguard of change – Microsoft, PayPal, Facebook, Alphabet and Intuit – have all been important drivers of return in 2020.

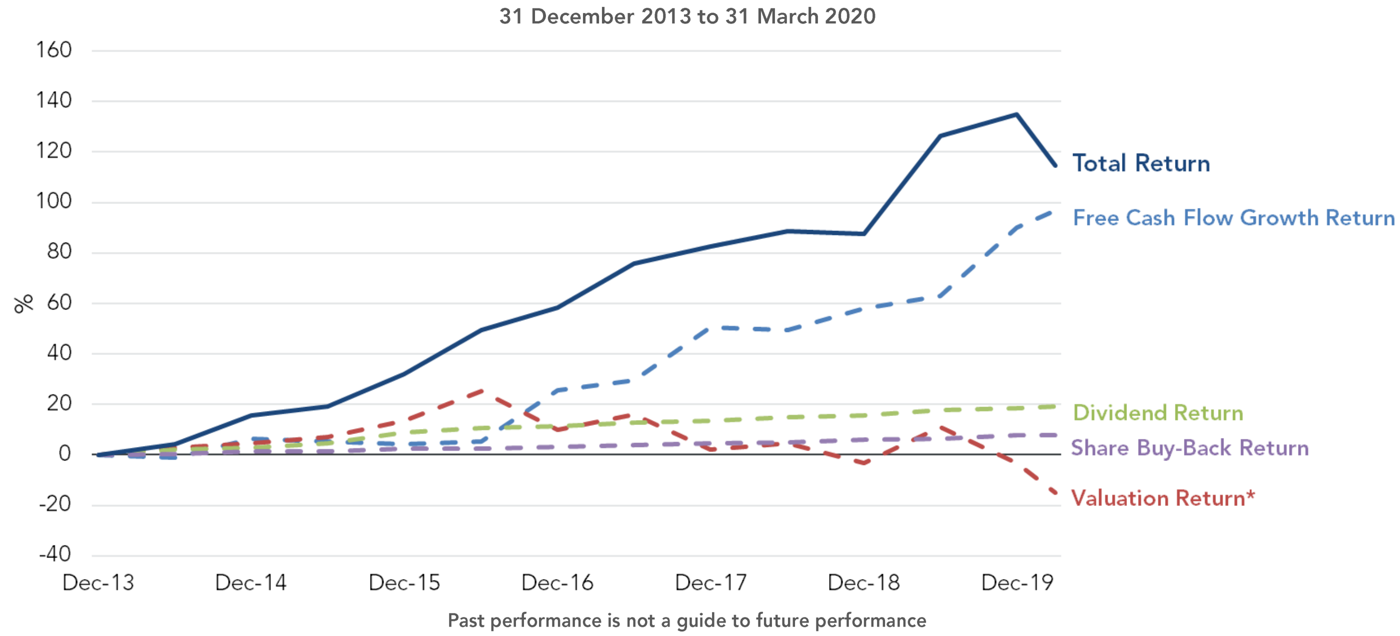
The experience of many previous investment cycles has reinforced the value we place on consistency and resilience through adversity. For the most part, the products and services our companies sell are essential. They are globally diversified and they generate substantial amounts of cash even in the most difficult economic conditions. Their balance sheets are in good order. These features have combined to insulate the portfolio from some of the more devastating consequences of the pandemic. The Fund's large holdings in Healthcare and Consumer Staples have made valuable contributions to returns so far this year.

But no company in the portfolio is totally immune. We have used the extraordinary volatility of the past few months to add to holdings in those places that are more susceptible to short-term pressure, including Alcon, American Express, Facebook and Mastercard. We also started a new investment in S&P Global, a financial services company we have followed closely and admired for many years. In order to focus on areas where we have greatest conviction, we sold out of the small holdings in Wells Fargo and Procter & Gamble, and further reduced the holding in Philip Morris International.

We remain alert and open-minded as to what happens next. We take comfort from a time-tested investment process which prioritises dependability whilst embracing many of the leaders of the digital economy. Troy's team and infrastructure continues to work well remotely. We are confident that the Fund can adapt and thrive in this new set of circumstances.

Gabrielle Boyle
June 2020

Appendix I – Decomposition of Cumulative Total Return

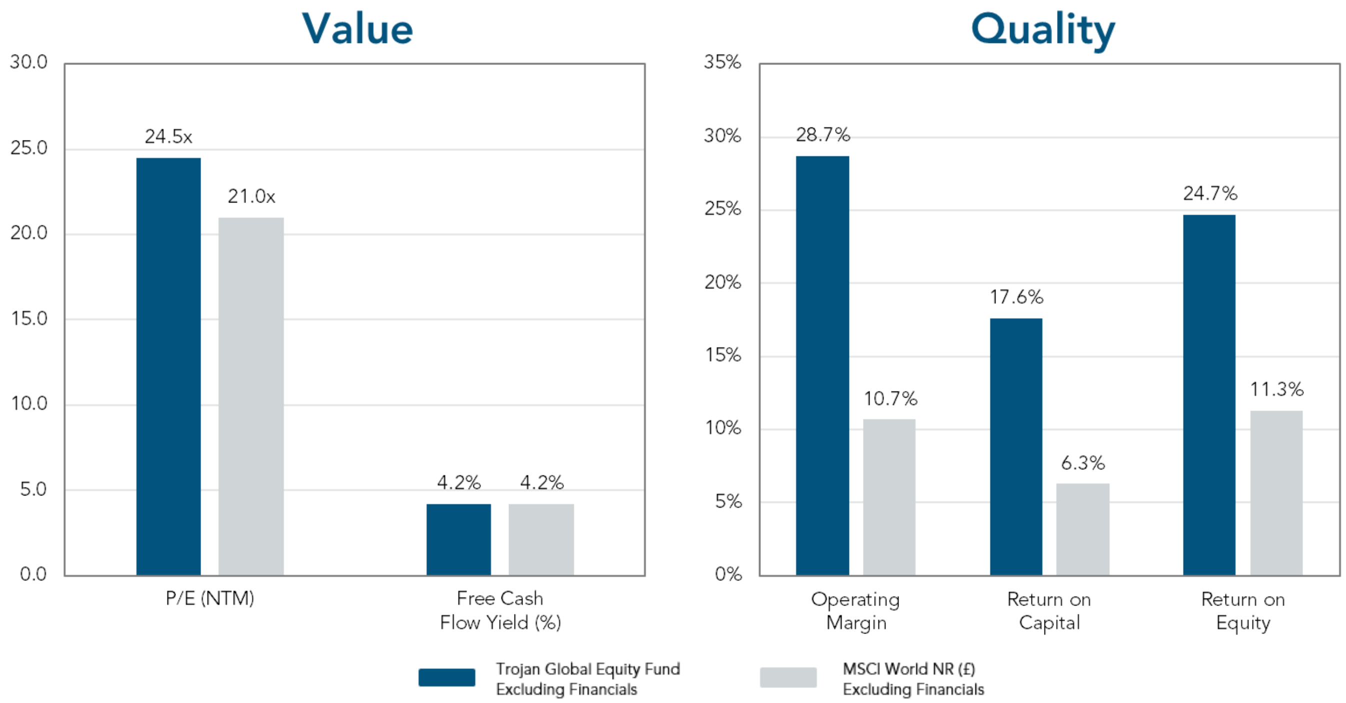


*As measured Price/ Free Cash Flow Per Share
Source: Troy Asset Management Limited and Factset – gross of fees, 31 March 2020.

This chart shows our breakdown of what we consider has contributed to the Fund's total return since 31 December 2013. This is done by separating the return derived from share price performance and dividends. We then determine how much of the share price performance can be attributed to growth in free cash flows* (by calculating the change in free cash flow from the beginning and the end of the period), how much can be attributed to share buy-backs (the companies buying back their own shares and returning cash to shareholders) and how much can be attributed to changes in valuation (the change in the ratio between share price and current free cash flows per share).

*Free cash flow is a measure of the cash generated from the operations of a company, less its expenditures.

Appendix II – Valuation and Returns



Source: FactSet, 31 May 2020. Characteristics are shown excluding Financials. All references to benchmarks are for comparative purposes only. Holdings subject to change.

Appendix III – Fund Statistics

Performance (net)	2014	2015	2016	2017	2018	2019	2020 YTD	1 Year	3 Year Ann.*	5 Year Ann.*
Trojan Global Equity O Acc	**+15.0%**	**+12.3%**	**+19.2%**	**+13.2%**	**+1.1%**	**+24.6%**	**+6.9%**	**+13.9%**	**+11.2%**	**+13.5%**
MSCI World NR (£)	+11.5%	+4.9%	+28.2%	+11.8%	-3.0%	+22.7%	-1.6%	+8.9%	+7.5%	+10.4%
IA Global (TR)	+7.5%	+4.1%	+24.4%	+13.8%	-5.6%	+22.1%	-1.7%	+7.6%	+6.3%	+8.9%

Past performance is not a guide to future performance.

*Annualised Return

Source: Lipper – O Accumulation shares total return net of fees since launch to 31 May 2020. All references to benchmarks are for comparative purposes only. The Trojan Global Equity Fund became a constituent of the IA Global Sector from April 2012. Previously, the Fund was in the IA Flexible Investment Sector from launch.

Portfolio Summary	
No. of Holdings	30
Total Equity Exposure	94%
Top 10 Holdings	53%
Top 20 Holdings	80%

AUM	£m
Strategy	429
Fund	321

Sector Breakdown	
Health Care	23%
Information Technology	28%
Consumer Staples	18%
Communications Services	12%
Financials	5%
Consumer Discretionary	4%
Industrials	4%
Cash	6%

Top 10 Holdings	
Microsoft	7.8%
PayPal	6.8%
Alphabet	6.6%
Visa	5.6%
Medtronic	5.0%
Facebook	4.9%
American Express	4.5%
Experian	4.0%
Roche Holding	4.0%
Novartis	3.9%

Top 5 Contributors YTD	Contribution to Return*	Total Return
PayPal	+2.8%	+53.6%
Microsoft	+2.1%	+25.0%
Facebook	+1.0%	+17.5%
Alphabet	+1.0%	+14.7%
Roche	+0.9%	+16.6%

Country Breakdown	
North America	66%
Europe	17%
UK	11%
Cash	6%

Bottom 5 Contributors YTD	Contribution To Return*	Total Return
Medtronic	-0.3%	-6.5%
Heineken	-0.3%	-7.8%
Booking Holdings	-0.5%	-14.5%
American Express	-1.1%	-17.7%
Wells Fargo	-1.1%	-42.9%

Liquidity#	
1 Day	97.3%
5 Days	100.0%

Source: Factset and Troy Asset Management Limited, 31 May 2020. Asset Allocation and holdings subject to change.
*Stock contribution to return is provided as gross absolute returns and does not include the Fund's charges and fees. The reference to specific securities is not intended as a recommendation to purchase or sell any investment.
#Liquidity is monitored by calculating what proportion of the equity portfolio can be sold, assuming trading at 20% of the previous 90 days' average daily volume.

Disclaimer

All information in this document is correct as at June 2020, unless stated otherwise. The document has been provided for information purposes only. Neither the views nor the information contained within this document constitute investment advice or an offer to invest or to provide discretionary investment management services and should not be used as the basis of any investment decision. The document does not have regard to the investment objectives, financial situation or particular needs of any particular person. Although Troy Asset Management Limited considers the information included in this document to be reliable, no warranty is given as to its accuracy or completeness. The views expressed reflect the views of Troy Asset Management Limited at the date of this document; however, the views are not guarantees, should not be relied upon and may be subject to change without notice. No warranty is given as to the accuracy or completeness of the information included or provided by a third party in this document. Third party data may belong to a third party.

Fund performance data provided is calculated net of fees unless stated otherwise. Past performance is not a guide to future performance. All references to benchmarks are for comparative purposes only. Overseas investments may be affected by movements in currency exchange rates. The value of an investment and any income from it may fall as well as rise and investors may get back less than they invested. Any decision to invest should be based on information contained in the prospectus, the relevant key investor information document and the latest report and accounts. The investment policy and process of the fund(s) may not be suitable for all investors. If you are in any doubt about whether the fund(s) is/are suitable for you, please contact a professional adviser. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities.

The fund(s) is/are registered for distribution to the public in the UK and Ireland but not in any other jurisdiction. The distribution of shares of sub-funds of Trojan Investment Fund ("Shares") in Switzerland is made exclusively to, and directed at, qualified investors ("Qualified Investors"), as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended, and its implementing ordinance. Qualified Investors can obtain the prospectus, the key investor information document(s) (edition for Switzerland), the instrument of incorporation, the latest annual and semi-annual report, and further information free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Ile, CH-1204 Geneva, Switzerland.

In Singapore, the offer or invitation to subscribe for or purchase Shares is an exempt offer made only: (i) to "institutional investors" pursuant to Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "Act"), (ii) to "relevant persons" pursuant to Section 305(1) of the Act, (iii) to persons who meet the requirements of an offer made pursuant to Section 305(2) of the Act, or (iv) pursuant to, and in accordance with the conditions of, other applicable exemption provisions of the Act. This document may not be provided to any other person in Singapore.

Issued by Troy Asset Management Limited, 33 Davies Street, London W1K 4BP (registered in England & Wales No. 3930846). Registered office: Hill House, 1 Little New Street, London EC4A 3TR. Authorised and regulated by the Financial Conduct Authority (FRN: 195764).