ValueInvestor INSIGHT
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Protect and Grow

Sebastian Lyon of Troy Asset Management describes his equity-first approach to managing a multi-asset portfolio, why he focuses more on the durability of a company's growth than its pace, how he thinks about making mistakes, how he's managing his exposure to gold, and what he thinks the market is missing today in Hubbell, Diageo, Chubb and Unilever.

INVESTOR INSIGHT

Sebastian Lyon
Troy Asset Management

Investment Focus: Looking to be "greedy while others are fearful" – and vice versa – in investing dynamically across equity, bond, gold and cash asset classes.

Despite running a multi-asset strategy, Sebastian Lyon of Troy Asset Management says his balanced approach shouldn't be considered one-size-fits-all. "There are too many things we don't do in terms of places to invest and companies to invest in for that to be the case," he says.

That caveat aside, he's done quite right by his investors over time. Troy's Multi-Asset Strategy since 2001 has beaten its U.K. equity benchmark, while the portfolio's stock portion has earned a before-fees 11.0% annualized return, vs. 7.6% for the MSCI World Index. Shifting more toward equities after President Trump's April "Liberation Day" presentation, Lyon is finding long-term value in such areas as the electricity grid, branded spirits, insurance and consumer packaged goods.

Let's talk first about the mechanics of investing as you do across asset classes in one fund. What are the assets you invest in and how do you set their weightings?

Sebastian Lyon: Multi-asset strategies like ours have a longer history and more of a pull in Europe, where investing strategies tend to be more conservative and there's less of an equity culture. The U.S. has much more of an equity culture, so our concept is seen as more unusual.

Whereas our peers often view equities as just one lever among many, for us it is the central point of control. If you want to earn at least high single-digit annual returns, which we're trying to do, you need equities to come first. Since we started out, stocks have accounted for close to two-thirds of our total return.

Our equity weighting is determined by the valuations of equities we favor, the relative attractiveness of other asset classes, and the macroeconomic backdrop. During the global financial crisis, for example, the equity weighting significantly increased despite high macro uncertainty because valuations fell to generationally low levels, giving us confidence in stocks' prospective returns. Conversely, from 2021 until fairly recently we had a lower-than-average equity weighting, reflecting rich valuations, a higher cost of capital, stickier inflation and growing geopolitical tensions. Alternatives like short-dated U.S. Treasury Inflation-Protected Securities (TIPS), with real yields at their highest levels since 2009, also became more attractive.

The non-equity asset classes we favor are highly liquid and have proven to hold up during equity-market declines. We invest in both government and corporate bonds, but with credit spreads so narrow today we don't believe non-government debt is attractive in an absolute sense or that it's adequately uncorrelated to equities. Our credit exposure now is in government securities in the U.S., Japan and the U.K. We believe the era of ever-falling interest rates and low inflation is over, so none of this exposure is long duration and what we do own has inflation protection.

Gold has had a place in the portfolio for more than 20 years. We see it as a continuing source of value in an increasingly financialized world and it's been an important contributor to returns – compounding at 12% annually in sterling – that has reduced portfolio risk. The risk mitigation is most apparent when equity markets are stressed, as during the global financial crisis and when the pandemic hit, and unlike most forms of portfolio protection the cost of ownership is very low.

Today we mostly own exchange-traded securities backed by physical gold. We have owned gold miners and gold streamers in the past and we may again, but we've been somewhat bruised and battered in our experience with them. One can always hope this improves, but we've generally found capital allocation among gold miners to be rather poor, which has given us the preference to own bullion itself.

We also hold cash, typically in very short-duration developed-market government securities. This part of the portfolio won't be that inversely correlated with stocks, but we've found it to be valuable ballast in times of market stress.

Just to highlight an important element to us of investing across asset classes, we've protected capital very well in downturns. In 24 years since inception, we have only had three down calendar years – 2013, 2018 and 2022 – with the worst year being -3.8% net.

Describe your typical asset weightings and where they stand today.

SL: Over the last 20 years we've averaged 42% in equities, 25% in fixed income, 9% in gold, and 23% in cash. The exposures today are similar, with 44% in stocks, 29% in bonds, 11% gold and 16% cash.

What does that say about the opportunity set? Since the beginning of this year we've increased equity exposure, not because we think the market is cheap, but because after "Liberation Day" in the U.S. we found a number of bottom-up equity opportunities in a bifurcated market with respect to valuation. In fixed income we've shifted away from U.S.-dollar bonds to increase exposure in Japanese government bonds, on the view that the yen is likely to exhibit the safe-haven properties it has in the past. We're comfortable with our higher-than-average gold exposure, but we've pulled back from where it would be otherwise after the sharp rise in the price of gold. We don't believe the price rise this time is nearly as speculative as we've seen in the past, but it's important as value investors not to get more excited about an asset when the price is rising.

How do you define your opportunity set in equities?

SL: It comes back to our mandate to protect and grow capital. In navigating difficult markets prior to starting Troy I learned what I didn't want to own, namely highly cyclical businesses with high fixed costs and low margins. With these types of companies you constantly need to be right about the macro, and when there's a weaker period they tend to suffer disproportionately. Generally that means we don't invest in airlines, banks, real estate, housebuilders or energy companies.

The companies we do invest in are anti-fragile in nature, able to sustain high returns on capital owing to identifiable competitive advantages. They're highly profitable, with strong free cash flow and sturdy balance sheets, making them resilient during tough economic environments and always able to reinvest in their businesses to grow. We focus more on the durability of growth than its pace, and favor dependability over novelty. Fast-growing companies often have elevated valuation risk and attract ever increasing competition – we're more apt to own a persistent, if boring, grower and think such companies are often undervalued by the market.

ON TARGET COMPANIES:

We focus more on the durability of a company's growth than its pace and tend to favor dependability over novelty.

With respect to valuation, we don't set price targets, but look for equities that can compound low-double-digit returns without much downside. I'm not one of those investors who says I only need to be right 55% of the time. With each decision we're trying to minimize mistakes, so we generally pass on ideas that could be potential home runs but could also be down 50%. Since we started out, close to 80% of all the stocks we've invested in have gone up.

VeriSign [VRSN], which you added to your portfolio last summer, would seem to be a fairly prototypical equity investment for you. Describe the setup for it.

SL: The company for 25 years has held a monopoly position as the registry for .com and .net Internet domains. Volume growth in its market is low, but relatively stable. It's contractually able to raise prices by an average of 5% each year. Website addresses are essential for its customers – and the .com domain is by far the default brand – but the annual cost is still only about $10 per year so there's little incentive for customers to switch. The business is exceptionally profitable, very cash-generative, and management and the board over time have been excellent stewards of capital.

Sebastian Lyon

Historical Perspective

A student of history, politics and economics before embarking on an investing career, Sebastian Lyon argues that his early interest and training has been central to his career success. "I think economic historians have traditionally made better investors," he says. "There's a tendency for the scientists to think the answer is in a spreadsheet, but in markets that are living, breathing reflections of human decisions, I don't believe that's the case."

The history of Troy Asset Management, which he co-founded with Arnold Weinstock, the long-time CEO of the U.K.'s General Electric Company, very much informs its strategy. The goal from the beginning was to eventually take in outside capital as well, but Lyon's charge from Lord Weinstock was not to beat an equity benchmark, but to prudently protect and grow the Weinstock family's wealth long term. Troy now manages over £11 billion in assets, most of it in a multi-asset strategy that invests in a dynamic mix of stocks, bonds, gold and cash. "Protecting capital warrants diversification by asset class," Lyon says, "while equities have proven to be by far the most effective way of growing capital above inflation over the long run."

So what was going on that made the stock go from trading at 45x earnings two years before to 20x last summer? Part of it was that a Covid bump in the business had gotten the market excited about VeriSign, and when that cycled through the shares de-rated, even more so as discount rates went up in a higher-interest-rate environment. There were also some volume issues in China, which while not having a big impact on the business seemed to worry investors. This is a case where there weren't really any fundamental issues in the business, but the shares to us went relatively quickly from over-priced to attractive.

We spend a lot of time looking at history and how a business has performed in difficult periods. Doing that here, it was hard for us to envision much downside from such a resilient business trading at the very low end of its historical valuation range. We always ask if there's a market correction and the shares fall 20-25%, would we be happy to buy more. That was certainly the case here. [*Note*: VRSN shares closed recently at around $284, 31x estimated forward earnings and up more than 60% from their 52-week low.]

You recently added London Stock Exchange [London: LSEG] as a new position in your main fund. What's going on that made it attractive?

SL: Since the company acquired Refinitiv in 2021, its business has gone from being dominated by exchange and clearing operations to being centered on the sale of financial data, indices and analytics. These are secular-growth businesses with good pricing power and high recurring revenues, but there can be lumpiness in new subscription sales from quarter to quarter.

As best we can tell, the market was disappointed by the results reported in July, even though revenues increased nicely by nearly 9% year over year. There also seems to be a rethinking of how AI might affect the business, from great enthusiasm over the strategic partnership announced a couple years ago with Microsoft, to concern that deal won't have the payoff once hoped. To us, little has changed in the outlook for the business, but the stock [now trading at around £84] has fallen 25% this year, taking the P/E from 30x to 20x. We consider that an attractive entry price, and if the market corrects from here we'd likely increase our position.

We increasingly hear value investors argue that individual stocks are mispriced because the perceived impacts of AI appear either under- or over-blown. Is that part of your investment case for recent portfolio addition Adobe [ADBE]?

SL: It very much is. There is a narrative that Adobe's software franchises in areas such as graphic design, photo editing, video editing and web development are threatened by AI alternatives that will be as good and much cheaper. These are hard questions to answer, but we think Adobe's products are difficult to compete with, not unlike, say, Microsoft Office or Bloomberg. Customers are all trained on Adobe software, work with it all day, and it's integrated fully into their workflows. Ask a CTO of a business using it if they could do without it and they say absolutely not.

ON CONSUMER BEHAVIOR:

Outside of technology-driven change, people don't typically stop doing what they've actually done for a very long time.

This isn't a particularly high-growth business, but earnings have continued to increase 10% or better pretty consistently. But if you look at the valuation of Adobe's stock today at less than 16x forward earnings, that's noticeably near the bottom of its 10-year historical range. We're sizing the position sensibly because of all the uncertainty, but this is slightly reminiscent to us of buying Microsoft 15 years ago at 10-11x earnings, when the narrative was very much against it and we thought the negativity was overdone. That's the type of situation where we've made some of our best long-term investments. [*Note*: Adobe shares closed recently at just under $360, off 35% from their 52-week high last December.]

How as an investor are you processing the evolving situation around global tariffs?

SL: We're paying close attention to it on a company-by-company basis, as I imagine everyone is. What impact are tariffs having on your operations? How do tariffs impact the competitive dynamics in your industry? What still might be coming down the road? What can you do to mitigate any impacts?

Tariffs are not good news. They reflect where we are in a deglobalizing and increasingly protectionist world, prompted by American isolationism, which I think is very regrettable. The world has been a better place when the U.S. has been outward looking rather than inward looking. If things continue as they are or get worse, this cannot be good for the world economy and it cannot be good for inflation. It's likely to bring significantly lower equity valuations longer term. Obviously we haven't seen that yet.

Describe your broader investment case for electricity-grid supplier Hubbell [HUBB].

SL: The company was founded in 1888 and today organizes itself around two divisions. The Utility Solutions division, which accounts for nearly 70% of operating profit, manufactures products like insulators, lightning arrestors and cable connectors used in the transmission and distribution of electricity across the electrical grid. The Electrical Solutions unit serves customers on the other side of the electricity meter with a wide range of products like specialty wiring and connectors used in commercial, industrial and data-center facilities. More than 90% of revenues come from the U.S.

There's a lot to like about the business. Hubbell is #1 in the utility market with an estimated 20% share, twice the size of its nearest competitor and still steadily growing. It offers an unrivaled breadth of

INVESTMENT SNAPSHOT

Hubbell
(NYSE: HUBB)

Business: Manufactures and sells a broad range of mostly small-ticket electrical and electronic products that are used in the transmission and distribution of electricity.

Share Information (@9/29/25):

Price	**426.44**
52-Week Range	299.42 – 481.34
Dividend Yield	1.2%
Market Cap	$22.60 billion

Financials (TTM):

Revenue	$5.63 billion
Operating Profit Margin	20.2%
Net Profit Margin	14.8%

Valuation Metrics
(@9/29/25):

	HUBB	S&P 500
P/E (TTM)	27.6	25.3
Forward P/E (Est.)	22.8	21.9

Largest Institutional Owners
(@6/30/25 or latest filing):

Company	% Owned
Vanguard Group	12.5%
BlackRock	9.5%
BNY Asset Mgmt	4.6%
State Street	4.1%
T. Rowe Price	3.0%

Short Interest (as of 9/15/25):

Shares Short/Float	4.0%

HUBB PRICE HISTORY

THE BOTTOM LINE

The company is an advantaged player in a U.S. electricity end market benefiting from greater data-center demand, renewable-energy integration and the increasing prevalence of electric vehicles, says Sebastian Lyon. He expects the company to increase earnings per share 10% annually, give or take, and that shareholders will commensurately benefit.

Sources: S&P Capital IQ, company reports, other publicly available information

long-life products and its brands have a reputation for quality and reliability, critical in markets where its components are inexpensive – costing on average only $50 each – but where the cost of failure is very high. Switching costs are steep, so customer relationships are very sticky. All of this has allowed the company to increase revenues at 5-6% annually, increase net income at a high-single-digit, low-double-digit rate, and earn tangible returns on invested capital of close to 50%, all characteristics we consider sustainable.

Competitive advantage counts for less if your end market is shrinking, but that is certainly not the case here. The aging electrical grid in the United States is by all accounts in desperate need of upgrade and refurbishment. At the same time, U.S. electricity demand is expected to double by 2050, driven by things like increased data-center usage, renewable-energy integration and the increasing prevalence of electric vehicles. Because power generation typically can't be located too close to centers of demand, that requires an ever more complex network of power transmission and distribution. All of this should drive incremental demand for Hubbell's products.

You bought into this post-"Liberation Day," but the share price has since rebounded to around $426. How are you looking at valuation from here?

SL: We did a full write-up on Hubbell in December, concluding it was very much a company we would like to own but that the shares were richly valued at 25x forward earnings. At 20x earnings we thought it would be far more interesting, and we expected to have a chance to buy the shares at some point closer to that level. That happened rather quickly, as you mention after Liberation Day, and we established our position in May.

Today we'd characterize the valuation of 23x estimated forward earnings as not a level at which we'd be adding to the position, but one at which we're content to hold. This is a well-managed company with a strong position in an interesting market that we think can increase earnings at 10% annually, give or take. This type of business with this level of growth trading at a market multiple may not get the pulses racing of most investors, but we think it sets up nicely for an attractively compounding return.

You've been a long-time holder of spirits maker Diageo [London:DGE], through highs and lows in market enthusiasm for its stock. At today's low end of that range, how are you handicapping its prospects?

SL: This is a business we know well and respect. It's the largest global premium spirits company, with significant competitive advantages from its brands and its distribution networks. In a business driven by brands, which command significant customer loyalty, Diageo sells many of the leaders in their categories, including Johnnie Walker, Smirnoff, Captain Morgan, Don Julio, Baileys and Guinness.

The company has also long invested in its distribution network and supply chain around the world, which is critical to success given differences in how alcohol is distributed and consumed across different geographic markets. You need local and regional expertise, which better al-

lows them to get their flagship brands in front of customers and to promote new products and brands. One prominent example of the strength of that network is how Diageo after the 2017 acquisition of George Clooney's super-premium tequila brand Casamigos – at what was considered a very full $1 billion price, with earnouts – turned what was then a mostly U.S. brand into one of the fastest-growing spirits brands in the world.

There are a number of issues driving the negativity on the company, and where you come out on the permanent versus temporary nature of those issues likely drives your enthusiasm for the stock. Unit sales across the industry have normalized after a boom period immediately post-Covid, causing inventory de-stocking that has hurt Diageo's financial performance. Spirits demand in China, after years of high growth, has stalled. Qualitatively, you hear more about things like younger people drinking less alcohol, weight-loss drugs lowering alcohol demand, new competition from cannabis, and rising health concerns about alcohol consumption from regulators, especially in the U.S.

Our general view is that in the consumer-goods space the world doesn't typically change that much. Outside of prominent technology-driven change, people don't typically stop doing what they've actually been doing for a very long time. We think that's the case with alcohol consumption, and that there's a lot of after-the-fact rationalizing going on that a natural normalization of the business after Covid signals something more dire. Companies always have to adapt to changes in consumer tastes – we think Diageo does that quite well – but we generally believe the growth drivers of the industry that have been in place for decades are still intact and that Diageo will incrementally benefit.

Are tariffs a more tangible concern?

SL: Yes. We thought it might change after President Trump's recent visit to the U.K., but there is currently a 10% tariff in place on spirits produced in the U.K., which obviously includes products like Scotch whiskey. We don't know the end result of that – or whether that number goes to 25% or 0% next week – but it's obviously something to keep an eye on. Diageo generally has fairly good pricing power with its brands, but high tariffs would challenge its ability to mitigate the damage through pricing.

Diageo's stock chart has been down and to the right for more than three years. What upside do you see from today's share price of around £17.70?

SL: The shares may certainly have been overvalued a few years ago at 25-30x peak earnings, but we'd argue today they're undervalued at 14x forward earnings with a dividend yield of over 4%. That valuation is at the very low end of the 10-year range. We think as emerging-market growth comes through and developed markets normalize that the company can compound earnings at least at a high-single-digit rate. If that happens, we'd expect the shares to re-rate, at least to a high-teens multiple. While this could be quite unexciting for some time to come, we're patient, don't see a lot of downside, and think we're being paid to wait.

INVESTMENT SNAPSHOT

Diageo
(London: DGE)

Business: Manufactures, markets and sells premium alcoholic beverages under well-known brand names such as Johnnie Walker, Smirnoff, Captain Morgan and Guinness.

Share Information
(@9/29/25, Exchange Rate: $1 = £0.74):

Price	**£17.68**
52-Week Range	£17.37 – £26.77
Dividend Yield	4.4%
Market Cap	£39.29 billion

Financials (TTM):

Revenue	£20.24 billion
Operating Profit Margin	28.3%
Net Profit Margin	11.6%

Valuation Metrics
(@9/29/25):

	DGE	S&P 500
P/E (TTM)	22.9	25.3
Forward P/E (Est.)	14.0	21.9

Largest Institutional Owners
(@6/30/25 or latest filing):

Company	% Owned
BlackRock	7.7%
Vanguard Group	5.3%
Fidelity Mgmt & Research	3.6%
Artisan Partners	3.0%
Massachusetts Fin Serv	3.0%

Short Interest (as of 9/15/25):

Shares Short/Float	n/a

DGE PRICE HISTORY

THE BOTTOM LINE

Sebastian Lyon believes "there's a lot of after-the-fact rationalizing going on that a natural normalization of the business after Covid signals something more dire," and that the decades-long growth drivers of the company's business remain intact. That is not reflected, he says, in the shares currently trading at only 14x estimated forward earnings.

Sources: S&P Capital IQ, company reports, other publicly available information

After speaking about VeriSign earlier, tell us about your interest in Chubb [CB], another holding of yours in common with Berkshire Hathaway.

SL: One appeal of owning insurance companies from a portfolio perspective is that they generally have a different cycle than other businesses and than the overall economy. In Chubb, we believe we own a best-in-class operator with strong market positions, very high client retention, advantages from its global scale and brand, excellent underwriting discipline, and consistently higher-than-peer profitability.

The company operates across five business lines, North American commercial property and casualty [P&C] insurance, North American personal P&C insurance, North American agricultural insurance, overseas general insurance, and life insurance. North America accounts for nearly 65% of sales, Asia almost 20% (and growing faster), and Europe just over 10%. Chubb is one of the few companies with a global footprint and the local-market expertise necessary to service multinational corporations, which we consider a tangible competitive advantage.

There are a number of crown jewels in the portfolio, which is a testament to the company's ability to build and maintain unique, specialty franchises. It has an excellent executive liability and surety business, for example. The agricultural-insurance business in the U.S. is a clear leader in its space. The personal P&C lines focus on high-net-worth families that have unique needs, like insuring fine art and yachts, and who often have assets spread across multiple countries where Chubb is present and knows the market.

Where would you say we are in the P&C insurance pricing cycle?

SL: Coming out of Covid and through a number of large-scale natural disasters, pricing in the P&C market has been pretty firm over the past few years. That sometimes results in new capital flooding into the industry and/or less disciplined competitors reaching for share through lower prices, but we haven't yet seen that to any great degree and underwriting profitability in the industry is quite good. With interest rates generally higher, we may not see the flood of capital into the industry looking for yield that we've seen in the past. Chubb also in a higher-rate environment is earning higher returns on its investment portfolio, which should be a nice tailwind to profitability.

How inexpensive do you consider the shares at today's price of just under $280?

SL: The historical P/E range goes up to 15-16x, so the current level of 11x estimated forward earnings is certainly fair, if not fairly good. The way we look at it, this a very well-managed business with strong franchises, good growth opportunities – particularly outside the United States – and a record of earning 14-15% returns on tangible equity. If you as a shareholder can buy into that at a fair valuation, that should set up well for attractive compound returns over time.

Unilever [London: ULVR] has been one of your top holdings for some time. What do you think the market is missing in it?

INVESTMENT SNAPSHOT

Chubb
(NYSE: CB)

Business: Global sale of commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance.

Share Information (@9/29/25):

Price	**279.56**
52-Week Range	252.16 – 306.91
Dividend Yield	1.4%
Market Cap	$111.91 billion

Financials (TTM):

Revenue	$57.49 billion
Operating Profit Margin	19.3%
Net Profit Margin	16.0%

Valuation Metrics
(@9/29/25):

	CB	S&P 500
P/E (TTM)	12.3	25.3
Forward P/E (Est.)	11.4	21.9

Largest Institutional Owners
(@6/30/25 or latest filing):

Company	% Owned
Vanguard Group	9.2%
BlackRock	6.9%
Berkshire Hathaway	6.8%
Capital Research & Mgmt	6.4%
State Street	4.3%

Short Interest (as of 9/15/25):

Shares Short/Float	0.7%

CB PRICE HISTORY

THE BOTTOM LINE

Insurance companies offer diversifying portfolio benefits, says Sebastian Lyon, and this one is a best-in-class global operator with consistently higher-than-peer profitability. He believes its shares now trading at only 11x estimated forward earnings – versus an historical range of 15-16x – "should set up well for attractive compound returns over time."

Sources: S&P Capital IQ, company reports, other publicly available information

SL: We have owned over the years many consumer-staples businesses, which generally hold up quite well as investments when there's market or economic dislocation. In the individual companies, however, you often see them cycling in and out of favor, usually following a pattern of strong operating performance, then a period of hubris and stagnation, and then a rejuvenation under new management that refocuses the product portfolio, streamlines the business and reinvests in the most promising franchises. Unilever is in that rejuvenation phase now and we think is building operational momentum.

The company sells household, food and personal-care products in 190 countries, with a broad and balanced product portfolio that includes such brands as Dove soap, Knorr soups and Hellman's mayonnaise. The geographic footprint is also balanced, with 32% of sales coming from Asia Pacific and Africa, around 20% each from Europe and the U.S., and much of the rest from Latin America.

After years of lackluster operational and financial performance, the company first under Hein Schumacher and, since March, Fernando Fernandez as CEO has followed an established playbook to turn things around. They've taken out management layers and revamped incentive plans to focus on volume, price and margin objectives over market-share gains. They're culling businesses that aren't working or don't fit, including the ice-cream division, which is to be spun off by the end of this year. Importantly, they're not just cutting costs, but investing behind their best brands – particularly in emerging markets and in faster-growth beauty and personal-care categories – in product development, advertising and promotion. I think Kraft Heinz showed the folly in CPG companies of trying to cut their way to long-term prosperity. In any event, we're starting to see signs in Unilever's operating margins and returns on capital over the past couple of quarters that things are moving in the right direction.

How do you see this translating into share upside from the recent price of £43.90?

SL: This has a typical return profile for us. The shares trade at 16x forward earnings, well below the 10-year average. We think the business can grow its top line in the mid-single digits and, with some operating leverage and improved profitability from mix shift, can grow the bottom line in the high-single digits annually. Given where the shares trade and the defensiveness of the business, we consider the downside risk quite low, further mitigated by the 3.4% dividend yield.

There's upside optionality to what we're modeling if the transformation underway delivers even better results, and if the U.S. dollar continues to lose some of its luster, which would benefit Unilever's emerging-markets businesses. This again may not be an idea that would excite many investors, but it's very representative of what we tend to like.

Your average equity holding period is 9 to 10 years. Describe a position or two you've sold out of fairly recently and why?

SL: We are looking for compounders and when we believe we've found them we have generally been willing to let that play

INVESTMENT SNAPSHOT

Unilever
(London: ULVR)

Business: Worldwide sale of consumer packaged goods in food, household, personal care and beauty categories; leading brands include Knorr, Vaseline, Hellman's and Dove.

Share Information
(@9/29/25, Exchange Rate: $1 = £0.74):

Price	**£43.87**
52-Week Range	£43.11 – £49.10
Dividend Yield	3.4%
Market Cap	£109.22 billion

Financials (TTM):

Revenue	€59.77 billion
Operating Profit Margin	18.1%
Net Profit Margin	9.3%

Valuation Metrics
(@9/29/25):

	ULVR	S&P 500
P/E (TTM)	22.9	25.3
Forward P/E (Est.)	16.3	21.9

Largest Institutional Owners
(@6/30/25 or latest filing):

Company	% Owned
BlackRock	7.7%
Vanguard Group	5.6%
Wellington Mgmt	3.8%
Leverhulme Trust	1.9%
State Street	1.5%

Short Interest (as of 9/15/25):

Shares Short/Float	n/a

ULVR PRICE HISTORY

THE BOTTOM LINE

Consumer-staples businesses like this one can cycle in and out of favor as the companies themselves move from periods of hubris and stagnation to rejuvenation and back again, says Sebastian Lyon. He thinks the company is in the early stages of its rejuvenation phase and that's not well reflected in today's 16x forward earnings multiple on its shares.

Sources: S&P Capital IQ, company reports, other publicly available information

out. We sell either when valuations get extreme relative to history or when something very material changes. In the case of Moody's [MCO], for example, we love the credit-ratings business and its market position in it, but the stock after a run over the last three years got quite fully priced at 40-45x trailing earnings. This was purely valuation driven – we'd love to return to it in the future if given the opportunity.

Procter & Gamble [PG] has been another fairly recent sale. We'd owned it for a decade, adding to our position in 2018 when activist-investor Trian got involved and started agitating for change. This is the flip side of what we just talked about with Unilever: P&G had gone through a long period of restructuring and improving execution that worked, and the stock reflected that. It gets harder and harder to maintain momentum and as the multiple got into the mid-20s and higher, the margin for error was lower and we preferred to be invested in companies like Unilever or Heineken [Amsterdam: HEIA] that were trading at 10-year-low valuations and where the cycle of improvement was in the early stages.

While I would say patience has generally been a virtue, we have at times been too patient. A prime example for us would be GlaxoSmithKline, now called GSK. It had been a classic blue-chip stock in the U.K., but it went through a long period of patent expirations and ill-fated M&A that was meant to offset the patent losses and didn't. If there's a lesson here, it's that when companies are no longer reinvesting successfully to grow their business organically – when it's a cost-efficiency story above all else – there's a real risk of a value trap. We held this way too long and should have recognized that when what you think is a compounder isn't compounding, you shouldn't talk yourself into anything but selling.

What's your elevator pitch for a multi-asset investing strategy in today's market environment?

SL: We haven't seen a real recession for 16 years, which has created a generation of investors who seem to believe that buy-the-dip always works and that valuations can't go down for long. We would argue you want to be careful in such an environment, with exposure to assets that won't fall right along with equities if we actually have a meaningful economic contraction. There's also just massive concentration in the equity market, worse than in the dot-com boom. That's another very good argument today for diversifying exposures more broadly. VII