



Responsible Investment Report N°22

A Perfect Storm

"I firmly believe this collision of natural and man-made events represents one of the most serious threats to global food security in living memory – with likely devastating consequences reverberating across harvest cycles for between three to five years."

– Professor Chris Elliott, Founder of the Institute for Global Food Security at Queen's University Belfast

For most of human history, food security was among society's greatest concerns. The fortunes of civilisations rose and fell with the quality of their harvests and droughts altered the course of empires. Today's food system is one of humanity's great technological achievements. Thanks to improved seeds, synthetic fertilisers, irrigation and modern farming techniques, food production has outpaced population growth for more than two centuries.

This has made food security easy to take for granted. However, a handful of crops, growing regions, trade routes and agricultural inputs underpin much of the world's food supply, and increasingly face mounting pressure from climate change, water scarcity, soil degradation and geopolitical disruption. This quarter, we examined these risks alongside a developing Super El Niño to better understand how food system shocks can sustain inflation, reshape supply chains and affect the resilience of the companies in which we invest.

A Conversation on Food Security

To better understand these risks, our Investment Team met with Professor Chris Elliott, founder of the Institute for Global Food Security at Queen's University Belfast. The picture he painted was stark. A retreat from globalisation, heightened conflict and growing environmental risks are all placing strain on the global food system. Together they create a system that is increasingly

vulnerable to disruption and less able to absorb shocks.

His comments resonated with much of the thematic work our Investment Team has undertaken in recent years. Research into climate change, water scarcity, deforestation and biodiversity have repeatedly highlighted the dependence of many consumer staples companies on healthy agricultural systems. Businesses such as Nestlé, Unilever and Heineken rely on complex global supply chains and a steady supply of agricultural commodities.

We recently extended our thematic work with dedicated research on food security and regenerative agriculture. While many of the pressures facing the food system are structural and decades in the making, our research has highlighted some near-term risks that are likely to amplify these vulnerabilities; the continued disruption to trade routes through the Strait of Hormuz, and the emergence of a potentially record-breaking El Niño weather event.

Geographic Dependence

Food production relies on many essential inputs that are concentrated in surprisingly few places. Grain markets provide an example with wheat, maize and soybeans underpinning much of the world's food system, either directly through human consumption or indirectly through animal feed. Russia and Ukraine together supply more than a quarter of the world's traded wheat, shipped through the Black Sea. Since July, attacks on ports and vessels in the region have sharply reduced exports from both countries, with Ukraine's grain trade association cutting its forecast for agricultural exports this season by more than half.

Fertiliser is a further example. The Strait of Hormuz is usually discussed in the context of oil, but it is also a critical artery for the global fertiliser trade. According to the Food and



Agriculture Organization of the United Nations, around 30% of globally traded fertiliser products, approximately 16 million tonnes a year, normally pass through the Strait. The ongoing disruption therefore has implications well beyond energy prices. Higher fertiliser costs squeeze farm profitability and can lead to lower fertiliser application. This leaves crops less able to recover in a difficult season, a vulnerability that a Super El Niño is likely to expose.

A Perfect Storm?

El Niño is a natural climate pattern that occurs when unusually warm water in the Pacific Ocean alters rainfall and temperature patterns around the world. Last month, the US National Oceanic and Atmospheric Administration estimated there is a greater than 90% chance of a very strong event this winter and a 75% chance that it becomes the strongest since records began in 1950.

El Niño-generated wind shear has already contributed to an unprecedented absence of Atlantic hurricanes, while the Pacific has experienced one of its most active typhoon seasons on record. Over the next year, changing rainfall patterns are expected to affect everything from agricultural production to shipping and mining activity. Regions that are normally wet may become unusually dry, while areas accustomed to stable growing conditions may face flooding risk and crop damage.

Historically, El Niño has reduced global yields of rice and wheat by around 1-1.5%, while maize and palm oil yields have also declined. Because food demand is inelastic, small supply deficits can trigger large price shocks. Several commodities linked to the companies we own might find themselves exposed. Cocoa production remains heavily concentrated in West Africa, with Côte d'Ivoire and Ghana accounting for more than half of global supply. Over 80% of palm oil production is concentrated in Indonesia and Malaysia. Coffee, rice and sugar production are similarly exposed to regions that have experienced significant disruption during previous El Niño events. For companies such as

Nestlé, Unilever and, to a lesser extent, Heineken and Diageo, the most immediate effect is often higher commodity prices which drive up input costs.

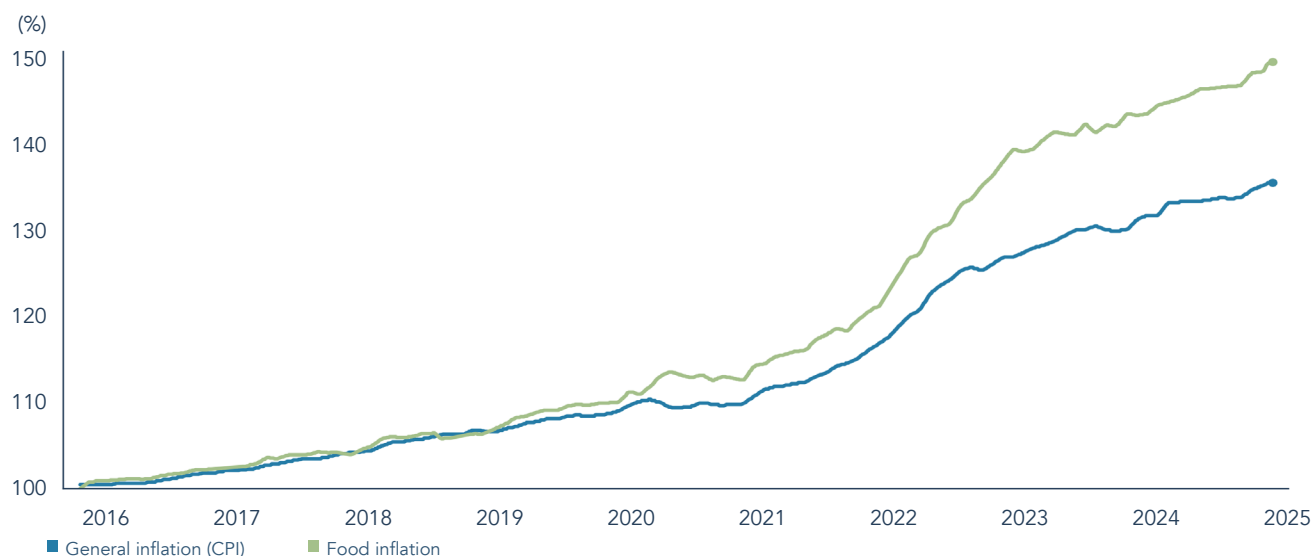
There are also second-order consequences on consumers; in many emerging markets, food accounts for a significantly larger share of household expenditure. When food prices rise, consumers have less disposable income available for discretionary purchases, creating a further demand challenge for consumer goods companies dependent on volume growth in emerging markets. We are mindful of these risks and continue to evaluate how our holdings might perform if food-system pressures become more pronounced in 2027. Rather than attempting to forecast individual weather events or commodity prices, we focus on the resilience of the businesses we own.

We have spent the last few years speaking with our portfolio companies to better understand their sourcing practices. These have included past discussions with Nestlé's Heads of Cocoa, Dairy and Coffee Sourcing, Unilever and Diageo's Sustainability Leadership and Heineken's Global Water Sustainability Manager. These conversations have provided a useful window into how global consumer businesses are adapting to a changing agricultural landscape. More recently, we have begun raising the prospect of a Super El Niño directly with executive teams. Our discussions have focused on how companies are preparing for a scenario in which agricultural costs rise further at a time when consumers have already absorbed several years of inflation. Cumulative CPI inflation over the past five years has been ~27% in the UK and ~24% in the US, reflecting a prolonged period well above central banks' ~2% targets.¹

¹ Source: Bloomberg.



FIGURE 1: CONSUMER PRICE INDEX AND FOOD CONSUMER PRICE INDEX FROM 2015 TO 2025, USING 2015 AS A REFERENCE YEAR



Source: UN SOFI Report 2025, Past performance is not a guide to future performance. Performance was rebased to 100 from 31 December 2014.

Regenerative Agriculture

"The nation that destroys its soil destroys itself." - Franklin D. Roosevelt, 32nd President of the United States

A response we hear is the growing focus on regenerative agriculture. At its core, regenerative agriculture seeks to improve the health and productivity of farmland over time. Common practices include rotating crops to improve soil fertility, planting cover crops to reduce erosion, integrating livestock into farming systems and reducing ploughing to preserve soil structure.

While often framed as a sustainability initiative, regenerative agriculture is increasingly being viewed as a supply-chain resilience strategy. Healthier soils can retain more water during droughts, reduce dependence on fertilisers and support more stable yields through periods of environmental stress. This helps explain the growing level of investment across the sector. Nestlé has committed more than CHF1 billion towards regenerative agriculture programmes and aims for 50% of key ingredients to be sourced through regenerative practices by 2030. Unilever is targeting one million hectares of farmland under regenerative management, supported by dedicated climate and nature funding, while Heineken is working with farmers through programmes designed to increase the production of regenerative barley.

These investments are unlikely to eliminate supply shocks altogether, but they should help strengthen the resilience of the agricultural systems on which these businesses ultimately depend.

Building Resilience

The implications of food security extend beyond agriculture. This issue has the potential to influence inflation, consumer spending and economic growth, making it increasingly relevant for investors. The UK produces less than two-thirds of the food it consumes, leaving it exposed to global agricultural markets. The US is more insulated given a higher proportion of domestic food production, but it cannot escape the effects of a poor harvest, disrupted trade routes or higher diesel and fertiliser prices. This is one of many reasons Troy's Multi-Asset team continues to believe that inflation may prove more persistent than central banks hope. While we cannot predict individual inflationary shocks, the Strategy remains positioned with resilience in mind through exposure to inflation-linked bonds (31%) and gold (9%). We added modestly to the duration of the Strategy's index-linked bond exposure towards the end of September, taking it to c.3.5 years. There remains scant premium for inflation protection and, with inflation expected to stay below 2.5%



over the next few years, we were able to buy a 7-year index-linked bond (our longest dated security) on a real yield of nearly 3%.

While our understanding of food security continues to deepen, we are increasingly convinced that the resilience of the global food system will play an important role in shaping future inflation, investment risk and opportunity. This is why we continue to raise the issue with companies, develop our research and explore how these themes may affect our investments in the years to come.



Sian-Azilis Evans
Investment Analyst



Responsible Investment at Troy



Signatory of:

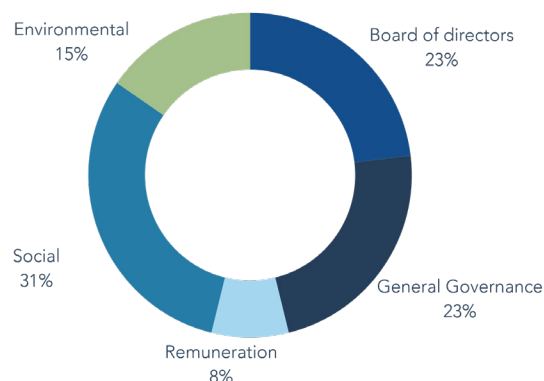


Voting

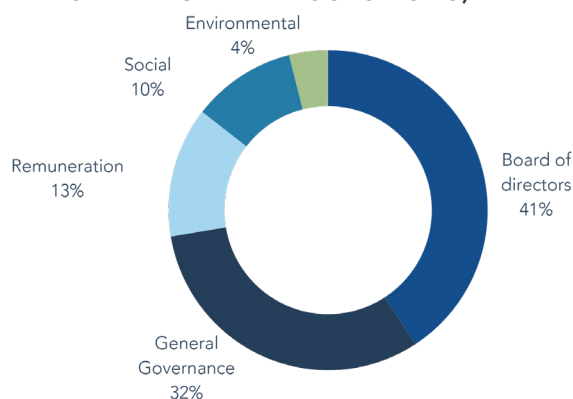
	2025	2026
Meetings Held	89	86
Meetings voted	100%	100%
Meetings with at least 1 vote Against Management*	35%	34%
Management Resolutions		
Total management resolutions	1,574	1,365
Votes against management resolutions*	3%	4%
Votes against ISS recommendations	5%	5%
Shareholder Resolutions		
Total shareholder resolutions	55	50
Votes in favour of shareholder resolutions	26%	26%
Votes against ISS recommendations	0%	34%

Source: ISS. *This may include abstentions.

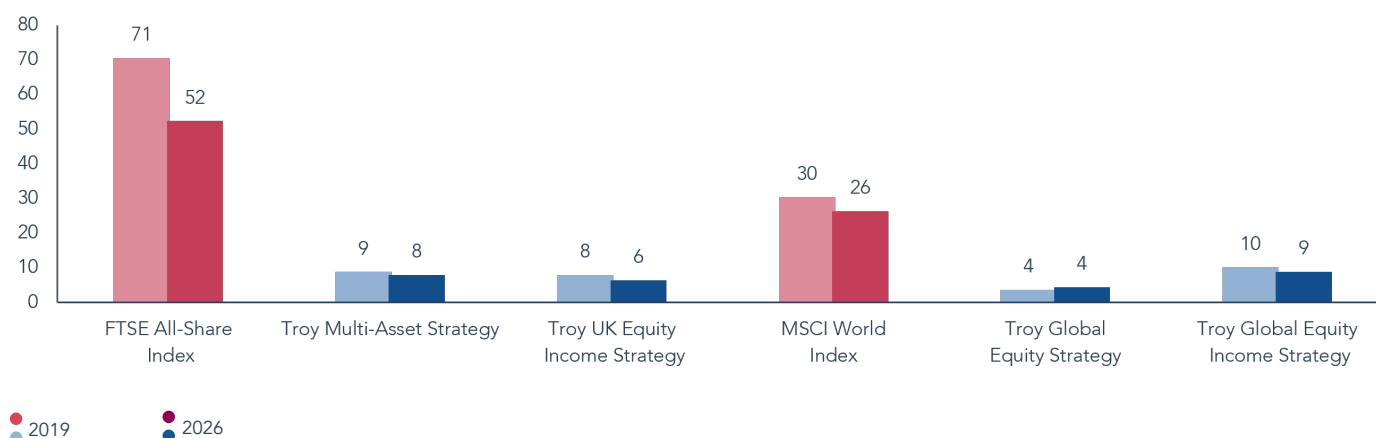
VOTES IN FAVOUR OF SHAREHOLDER RESOLUTIONS – 2026



VOTES AGAINST MANAGEMENT RECOMMENDATIONS - 2026 (BOTH MANAGEMENT AND SHAREHOLDER RESOLUTIONS)



Portfolio Carbon Footprint (Tons CO2e / \$M Invested)*

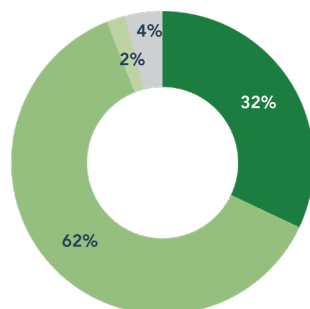
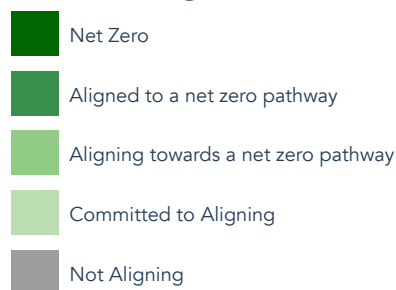


*Carbon footprint and financed emissions are calculated using an EVIC (Enterprise Value Including Cash) attribution factor.

Source: MSCI ESG Manager, portfolio holdings as at 30 September 2026. Asset Allocation subject to change. The information provided is based on calculations relating to corporate securities only. Where the fund holds other asset classes, such as cash or government bonds, these are excluded from the portfolio. The information shown relates to a mandate which is representative of, and has been managed in accordance with, the relevant Troy Strategy. Past performance is not a guide to future performance. All references to benchmarks are for comparative purposes only.



Current Alignment of our Holdings with Net Zero by 2050

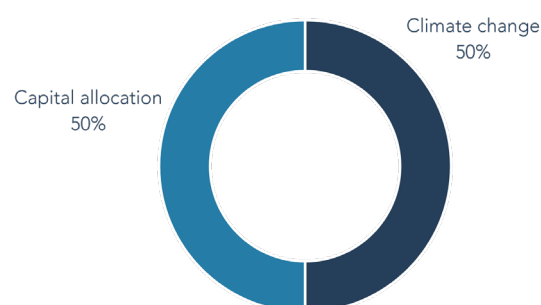
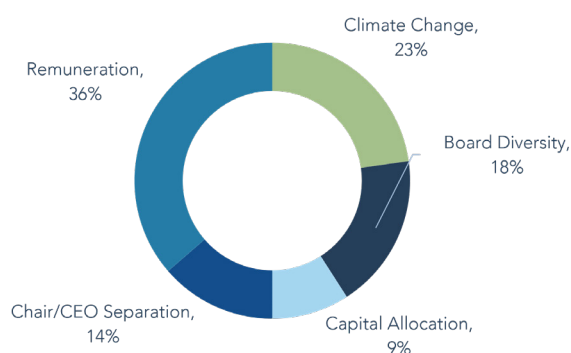


Source: MSCI ESG Manager

Troy has categorised all equity holdings along an alignment maturity scale in accordance with the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework methodology. This reflects our commitment under the Net Zero Asset Managers initiative to ensure our investments are on track to meet global ambitions of net zero emissions by 2050 or sooner. We currently have engagements underway with all holdings deemed 'not aligning', our goal is to move all holdings along the climate maturity scale with the ultimate objective of achieving net zero. For further information please see [Troy's Climate Change Mitigation Policy](#).²

Engagements

ONGOING - 22 ENGAGEMENTS WITH 18 COMPANIES 2026 - 2 ENGAGEMENTS WITH 2 COMPANIES



Source: Troy Asset Management, 30 September 2026. ²This policy outlines the consideration of climate risk in our investment decision-making process for mandates which meet the criteria under Article 8 of the European Union's Sustainable Finance Disclosure Regulation



Disclaimer

Further information relating to how ESG integration is applied to the fund can be found in the fund prospectus and investor disclosure document. For further information relating to Troy's approach to company voting and engagement, please see Troy's Responsible Investment and Stewardship Policy available at www.taml.co.uk.

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