30 June 2026

LETTER TO ELEMENT INVESTORS

In previous letters, I have explained our investment preference for quality and value. Our conscious portfolio construction is perhaps less understood, and, in this light, I am going to use this letter to unpack one of the resilient long-term tailwinds that we have invested some (not all) of our portfolios in: Healthcare.

Aging Populations, Growing 'Screen Time' & Accelerating Eyecare Burdens

Not only is healthcare defensive and inelastic in nature with high barriers to entry as a sector, but eyecare is an *accelerating* sub-sector. Demand for eyecare is accelerating steadily as a combination of growing populations, aging demographics, *and* increasing digital screen time increasingly harms our eyesight. This ensures that the demand for eyecare is growing at a *real* rate of c.7.1% annually! Not just is this growth rate *multiples* of expected global real GDP (c.2.5% per annum average out till 2046) but aging populations and increasing screen time are all driving eyecare demand *per capita* upwards through time (while global real GDP growth is expected to *slow* over time).

While eyecare is currently a c.$160bn sub-sector in healthcare, by c.2046 the *eyecare* sector should have grown to $1trillion in value – similar to energy, telcos or automotive sectors.

Importantly, the dynamics driving the eyecare sector are nearly completely *independent* of economic cycles, interest rates, and geopolitics, amongst other things.

Yet, when an investor looks through the investable universe of companies to invest in here, there are a precious few that exist of scale, quality and longevity with breadth and depth of product offering. Of these, **Alcon AG**, **Johnson & Johnson**, & **EssilorLuxottica SA** stand out as having unique combinations of scale, depth, reach, quality, growth and attractive valuations. (**EssilorLuxottica** has added luxury and AI/technology characteristics to its business, which we will explore in subsequent investor letters.)

Hence, we have an overweight allocation to the healthcare (benefitting from aging populations), *and* we have *specifically* targeted the eyecare sector to offer our investors access to eyecare's long-term, defensive, above-average growth that should keep accelerating.

Finally, from a portfolio construction perspective, eyecare investments offer long-term investment returns that are, arguably, almost entirely *uncorrelated* with economic cycles and many of the variables that impact most asset classes. **This not only adds upside to our portfolios' growth potential but also lowers our overall portfolios' risk.**

After all, would you delay your eyecare spending if interest rates went up, the oil price spiked, and/or some president somewhere was starting wars around the world?

As always, I am available if anyone wishes to discuss our funds or underlying investments.

Kind regards,

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Fund Manager & Chief Executive Officer

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