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Jenny Davis: Over the long term, share prices follow earnings. We've held this belief for many years and our long-term track record demonstrates that it holds true. The International Alpha Strategy has exhibited a consistent quality growth bias since its inception in 2002 and has a record of outperforming its benchmark over more than 90 per cent of rolling five-year periods.

Turning to the current picture, in the vast majority of cases, portfolio holdings have been meeting or exceeding our expectations in operational terms across all four shades of growth that we invest in. This is backed up by aggregate portfolio characteristics that look as attractive as we've seen in years. The portfolio boasts forecast earnings growth that is around a third higher than the index, with net margins that are around 40 per cent higher. Whilst the growth and quality tilt is higher than it's been in several years, the portfolio's valuation has been coming down, so our clients are paying less for a better quality portfolio.

Given this very positive backdrop, why has performance turned down during the most recent quarter? We believe it can be largely explained by sentiment, not fundamentals. Sentiment can often drive markets over the short run, but as we explained at the outset, it's investment fundamentals that drive returns over the long term.

International equities have performed very strongly in 2025 and this continued during the third quarter. However, when you drill down into the companies that have delivered the best returns, lower quality value stocks have featured prominently.

Within Europe, the growth index has lagged its value counterparts by around 10 per cent so far this year. We have a distinct quality growth style and quality growth companies have been very much out of fashion in recent periods. Another explanation for the recent pullback in performance for the strategy is that a very narrow range of growth stocks have done well, whereas the International Alpha portfolio has exposure to a diversified collection of quality growth stocks. This is what builds resilience into the portfolio and has allowed us to deliver consistent returns over time.

It's a narrow collection of stocks closely associated with the AI theme that have been rewarded recently, whilst many other companies that have been executing well have been overlooked. The International Alpha portfolio has holdings in the key critical enablers for AI, such as chip foundry business TSMC or lithography business ASML, both of which are overwhelming global leaders and positioned to deliver strong growth for many years to come.

There are also several holdings that are seeing their profit growth supercharged by AI, such as audio streaming platform Spotify or German software business SAP. These are long-term winners, whereas the market has recently been rewarding lower-quality names that are enjoying a temporary

boost from AI investment. It's important that we stay the course, that we remain true to our style and continue to focus on investment fundamentals, not fashions or ephemeral trends.

As we've discussed with many of our clients, we've been doubling down on looking widely for exceptional businesses across different countries, sectors and types of growth. This has yielded some excellent results, with recent purchases including a Brazilian stock exchange with a near-monopoly position and a record of generating 15 per cent per annum earnings growth over the past decade. Or a family-run Singaporean bank which has generated outstanding returns through economic cycles.

We've also taken the opportunity to add to some of our favourite companies that have seen their share prices fall despite delivering strong operational performance. This includes chemicals distribution platform IMCD, which has an outstanding record of delivering organic growth supplemented by value-added acquisitions. It also includes workflow management tool Monday.com, which saw its shares correct sharply despite reporting strong results with revenues rising 27 per cent year-on-year.

If we cast the net back a few months, the International Alpha Strategy was at a turning point in its performance cycle, with returns that exceeded the benchmark over one and three years. Although performance has turned down since then, the portfolio characteristics have improved. Portfolio holdings are delivering, and we are generating a healthy flow of attractive new ideas with potential for significant upside. We therefore begin the final quarter of the year with a spring in our step.

International Alpha

Annual past performance to September each year (%)

	2021	2022	2023	2024	2025
International Alpha Composite (gross)	16.1	-37.9	19.4	31.8	9.3
International Alpha Composite (net)	15.4	-38.3	18.7	31.0	8.6
MSCI ACWI ex US Index	24.4	-24.8	21.0	26.0	17.1

Annualised returns to 30 September 2025 (%)

	1 year	5 years	10 years
International Alpha Composite (gross)	9.3	4.4	8.8
International Alpha Composite (net)	8.6	3.7	8.2
MSCI ACWI ex US Index	17.1	10.8	8.8

Source: Revolution, MSCI. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

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