

# US Alpha Q1 investment update

April 2025

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Investment manager Rose Nguyen and investment specialist Kirsty Potter give an update on the US Alpha Strategy covering Q1 2025.

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**Your capital is at risk. Past performance is not a guide to future returns.**

**Kirsty Potter (KP):** Hello and welcome to this quarterly strategy update for US Alpha. My name is Kirsty Potter. I'm an investment specialist and I'm joined today by Rose Nguyen, who is one of the investors on the US Alpha team. Welcome, Rose.

**Rose Nguyen (RN):** Thank you, Kirsty.

**KP:** So, today Rose and I are going to cover a range of topics including the market environment we've seen over the quarter, performance, some of the trading activity and, also, outlook for the portfolio looking forwards.

Before we start, just a quick reminder. US Alpha is a diversified growth strategy, and we seek to benefit from the outperformance that can come from investing in a range of different growth companies. So, the first being those rapidly growing disruptive companies. Secondly, those steadily compounding businesses. And last but not least, those companies that can grow through the different market cycles.

So, turning to you now, Rose. We've seen another eventful quarter, lots of volatility, significant uncertainty around what's happening in the US and the US economy. So, in light of that, how do you go about disentangling some of that short-term noise and focusing on what's important over the long term?

**RN:** You're right that we have seen a lot of volatility this quarter as the market is still grappling with the potential impact of Trump's tariffs and how those might reshape the global supply chains in the future. Within the team, we have been discussing the potential long-term effect of those changes on our portfolio. And we have been trying to identify areas of the portfolio that might be more vulnerable to those shifts in the long term.

So, an example is Canada Goose, which is a niche clothing luxury brand. It has over 40% of its revenues coming from Asia and China, and, with the manufacturing supply chain mainly based in Canada, we think that it is one of those companies that might be quite vulnerable to tariffs and weakened consumer spending in the future. So, our growth case for Canada Goose has weakened materially and we decided to exit that holding this quarter.

**KP:** And it is worth saying that that market environment has weighed on performance over the quarter, but we have seen strong performance from a number of holdings. Some of them are consumer discretionary stocks, so the likes of AutoZone, the car parts retailer, DoorDash, the food delivery company, and Dutch Bros, the coffee chain as well. In light of the news flow that we're seeing about the US economy, and the health of that US economy going forwards, but also that strong performance, how are you weighing that up in the team and positioning the portfolio for success going forwards?

**RN:** Yes, consumer discretionary is one of the sectors that we overweight in our portfolio. And you're right in pointing out that we have quite strong performance from several holdings in this space over the recent quarters. However, we are mindful that we want to build a balanced portfolio with diversified exposure to different sectors and in different buckets of growth. And we are also mindful that the consumer sentiment in the US has been weakening, and therefore we have taken actions to reduce some of our exposure in consumer discretionary.

An example is Chewy, which is an online pet business. It is one of our top performers last year, and the investment case for Chewy is playing out as we expected. However, we think that the longer-term market opportunities are playing out, and we don't think that it warrants one of the top positions in the portfolio anymore. So that's why we've decided to reduce our Chewy position.

We've also trimmed our DoorDash position mainly because of the overall exposure in the portfolio to consumer discretionary stocks. We still remain very enthusiastic holders of DoorDash, and we view its management being one of the most exceptional management teams that we have come across.

**KP:** Yes, it's doing a great job of expanding into new verticals and going from strength to strength, which is good to see.

**RN:** Exactly.

**KP:** Another theme coming out of trading activity this quarter would be healthcare. So, we've sold mRNA vaccine company Moderna, but purchased Illumina, the genome sequencing company. So, I wondered if you could just outline the rationale behind those trading decisions.

**RN:** Sure. The healthcare sector has faced significant headwinds in recent years because of high interest rates and cuts in R&D funding. But we believe that science will continue to march forward and the sector will recover. And so we have taken advantage of the market volatility to increase our exposure to high-quality names that are trading at attractive valuations.

So, we bought Illumina this quarter. It is a global leader in DNA sequencing technology with over 80% market share. It is a backbone infrastructure for healthcare research and healthcare innovation. The company is out of favour at the moment because of geopolitical concerns and competitive fears. But our belief is that its core sequencing business is highly resilient. And at the same time, the new management team is expanding the growth opportunities into adjacent areas. And the valuation is looking quite attractive at the moment. So that's the rationale behind our new buy into Illumina.

On the other hand, we decided to sell Moderna, the messenger RNA biotech company, because the business is still relying heavily on Covid-19 revenues, which is a declining franchise, and we have growing concerns over its cash burn. The investment thesis appears broken to our mind, so that's the reason why we sold it.

**KP:** Yes, that makes sense. So, turning to today and looking forward, what are your thoughts on portfolio positioning and reasons for confidence for the outlook for the portfolio?

**RN:** Yes, despite increasing uncertainty and global tensions, we feel confident in our current positioning of the portfolio. We believe that the best we can do is to stick to our core strength and our core skill set, which is bottom-up fundamental analysis. We want to own companies that are adaptable, that are run by management teams who are exceptional and can navigate different market environments. The current environment actually has given us good opportunities to take advantage of the share price volatility to increase our exposure to names that we view as very attractive businesses over the long term.

**KP:** So, summing up the conversation today, we are thinking really carefully about geopolitics and its impact on the portfolio and the potential impact going forwards. But we very strongly believe that the portfolio is positioned well for success going forwards with lots of adaptive and flexible companies.

We're sticking to our strengths in terms of our bottom-up fundamental analysis. And we know over the long term that when you see strong fundamentals and that underlying operational progress from companies, that will be reflected in share prices over the longer term. And then, last but not least, this is a diverse, very robust portfolio. In aggregate, it's growing faster than the broader market. And so, lots of reasons for confidence going forwards.

So, thank you very much for watching today and we'll look forward to speaking to you next quarter.

## US Alpha

### Annual past performance to 31 March each year (net%)

	2021	2022	2023	2024	2025
US Alpha Composite	-	-	-	23.6	2.5
S&P 500 Index	-	-	-	29.9	8.3

### Annualised returns to 31 March 2025 (net%)

	1 year	5 years	Since inception*
US Alpha Composite	2.5	-	14.4
S&P 500 Index	8.3	-	20.1

\*Inception date: 31 December 2022.

Source: Revolution, S&P. 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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