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# International Concentrated Growth Q2 investment update

July 2025

Investment manager Paulina McPadden gives an update on the International Concentrated Growth Strategy covering Q2 2025.

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

**Paulina McPadden:** Hello and welcome to the International Concentrated Growth Strategy's second quarter update. I'm Paulina McPadden, an investment manager and member of the strategy's portfolio construction group.

In this short video, I will provide a performance update, discuss recent trading activity, but I will start by giving you an insight into what we've been thinking about recently.

We often talk about the importance of patience, but patience is rarely exciting. It can be quiet, uncomfortable, and at times, profoundly difficult.

This quarter, we were again reminded just how essential patience is in giving exceptional businesses the time they need to grow.

Investing the way we do isn't about getting every decision right but about holding on to the right decisions long enough for them to matter. It's about being patient when a company goes through challenging periods, as all businesses do, as well as allowing companies with strong performance time to do their thing. Both matter in delivering returns for clients. Time, more than timing, has tended to be the key to our most rewarding investments.

Performance this quarter has been strong, as are our long-term returns. But what sits behind the numbers is important.

Take **MercadoLibre**. It's one of the strategy's top contributors over the last five years and features positively again this quarter — and yet, holding it wasn't always easy. There were many challenging periods. We followed the company for nearly a decade before taking an initial holding in 2018, which allowed us to gain confidence in MercadoLibre's ability to tackle difficult macroeconomic backdrops.

It has dealt with a big recession in Brazil, hyperinflation in Argentina, and a post-Covid drawdown leading to a share price trough just a few years ago. But it has returned over 300 per cent since and is a top contributor to overall performance.


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The reason we held on is the same reason it's thriving today: a clear vision, relentless innovation, and a culture that still feels like a startup 26 years on.

We recently hosted Marcos Galperin, the founder, in our Edinburgh office. What struck us was not just his confidence in the business, but his confidence in how the company is building for the next decade of growth, with a clear vision and constant innovation. That kind of leadership and alignment of ambition and time horizons is rare, and worth being patient to see it come to fruition with the next generation of leaders at the company.

Other holdings like **Spotify** and **Adyen** have followed a similar arc.

Spotify is no longer just a music platform. It's becoming a full-fledged creator ecosystem, with growing operating leverage and AI adoption accelerating that shift.

During a recent visit with CEO Daniel Ek in Stockholm, we gained further conviction in the potential for Spotify to expand further in Emerging Markets and for profitability to continue to rise due to the continued adoption of artificial intelligence. Operating margins are now nearly triple what they were a year ago. And importantly, the pace of innovation and release of new products is accelerating as well, which should boost growth going forward.

Adyen has had a turbulent few years in share price terms. But behind the scenes, it's been a story of discipline, with no unnecessary acquisitions or cultural compromises. The management team has underscored long term profitability targets, but encouragingly is also willing to push this out if it might otherwise harm their growth opportunities. And the product continues to improve, with new functionality leveraging the platform's scale to improve conversion rates for merchants and reduce their costs. This combination of ambition and steady execution is also very valuable.

We held onto both — not because we're stubborn, but because we trust the business models and the people behind them. That is now paying off for Spotify with signs that Adyen can follow suit.

Other strong contributors to performance this quarter included **TSMC** and **NVIDIA**. Both underpin the physical infrastructure of the modern digital economy, benefit from incredibly strong and deepening competitive advantages, and have truly long-term management teams. Their result speak for themselves.

Meanwhile, Chinese holdings **Meituan**, **BYD** and **PDD** have detracted. We recognise the correlated macro risks these companies face, given geopolitical tensions and the possibility of regulation, and reflect these in our overall allocation to China. But these are also exciting, founder-led companies which continue to see large growth opportunities and therefore merit a place in the portfolio.

That said, patience doesn't mean holding on forever. This quarter, we sold out of SolarEdge and Ginkgo Bioworks. With both, we saw the promise. But the reality didn't match with intensifying competition, difficult industry and macro backdrops, and weakening fundamentals. So we're always asking: is this business still earning its place in the portfolio or should we make space for better ideas?

What I'd like to leave you with this quarter is our commitment to constant introspection. Patience, in particular resistance to locking in gains and selling too soon, has been key to delivering client returns. Our role, after all, is to give great companies time to make their visions a reality. But we


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also seek to always reflect on those decisions, avoid the temptation to hold on too long or admit that we were wrong.

Not every decision we make will work. But if we hold our nerve, resist both the impulse to act too soon or hold on too long, we believe the results will follow.

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## International Concentrated Growth

## Annual past performance to 30 June each year (%)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| International Concentrated Growth Composite (gross) | 61.8 | -46.1 | 22.4 | 11.1 | 28.5 |
| International Concentrated Growth Composite (net) | 60.7 | -46.4 | 21.6 | 10.3 | 27.7 |
| MSCI ACWI ex US Index | 36.3 | -19.0 | 13.3 | 12.2 | 18.4 |

## Annualised returns to 30 June 2025 (%)

| | 1 year | 5 years | 10 years |
|---|---|---|---|
| International Concentrated Growth Composite (gross) | 28.5 | 8.8 | 14.7 |
| International Concentrated Growth Composite (net) | 27.7 | 8.1 | 13.9 |
| MSCI ACWI ex US Index | 18.4 | 10.7 | 6.6 |

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.

**Past performance is not a guide to future returns.**

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