

Positive Change Q1 investment update

April 2025

Investment manager Lee Qian and investment specialist Nduka Amadi give an update on the Positive Change Strategy covering Q1 2025.

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

Nduka Amadi (NA): Welcome to the Positive Change update for the first quarter of 2025. My name is Nduka Amadi and I'm an investment specialist on the strategy. I'm joined today by Lee Qian, who is an investment decision maker on the strategy. Now, Lee, thank you for joining us this quarter. There is only one place to start, and that is in the US. We've seen political change taking place, lots of policy shifts, tariffs, a seeming change of priorities when it comes to sustainability and inclusivity. How do you assess that as a manager of a strategy that's trying to deliver a more sustainable and inclusive world?

Lee Qian (LQ): Yeah, it's a good place to start. It has certainly been an eventful first three months to the year. There's a lot of uncertainty and we can't fully predict what is going to happen for the rest of the year. But in this period of heightened uncertainty, the first thing to highlight is that Positive Change is a portfolio with strong businesses a strong balance sheet, strong cash flow dynamics that should be resilient in a changing world. So the net debt to equity ratio across the portfolio is zero compared to 0.5 for the benchmark. And 95 per cent of the portfolio are either profitable or positive cash flow. The 5 per cent that are not all have positive net cash on balance sheet as well. So this is a strong portfolio that we believe are able to withstand uncertainty and are resilient in uncertain worlds.

Now, the second part around the general anxiety about sustainability due to policy shifts, of course, that is there. But it's important to highlight that positive change is exposed to a wide range of growth drivers, including areas like increasing financial access in emerging markets, improving health care solutions, even in the environment and resource needs, there are a wide range of growth drivers, such as improving food and water for businesses like John Deere and Xylem. As well as upgrading manufacturing, construction, and infrastructure for businesses like Schneider Electric. So we believe the portfolio is well positioned across a large number of growth drivers and

have fairly little direct exposure to things like renewable energy, which were likely to face headwind from President Trump.

NA: So it's great to hear that the portfolio has a really broad opportunity set, it's resilient. Performance over the quarter for the market and for the strategy has been muted. When we think about this from a company-specific perspective, would you like to share what's done well and maybe what's not done so well over the quarter?

LQ: Yeah, so one company that has done well is MercadoLibre. This is the largest position in positive change and is Latin America's leading e-commerce and fintech platform. The business continued to grow robustly throughout 2024. Revenue grew by almost 40 per cent and net profits doubled in the year. So the business continued to prosper and it was being rewarded in share price terms as well.

In terms of a company that had a more disappointing performance, it's Moderna. The company played an important role during the COVID pandemic. But recent progress has been lagging behind our expectation. COVID revenue has fallen off faster than expected. But more importantly, the progress outside of COVID in terms of clinical trials in newer therapeutic area have been more mixed as well. So that has led us to reassess and think about whether Moderna continues to deserve a place in the portfolio over the long term.

NA: Okay, so it's good to hear that you're thinking about companies like Moderna which may have had a more challenging period and sort of looking at them on a forward-looking basis. When we come to the portfolio and think about what's changed over the last year, we've seen turnover go up to 24 per cent. In 2024, I think 12 new names came into the portfolio. So a good pipeline. And we've seen that continue into the quarter with two new names coming in and one leaving. Would you like to talk us through those companies that have come in and exited from the portfolio?

LQ: Yeah, so we continue to identify really exciting businesses. So in this quarter, we took a new holding in Prudential and Caspi. So Prudential is a leading insurance company operating primarily in Asia, providing life insurance, health insurance, and a range of protection and saving product for consumers in the region. The business is trading at a fairly depressed valuation on less than one times embedded value. So the market is thinking the business is not going to grow anymore and the existing book of insurance business is less valuable than the company claims. We believe this is mispriced. The company has a very strong long-term history and has a very strong franchise and brand recognition in Asia. The region will continue to grow over the long term. and increasing income and wealth will drive demand for insurance and saving product. So we believe Prudential will continue to grow profitably over the long run, and it's being mispriced by the market. Here is a very exciting opportunity to invest in quality growth businesses.

Kaspi is Kazakhstan's leading super app. Consumers can use the app to pay for goods and services, to buy things on the e-commerce platform, and even carry out a range of government

services like filing tax returns or accessing your driver's ID. This is a very strong business providing high utility for consumers in Kazakhstan. The average consumer interacts with Caspi and transact on the platform 71 times a month. It's an incredible frequency and stickiness. Despite the strong competitive position, shares are trading on nine times price-to-earning, very attractive in our view. We believe the market is being too pessimistic about the risk in Kazakhstan and are not recognising the quality of the business and the growth opportunity. So we took a holding in Caspi this quarter as well.

NA: Great. So really two exciting opportunities looking forward in geographies like Kazakhstan, where we don't have a lot of exposure. And can you tell us about Tesla, which we have sold from the portfolio this quarter?

LQ: Yeah. So you're absolutely right. We sold Tesla this quarter. The company we first invested in when we started Positive Change in 2017. Back then, Tesla was only making about 100,000 cars per year. Last year, it made almost 2 million cars, so a significant increase. And share price also increased by about 2,000 per cent over the last seven and a half years as well. So phenomenal progress on both environment and investment grounds. The reason we sold is due to valuation. After the election of President Trump last November, share price of Tesla almost doubled. In our view, there hasn't been significant fundamental changes about the business to justify the increase in valuation. So at the start of the year, we sold the shares of Tesla.

Positive Change

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

	2021	2022	2023	2024	2025
Positive Change Composite	107.5	-5.6	-12.2	6.2	-2.5
MSCI ACWI Index	55.3	7.7	-7.0	23.8	7.6

Annualised returns to 31 March 2025 (net%)

	1 year	5 years	Since inception*
Positive Change Composite	-2.5	12.2	15.0
MSCI ACWI Index	7.6	15.7	10.7

*Inception date: 31 January 2017.

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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