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Carla Bannatyne: What word comes to your mind when you think of equity markets in 2025? Is it AI or tariffs? Maybe record-breaking? Those less sure might say uncertainty or even bubble. For us in the Long Term Global Growth Team, it's opportunity. And here's why.

One of the most striking features of equity markets in recent years has been how crowded parts of the opportunity set have become and how overlooked others remain. A relatively small number of very large companies continue to dominate index returns.

But beneath the surface, we're seeing growing dispersion in fundamentals, valuations and long-term outcomes. For many investors who are tightly anchored to the index, that creates a genuine dilemma.

But for us in the long-term global growth team, with the freedom to ignore index weights and focus purely on bottom-up fundamentals, it creates opportunity.

And that's why, as we reflect on both the fourth quarter and the year as a whole, we remain optimistic. This is exactly the kind of environment where patient, long-term stock picking tends to matter most.

Against that backdrop, the portfolio delivered strong absolute returns in 2025. However, it lagged the MSCI ACWI index by a mid-single-digit margin, reflecting periods of volatility, particularly in the fourth quarter.

But overall, the portfolio has continued to deliver solid progress underpinned by strong earnings growth and improving cash generation across many holdings. Importantly, that progress has not been reliant on the same narrow group of index heavyweights known as the Magnificent Seven.

For LTGG, 2025 returns have been driven by a broad set of companies operating across different geographies and end markets, and at very different stages of their growth journeys. From US digital advertising company AppLovin, to Brazilian fintech Nu Holdings, and Chinese pharmaceutical company BeOne.

And that's exactly what we want to see, because our objective is not to track the market quarter by quarter, but to build portfolios of exceptional companies that can compound value over many years, even if their paths are occasionally uneven along the way.

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At times, that volatility can also create opportunity, providing attractive entry points or chances to add to existing positions.

Nu Holdings, Duolingo and Axon are examples of us taking advantage of precisely this opportunity during the quarter. Duolingo has fallen victim to a market in a rush to establish AI winners and losers.

And we question whether language learning has really been made obsolete by AI. That view also overlooks the fact that AI is enabling Duolingo to enhance its product, improve learning outcomes and expand its opportunity set to more advanced learners.

Axon, on the other hand, sits at a critical bottleneck in public safety, combining hardware, software and data in a way that creates high switching costs and long-term visibility.

What gives us confidence is not what Axon has already built, but its ability to keep adapting, layering AI into workflows, expanding internationally and extending its platform into new use cases over time.

But weakness in share prices does not lead to mechanical additions for the LTGG team. So while The Trade Desk, Meituan and Atlassian have also seen drawdowns greater than 30 per cent this year, questions around competitive dynamics, growth durability and returns on incremental capital are being actively debated by the team.

I should also stress that competition for capital in the portfolio remains tight, and where we no longer have sufficient conviction in a holding's future returns, we will move on. And this quarter we sold Datadog and BioNTech.

A key input when assessing the source of future returns is our own on-the-ground research. This quarter was no different, and a trip to the US West Coast helped sharpen our understanding of several themes that will matter for long-term returns.

First, the importance of companies occupying strategic positions within their ecosystems. As AI changes how data moves around the internet, companies that sit at a critical junction and take responsibility for the health of that broader system, like portfolio holding Cloudflare, are becoming more valuable, not less.

Second, we saw just how uneven the monetisation of AI still is. Some businesses are already delivering clear returns, combining speed of execution with strong economics. AppLovin would be an obvious example. Others, particularly at the frontier, are far more uncertain.

So being on the ground makes it much easier to distinguish between real progress and compelling narratives. At companies like Reddit, we saw how a renewed willingness to move quickly, take risk and simplify decision-making is translating into better products and improving commercial outcomes.

We also saw how AI investment is benefiting companies outside the obvious technology names, including in areas such as healthcare, where firms like Intuitive Surgical are embedding intelligence into products to strengthen their already durable competitive positions.

So as we step back from the detail, it's worth remembering why long-term global growth was established in the first place. The strategy was launched nearly 22 years ago, precisely to take advantage of environments like this: periods where markets become crowded around a narrow set of narratives, while long-term opportunities elsewhere are overlooked.

So that is why, when we reflect on the past few months and 2025 more broadly, the word that comes to mind is opportunity. And we're taking advantage of that opportunity today.

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Long Term Global Growth

Annual past performance to 31 December each year (%)

	2021	2022	2023	2024	2025
Long Term Global Growth Composite (gross)	3.2	-46.0	38.2	26.6	17.8
Long Term Global Growth Composite (net)	2.4	-46.4	37.3	25.7	16.9
MSCI ACWI Index	19.0	-18.0	22.8	18.0	22.9

Annualised returns to 31 December 2025 (%)

	1 year	5 years	10 years
Long Term Global Growth Composite (gross)	17.8	2.8	16.7
Long Term Global Growth Composite (net)	16.9	2.1	15.9
MSCI ACWI Index	22.9	11.7	12.3

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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