

Long Term Global Growth Q4 investment update

January 2025

Investment manager Mark Urquhart and investment specialist Tatjana Evans-Macleod give an update on the Long Term Global Growth Strategy covering Q4 2024.

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Tatjana Evans-MacLeod (TEM): Welcome to the fourth quarter Long Term Global Growth update. Before we start, a reminder of what Long Term Global Growth aims to do. We aim to deliver exceptional returns by holding a concentrated portfolio of what we consider the world's best companies. My name is Tatjana Evans-McLeod. I'm an investment specialist on Long Term Global Growth and joined by Mark Urquhart, founder and decision maker on the strategy. Today we'd like to talk to you about the quarter, about portfolio, positioning, and about the outlook for the future.

But before we look forward, we want to look back quickly. 2024 marks the 20th anniversary of long-term global growth, and in that time we've returned over two times the index, we've consistently outperformed on a rolling five- and ten-year basis, and we've sort of been through lots of different gyrations of markets.

So that is a starting point. What did 2024 provide in terms of challenges or excitement for you as an investor?

Mark Urquhart (MU): I think in many ways 2024 was a microcosm of the 20 years we've had. You had big events. We had the US election at the end of the year and Trump coming back into the White House in the next couple of weeks. You had, through the year, real swings in sentiment, on China in particular. At the start of the year, it was very out of favour. Then roared back during the middle months and tailed off a little bit. And then you have this meta, sort of overarching, technology shift with the move to AI (Artificial Intelligence), huge, billions of dollars of investment. People trying to work out who are the winners and losers, how that's going to play out, where to place your sort of investments within that context.

But this is similar to what we've seen before. We've been through, as you said, 20 years. That's five, six US investment, presidential cycles. We've seen these technology shifts before in terms of the

rise of ecommerce and the internet, etc, and the sentiment changes. So, it's felt to me as if we're in very similar sort of waters in terms of the investment backdrop.

TEM: History doesn't repeat, but it rhymes.

MU: Exactly.

TEM: And how did this affect some of the holdings in the portfolio? Anything you want to highlight?

MU: Yes. We don't judge yourself on quarters, but on that short-term view, a standout was a new holding, AppLovin, which tripled within the quarter. It's hit a real explosive growth curve. It's got a very interesting business in mobile gaming advertising. And historically, that's been advertising other games within games. It's improving that very rapidly, which is very good for its financials, but it's also now seeing other adverts coming into that area. So that opens up a whole new growth market. We think it has a really smart management team and is a really interesting addition to the portfolio.

And then of longer holdings, I'd bracket Atlassian along with Shopify. And those are two companies that are probably starting to see some of the benefits of AI coming through, in terms of growth rates. If you take Shopify, it helps merchants online, small merchants, just navigate the whole area of advertising, collection, inventory, shipping, etc. And they're having meaningful uptake of their new AI tools. And that's really locking in merchants, but also helping them so that they're spending more.

TEM: And what about Atlassian, because it does tools for teams. How does AI affect Atlassian?

MU: It's using AI to help develop some of the software solutions, that it gives to people. It's focused on the developer community. So, it's a classic example of it being a double-edged sword, because there is a threat there that if AI gets so clever, you don't actually need the developers. And at the moment, they're using it to increase their productivity, and that's proving beneficial for them. But it's something that we're bearing in mind when looking at that one.

TEM: That's fascinating. And conversely, so things that disappointed a little bit, and I know it's a short time horizon.

MU: Again, it's a short period. PDD has had a tough time in share price terms. It's one of our big Chinese holdings. It will be known to most people through Temu, its international operations, as a huge ecommerce business within China. It's growing like an absolute train, 40% plus. The market doesn't care about the fundamentals at the moment. It's much more focused on the regulatory risk, coming back to where we started, might there be a lot of spats between the US and China. It's not as simple as just putting tariffs on these goods, because many US companies obviously source from China, and so there's a lot of interconnections there. But the fundamentals of the business are terrific. It's on a very low valuation because of these concerns.

Second one, I would highlight Nu Holdings. This has been soggy. It's a challenger bank in Brazil. We think it has a great position. It's competing against really sleepy, dormant incumbents, providing

new ways of banking for both within Brazil and more widely across Latin America. Shares there have been affected by sentiment towards the region. The fundamentals, we think, are really, really strong. So that's something. As you said, we've weathered many of those storms over the years and we'll stick to that one.

TEM: Any changes in the portfolio you want to mention?

MU: I think a couple. We bought a new holding in something called Horizon Robotics. It was a Chinese IPO. It's a very interesting business. It does, effectively, software for autonomous vehicles, electric vehicles, self-driving. Interesting founder, a chap we used to know at Baidu many moons ago and has left Baidu to develop this.

TEM: So you've been following the company for quite some time?

MU: We know him well. Linda and others have interacted with him over the years, and we think this is a really interesting area. It's becoming increasingly clear that the existing auto manufacturers just can't cope with the amount of software in cars now. There was a big tie-up, actually, last quarter between Rivian, one of our holdings, and Volkswagen, which has really struggled in this area. I think that software is becoming more and more important in modern cars, and Horizon is very well placed there.

And then within aviation, we've increased the holding in Joby, which is an electric vehicle take-off and landing company, so essentially flying taxis. It sounds like science fiction, but we think it's going to become a reality this year in Dubai and the United Arab Emirates, and then over the next couple of years in the US and possibly in Europe. It's a real revolution in terms of how we move about cities. You can get from JFK, which currently takes about 90 minutes, to downtown Manhattan in about three or four minutes, just to give you the scale of that. We think longer term it has a really interesting role to play in taking some of the carbon out of aviation, which is obviously one of the big polluters currently and a big challenge.

TEM: Sounds like some exciting companies. And how are you thinking about the future? I mean, we're always sort of trying to think what the next chapter is, what the next thing is. So, what is 2025 and beyond?

MU: It feels really exciting. We've got a lot of companies who are either maintaining high growth rates or accelerating their growth. You look across the portfolio, about 75% of the holdings are in the top two quintiles of forecast earnings growth. And that's been a great historical guide to future share prices. Maybe not on a six-month or a 12-month view, but over longer periods of time.

So, we're continuing to find companies that are innovating, are growing, are backed by strong cash flows and have really interesting management teams. So, I'm as excited as I have been for several years.

TEM: For 20 years, even?

MU: Well, yes!

TEM: I think that's a great place to pause and say that it sounds like it's business as usual. We're still out there scouring the earth to find the greatest companies in the world at attractive valuations that have great growth rates.

MU: Exactly.

TEM: So, I'd like to thank you for your time in telling us what you're up to with the portfolio, and thank you for joining us. And if there are any questions, we are around, and please do get in touch. Thank you very much.

Long Term Global Growth

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

	2020	2021	2022	2023	2024
Long Term Global Growth Composite	102.0	2.4	-46.4	37.3	25.7
MSCI ACWI Index	16.8	19.0	-18.0	22.8	18.0

Annualised returns to 31 December 2024 (net%)

	1 year	5 years	10 years
Long Term Global Growth Composite	25.7	13.9	12.3
MSCI ACWI Index	18.0	10.6	9.8

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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