

International Growth Q2 investment update

July 2025

Investment manager Julia Angeles gives an update on the International Growth Strategy for Q2 2025.

Your capital is at risk. Past performance is not a guide to future returns. The following update is based on a representative portfolio. As such, stock examples may not be held in every client portfolio, and performance may differ.

Julia Angeles: Welcome to the International Growth Strategy's second quarter update. I'm Julia Angeles, 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, and explain why we remain optimistic about the portfolio's positioning.

The overall economic backdrop remains fragile, with uncertainties related to global trade and the Middle East conflict. While this can be unsettling, we remain committed to our philosophy of identifying and owning exceptional growth companies.

This quarter, the strategy has delivered strong absolute returns in US Dollars, outperforming its benchmark. Over 12 months, returns have also been strong in absolute and relative terms.

While this short-term recovery in performance is encouraging, the strategy is lagging behind the benchmark over a three- and five-year horizon.

Spotify, Advantest and MercadoLibre all feature in the top contributors to the performance this quarter.

Spotify remains a standout contributor to both short—and long-term strategy performance. The shares have more than doubled over one year and tripled over five years. Spotify is a great example of how our patience has been rewarded. The company has evolved into a global audio platform, reaching almost 700 million listeners, roughly half of whom are paying subscribers. 2024 marked the company's first full year of profitability. Importantly, Spotify's management continues expanding its growth opportunities.

We first invested in the semiconductor testing business, Advantest, just over a year ago, and the stock has more than doubled since. Strong operational results drive the performance.

‘The Amazon of Latin America’, MercadoLibre, continues delivering strong performance over the long and short term. The shares are up around 60 per cent over the past year and roughly 2.5x over five years, driven by rapid growth and improving profitability in its ecommerce and fintech businesses.

Following a better run of share price performance, several of the portfolio’s Chinese holdings – such as PDD, BYD and Meituan - detracted in the most recent quarter. While the tension between China and the US has been unhelpful for the short-term performance, we believe these companies have substantial growth opportunities at home and in other markets outside the US. A good example is BYD, which recently became the world’s largest EV manufacturer in terms of revenues and volume thanks to its technology and cost leadership.

In our portfolio, we keep the competition for capital high. One good way to do this is to ensure a healthy flow of new ideas. While our focus continues to be on high-growth companies, we also look for high-quality names that enhance the portfolio's resilience. These are the companies that have attractive growth prospects and exhibit exceptional return characteristics.

Over the past few months, new buys include Keyence, RELX and Belimo. Keyence is a Japanese company specialising in machine vision systems for factory automation. RELX is one of the world’s leading information and data analytics providers to professionals. And Belimo is a Swiss company that makes specialist parts for controlling heating, ventilation and air conditioning systems. In each case, we believe the market underappreciates their ability to compound at high rates of return over the long term.

Funding for these new investments included the sales of Vestas Wind Systems and Umicore, where the growth potential in renewables and EVs, respectively, has been insufficient to transform the business economics.

Portfolio turnover has risen over the past 12 months, as we have been more active than usual in refreshing the portfolio. We expect turnover to fall again to a level consistent with our long-term investment time horizon of at least five years.

The team continues to be excited about the portfolio holdings. For example, the recent meetings with the founders and management teams from companies like MercadoLibre, Spotify, and NuBank reassured us about their growth opportunities and ability to execute on their long-term potential. The team also had unique access to some of the thought leaders within the AI space. Scientists and researchers from Microsoft, NVIDIA and the Santa Fe Institute helped us understand the evolution of AI and its implications for businesses and the broader economy.

So, while we acknowledge the inevitability of short-term market volatility, we remain laser-focused on owning companies with superior growth and financial characteristics. These should translate into exceptional long-term returns.

International Growth

Annual past performance to 30 June each year (%)

	2021	2022	2023	2024	2025
International Growth Composite (gross)	45.0	-45.0	16.3	6.1	20.0
International Growth Composite (net)	44.1	-45.3	15.6	5.5	19.3
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 Growth Composite (gross)	20.0	3.4	8.1
International Growth Composite (net)	19.3	2.8	7.5
MSCI ACWI ex US Index*	18.4	10.7	6.7

*MSCI EAFE Index prior to 30 September 2018

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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