

# International Growth: our philosophy

July 2024

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Investment manager Tom Coutts introduces International Growth, reflecting on the exciting opportunities ahead

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## **Your capital is at risk.**

**Tom Coutts:** International equity markets represent a vast and compelling arena for growth investors. Spanning sectors from engineering and medicine to luxury brands, the energy transition, and the ongoing digitisation of our world. The international opportunity set is both rich and diverse, housing an array of world-leading businesses.

Our International Growth Strategy is designed to unlock the potential of these markets by addressing two persistent market inefficiencies: the undervaluation of extreme growth and the underestimation of how long growth can persist.

Remarkably, over the past three decades, a mere 1.4 per cent of companies have been responsible for all the net wealth generated in international equity markets. Only a very small number of companies really matter. This insight underpins our investment philosophy, which emphasises patience, focus and optimism to unearth those few exceptional businesses with the potential to drive stock market returns.

Capturing these opportunities requires us to think, and act, differently. Most investors operate with similar information and similar timeframes, leading to similar outcomes. But we take a different approach. We embrace cognitive diversity, we engage with visionaries, foster relationships with academics, and maintain connections with private companies. And we do this while remaining resolutely long-term. This multifaceted perspective helps us to identify future outliers—both disruptors transforming their industries, and adaptors evolving in response to changing environments. Our portfolio is a dynamic mix of rapid growth companies and long-term compounders.

Our investment philosophy is informed by Schumpeter's theory of creative destruction, where innovation disrupts established companies and creates new avenues of growth. We are at a pivotal moment with new technologies disrupting several very large industries. The digital revolution continues to change the way we purchase and consume goods, the healthcare industry is seeing breakthroughs driven by advanced biological insights, and our energy systems are still in the early stages of the transition to sustainable energy. Each of these will cause profound change to our economies and create significant investment opportunities. And I haven't even mentioned the far-reaching impacts of AI.

With over two decades of experience navigating diverse market conditions, in an investment firm that has been around for over a century, we believe that our International Growth Strategy is uniquely positioned to add value for clients. Our optimism helps us to identify potential winners, our focus allows us to select those best able to execute, and our patience enables us to hold them as they develop and grow. We learn from the past but look to the future, excited about the investment opportunities ahead.

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