

Quarterly Commentary | June 2025

## Growth Equity Strategy – Q2 Update

Dear Partners

The Growth Equity Strategy returned +18.8% (gross of fee), +18.6% (net of fee) in Q2. In comparison, the benchmark Bloomberg World Growth Equity was up 13.5%.

### Investing Environment

The news flow was heavy last quarter. The Trump administration in the United States initiated a trade war with the rest of the world, employing disruptive negotiation tactics; it joined an Israeli air bombing of Iran that threatened to inflame the Middle East; while Congress fought over the budget bill and could do no better so far than produce a draft that would add US\$2.7tn to the deficit over the next decade (1).

Despite all that, global stock markets ended the quarter higher – although we were not spared some significant gyrations.

In the US, the S&P flirted with bear market territory following the shock of “Liberation Day” (correcting by about 20% from its February highs). It subsequently staged a remarkable rebound after most of the tariffs were suspended to leave time for negotiations. These negotiations are ongoing. US markets ended the quarter up 11.6%.

Tensions in the Treasury market seem to have played a pivotal role in reining in Trump’s aggressive stance. The bond markets are often the ultimate leash that can prevent politicians’ recklessness. The US has only been able to run large twin budget and trade deficits thanks to the credibility of the US dollar and its status as the world’s reserve currency. Policies that weaken that credibility run the risk of driving the interest rate on US debt to an unbearable level.

Meanwhile, companies are left in limbo, pausing large investments as they have no way to credibly plan for the next few years. The companies we talk to also see a deterioration in consumer sentiment.

Whether these emerging cracks in the economy result in a recession remain to be seen, but they are signs of a slow-down in GDP growth.

Fed members are debating the possibility of cutting the interest rate to stimulate the weakening economy. Fear of the re-emergence of inflationary pressures due to the introduction of tariffs is holding them back and they appear to be very divided on the issue.

The bright spot remains investment in artificial intelligence, which continues unabated, driving the stocks of technology companies to new highs.

Outside the US, European markets were up 10,5% in dollar term during the quarter. Merz’s debut as German chancellor was marked by the relaxation of budget rules and announcement of an up to \$1tn investment plan in infrastructure and defense over the next decade. In addition, NATO members agreed to raise their defense spending to 5% of GDP. Questions regarding the financing of these plans will come later.

### Portfolio performance

The strong rebound in Q2 was fueled by our overweight position in Technology stocks (up 29% for the quarter) and strong gains from companies leading the way in next-generation computing and intelligent automation, including **Advantest** (+68%, adding 1.21pp), **Broadcom** (+65%, adding 1.47pp) and **Oracle** (+57%, adding 1.65pp).

**Broadcom** continues to benefit from the two strategic areas: Custom silicon and high-speed networking. Broadcom designs custom AI chips (ASICs) for hyperscalers like Google, Meta, and Amazon, who are shifting from general GPUs to optimized, cost-efficient silicon. At the same time, its Tomahawk, Jericho, and Trident networking chips power the high-speed data movement critical for training and running large AI models.

What truly sets Broadcom apart is its deep integration with the world's largest tech and cloud firms. As these giants rapidly expand AI infrastructure, they lean on Broadcom for custom silicon, scalable networking, and enterprise software. Management now forecasts about \$30 billion in AI-related sales next year—40% of total revenue—highlighting its scale and strategic position in the AI hardware stack.

IT security was another key area of strength, with **Zscaler** standing out as the top performer, rising 58% in Q2 and significantly contributing 2.06pp to overall performance.

On the other hand the main detractors from performance in the quarter were **Thermo Fisher** and **Revvity** (-18.4%, detracting 1.16pp and -8.5%, detracting 0.21pp), as the entire Life Sciences sector sold off. Numerous executive orders from Trump are blurring the short-term picture and what should have been a recovery year might end up being a challenging one. The companies have warned that the pressure on funding to large universities will hurt academic research, policy uncertainties around vaccines have led to suspension of clinical trials, and the import/export of equipment and components between the US and China will be impacted by the tariffs.

### Portfolio activity last quarter

Initiation/Increase	
Agilent Technology	Initiation
Siemens Healthineers	Initiation
LVMH	Initiation
Oracle	Increase
London Stock Exchange	Increase
Novo Nordisk	Increase
Thermo Fisher	Increase
Exit/Reduction	
Autodesk	Exit
Zscaler	Reduction
Fortinet	Reduction
Apple	Reduction

**Zscaler** and **Fortinet** were trimmed, as an increase in their stock price led to a lower margin of safety.

After the reduction, we still remain overweight cybersecurity. The accelerating demand for digital

protection across cloud, AI, remote work, and IoT supports our positive outlook. With Zscaler and Fortinet covering different market segments (cloud-native vs. embedded SMB), we expect the sector to continue outpacing broader tech.

**Zscaler's** strength lies in its Zero Trust cloud security model, which replaces the old "castle and moat" approach. Back when everyone sat in an office, behind a firewall, and accessed company-owned servers, perimeter-based security made sense. But today? People work from cafés, data lives in the cloud, and users log in from everywhere on every device.

Zero Trust flips the model: no one is trusted by default, and every user, device, and connection is continuously verified. It's tailor-made for the cloud era — and Zscaler is a category leader. With cyber threats rising and enterprises re-architecting their security around this model, we see a powerful structural tailwind for years to come.

That said, great stories can run a bit hot. With valuation stretching beyond our comfort zone and the position swelling to one of our largest, we trimmed it back to 2% — not because we lost faith, but to keep risk in check while the market caught its breath.

We remain confident in Zscaler's long-term potential — this is still one of the best-positioned players in next-gen cybersecurity.

**Fortinet** may not grab headlines like flashier peers, but it's a cornerstone in SMB security—a highly sticky, often overlooked segment. Its integrated security appliances and expanding software portfolio drive strong recurring revenues and durable client relationships. We've long valued Fortinet's profitability, scale, and pragmatic shift toward software-defined security. The stock's 67% outperformance over the past year reflects this strength.

Consistent with our decision on Zscaler, we trimmed our position by half due to the reduced margin of safety.

The management of **Autodesk** has not only failed to deliver on strategic promises but has appeared to massage numbers to meet short-term guideline. As the board did not take appropriate actions to remedy the situation and failed to answer our questions, we sold our stake during the quarter.

As we mentioned, Life Science holdings were the main detractors from performance this quarter. We took advantage of the sell-off in those fields to add to our positions in Thermo Fisher Scientific and Novo Nordisk, and to initiate new holdings in Agilent Technologies and Siemens Healthineers.

### **Thermo Fisher Scientific.**

The stock is back at prices first reached in 2020 (at the time the pandemic was boosting its business). The overhang created by the pandemic led to a long phase of digestion that we believe is now over. That period of consolidation was far from lost for the company. Its underlying businesses continued to expand and outgrow peers, it integrated numerous bolt-on acquisitions made in the last 10 years and completed the largest acquisition in its history, the Contract Research Organization PPD. All that means the business' earning power has progressed well ahead of the stock price, opening a healthy discount to fair value (i.e. P/E now close to 17x, which we view as low for a company of that quality and with that growth profile).

Beyond current short-term wobbles, the long-term picture looks clear and favorable to Thermo Fisher. The ageing world population will continue to drive demand for health care. Budget constraints make productivity solutions sold by Thermo Fisher even more compelling. Moreover, scientific breakthroughs continue to fill the R&D pipeline – with an unprecedented number of innovation platforms like GLP1, mRNA, gene therapies and protein analysis emerging at the same time. These drivers leave us confident that Thermo Fisher's core business will continue to grow at a good pace for many years.

Thanks to its scale, Thermo Fisher has been more able than peers to maintain local production capacities, including large US factories for assembly of analytical equipment and bioprocessing. That could prove valuable if significant tariffs were to be imposed on US/China goods flows. Also, the nearshoring of drugs production would create a lot of business for Thermo Fisher, which would supply facilities with equipment, lab infrastructure, inventories, consumable flow, etc.

Thermo Fisher is also a good capital allocator. It creates value through M&A, where newly acquired capabilities and offerings are plugged into its

manufacturing ecosystem and distribution network. Excess capital is then returned to shareholders, a bit through dividends and a lot through buybacks. We believe the discipline and consistency in implementation of that strategy under the long tenure of Marc Casper (arguably one of the greatest CEOs in the industry) is only matched by the very best companies.

### **Agilent, Siemens Healthineers and Novo:**

We purchased new positions in Agilent, Siemens Healthineers and Novo Nordisk. They have all built up sizable discounts to fair value and they offer excellent long-term value for money with relative upsides of between 36% and 67%, according to our valuation model.

While there may be some questions amongst investors around Novo's growth outlook for its Obesity franchise, views from clinicians are distinctly more positive. This and the sharply lower stock price lead us to add a position and later increases it.

Agilent and Siemens Healthineers face no major structural challenges beyond the aforementioned short-term cyclical factors and uncertainties around US academic research funding—mainly impacting Agilent—due to past policy changes. However, long-term support for academic research remains essential for the US. Meanwhile, patient backlogs across healthcare systems and an aging installed base of equipment are expected to sustain capital spending. In fact, Agilent's latest quarterly results highlighted encouraging trends, reinforcing our confidence in these holdings.

Importantly, we haven't seen Agilent, Siemens Healthineers, and Novo trade at such low multiples in a long time.

### **LVMH**

Similar to the lagging trends in Life Science, we believe the recent underperformance of the Luxury Sector has created a compelling long-term opportunity in selected industry leaders. We initiated a position in LVMH, the undisputed leader in global luxury — and a company that had been on our radar for some time.

We recently visited Paris and met with a member of the company's investor relations team. The takeaway was clear: beneath the short-term

market noise, this is a business that is rock solid with great leadership on board.

LVMH is the largest Luxury goods company in the world that owns some of the most iconic brands in world such as Louis Vuitton (~1/2 of its total earnings), Dior, Hennessy Cognac, various Champagne brands, Tiffany's, Bulgari and the largest cosmetic retailer, Sephora. The company has steadily expanded its market share over the years, thanks to its scale advantages and the relentless focus on brand value and customer experience. The scale creates distribution power, leverages marketing spending and provides better access to prime real estate. Management's focus on retaining control over all the key aspects of the value chain and brand image (manufacturing, image building, pricing, customer experience through own stores aso.) helps to maintain brand value and recognition long-term thereby ensuring customer loyalty.

The industry is currently going through a rough patch. After the COVID-induced spending binges, customers' closets are full. In addition, Trump's erratic policies create uncertainty that hurt consumers. We do not know when the downcycle will end but the competitive advantages of LVMH are as strong as ever, and they might even grow as weaker players struggle.

We believe that LVMH is a superb growth business that has a dominant market position and enjoys a wide moat that protects their business and margins. Over the past 30 years sales per share resp. earnings per share have grown around 10% annually, driven by a mix of volume gains, price increases and acquisitions. While price increases and volume gains might slow a little bit, the main driver of growth, a growing number of wealthy individuals, is expected to remain in place.

What stood out to us — and what's often overlooked — is the exceptional quality of LVMH's leadership. CEO Bernard Arnault and his team run the business with clear discipline and a long-term mindset. Their careful stewardship and capital allocation have driven returns for decades—and that won't change.

This fits perfectly with our investment philosophy: we focus on business quality and management actions, not market prices, which can stay disconnected from true value for a long time. How leaders deploy capital—whether buying back

shares or investing in growth—reveals their confidence and priorities. Meeting the LVMH team in Paris confirmed this alignment and deepened our conviction in owning the company for the long run.

The stock's 50% decline from the peak in March 2024 has brought valuation down to levels not seen in a long time, creating an attractive entry point. As the business environment for the sector is likely to remain challenging, we buy an initial position only, with the intention to add more if the business environment improves or the stock declines further. What's more, our investment in LVMH adds a welcome diversification and a new source of return to the portfolio.

Finally, we have increased our position in **Oracle**, driven by the growing success of its cloud business (OCI) and the rising urgency among corporations to upgrade their data management infrastructure. Oracle is not merely catching up — it is rapidly advancing in all the right areas.

Although OCI remains smaller than AWS and Azure, its growth rate significantly outpaces its competitors—and for good reason. OCI is quickly becoming the preferred cloud platform for mission-critical data workloads, thanks to a compelling combination of high-performance computing, reliability, flexibility, and seamless integration with the three leading hyperscalers that offer OCI within their clouds. These partnerships allow clients to combine the best of both worlds—Oracle databases and hyperscalers' applications—without having to choose between them.

At the same time, Oracle's enterprise software portfolio (ERP, HR, finance), now enhanced with embedded AI capabilities, is gaining momentum among large organizations retiring legacy systems. While these "Strategic Back Office" tools may not sound glamorous, they are essential, sticky, and increasingly intelligent.

With a deep moat, loyal customer base, booming cloud growth, and an expanding role in the AI economy, Oracle is quietly but steadily emerging as a leading player in artificial intelligence. That's precisely why we remain bullish on the company.

### Strategic perspective

Q2 2025 was marked by intense geopolitical turmoil and tariff disputes. Despite heightened geopolitical and macroeconomic uncertainty, equity markets recovered in record time from the panic selling after the US Tariff announcement. Many of the market segments that had lagged on the way down were leading the charge.

The volatility of the past few months has allowed us to make a number of highly attractive long-term investments, some of which we had had on the shopping list for a long time. Through that, we not only managed to tap into new sources of returns, but we were able to strengthen the portfolios' risk to return metrics substantially.

The sharp U-turn that we have witnessed in Q2 highlights the dangers of short-term market timing and why it should be avoided. It should also be a good reminder of what drives investors returns long-term: Growing earnings, buying strong businesses well, meaning at an attractive price, and last but not least, patience to allow those businesses to compound their growth for a long time. After all, it is time in the market and not market timing that will make the difference for investors.

To assemble a portfolio of high-quality businesses at the right price requires a deep understanding of their business models, their market positions and the moats protecting them, as well as a thorough analysis of their financials to determine their true value. To gain those insights we do our own field

research, leverage our research partners and experts, and we engage regularly with management. That's always been our focus, but even more so since the U.S. elections in November 2024.

Another important benefit of investing in strong businesses is that they tend to navigate uncertainty and crisis better than the rest. Why? Because they can continue to invest when others are forced to cut back and, as a result, often emerge from periods of stress or disruptions from new technologies in even stronger competitive positions. For sure, there is plenty of that right now. Hence, owning a portfolio of high-quality companies provides also a welcome degree of peace of mind when headlines are anything but comforting.

World equity markets may have fully recovered from the April lows, but the economic and inflationary risks from tariffs and the geopolitical tensions will remain and so will the disruptions from new technologies. The Trump administration's erratic policy making and the market's increasingly erratic and news driven behavior are likely to create more volatility and shock moments for investors in the months ahead.

Therefore, we believe our approach of buying quality growth at the right price is not only relevant but especially well-suited to this moment.

## Business characteristics & strengths

		<u>Portfolio</u>	<u>Equity Benchmark</u>
<b>Profitability</b>	Operating Margin	24.3%	15.8%
	Return on Equity	29.5%	19.5%
<b>Balance Sheet</b>	Net Debt / EBITDA	0.3x	1.7x
<b>Yield</b>	Operating Earnings Yield	4.4%	5.1%
	Dividend Yield	0.8%	1.1%
<b>Growth Profile</b>	1 year earnings growth est.	11.6%	
	5 years earnings growth est.	14.4%	

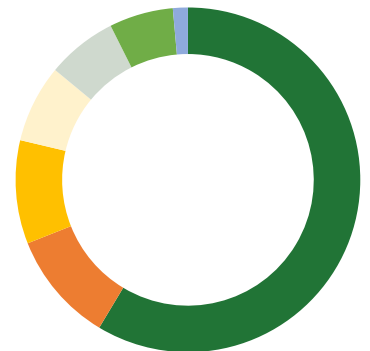
## Portfolio overview

### Holdings Breakdown

Top 10 Holdings	Weight
MICROSOFT CORP	8.89%
ASML HOLDING	6.03%
AMAZON INC	5.15%
SERVICENOW INC	4.98%
ORACLE CORP	4.90%
THERMO FISHER SCIENTIFIC INC	4.88%
APPLIED MATERIALS INC	4.74%
LONDON STOCK EXCHANGE	4.39%
TOKYO ELECTRON LTD	4.08%
ALPHABET INC-CL A	3.75%
<b>Sum of Top 10</b>	<b>51.79%</b>

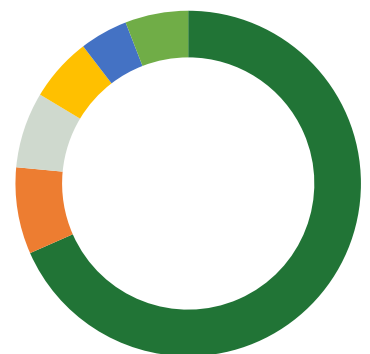
### Sector Breakdown

- Technology 58.6%
- Health Care 10.4%
- Industrials 9.7%
- Communication Services 7.3%
- Consumer Discretionary 6.6%
- Financials 6.0%
- Other 1.4%



### Regional Exposure

- United States 68.4%
- United Kingdom 8.1%
- Japan 7.1%
- Netherlands 6.0%
- France 4.5%
- Other 5.9%



## Investment Results Performance

	Growth Equity Strategy (Gross of fee)	Growth Equity Strategy (Net of fee)	Index
QTD	18.8%	18.6%	13.5%
YTD	8.3%	8.0%	7.9%
1 year <sup>1)</sup>	11.6%	11.0%	14.8%
3 years <sup>1)</sup>	18.0%	17.3%	18.7%
5 years <sup>1)</sup>	11.4%	10.7%	13.6%
Since inception <sup>1)</sup>	14.6%	13.9%	12.6%

1) Time frames over 1 year display annualized returns

Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO), data is net of fee including a management fee of 0.575% p.a. All data calculated in USD. Benchmark MSCI World Growth AC until 31.03.23, from 31.03.23 Bloomberg World Growth. \* = annualized data. Historical returns or financial market scenarios are not a guarantee for current or future.

## Calendar Year Return Comparison

	Growth Equity Strategy (Gross of fee)	Growth Equity Strategy (Net of fee)	Index
As per 06.12.2017	2.6%	2.6%	2.7%
2018	-1.3%	-1.9%	-7.8%
2019	42.0%	41.2%	33.2%
2020	42.2%	41.4%	33.9%
2021	20.2%	19.5%	17.3%
2022	-33.8%	-34.2%	-28.4%
2023	40.2%	39.4%	31.8%
2024	13.3%	12.6%	21.7%
As per 30.06.2025	8.3%	8.0%	7.9%
<b>Cumulative</b>	<b>179.7%</b>	<b>167.8%</b>	<b>145.4%</b>

Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO), data is net of fee including a management fee of 0.575% p.a. All data calculated in USD. Benchmark MSCI World Growth AC until 31.03.23, from 31.03.23 Bloomberg World Growth. \* = annualized data. Historical returns or financial market scenarios are not a guarantee for current or future.

## Long Term Track Record – Cumulative Return since the launch of Emerald (Gross of fee)



Source: Bloomberg, Emerald / Data since launch of the Emerald Growth Equity Strategy on 06.12.2017. Performance data is based on model portfolio, managed on Bloomberg (Bloomberg Ticker: EWPGRO). All data calculated in USD. Benchmark Bloomberg World Growth. Historical returns or financial market scenarios are not a guarantee for current or future.

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