

Fund	YTD 2024	Q4 2024	1 Year	3 Year	5 Year	10 Year
Starlight Global Growth Fund, Series F	23.7%	3.7%	23.7%	3.5%	11.6%	12.4%

*Source: Starlight Capital, as of December 31, 2024.

Performance Summary

Over the fourth quarter of 2024, the Starlight Global Growth Fund, Series F (the Fund) returned 3.7%. Year to date the Fund is up 23.7%.

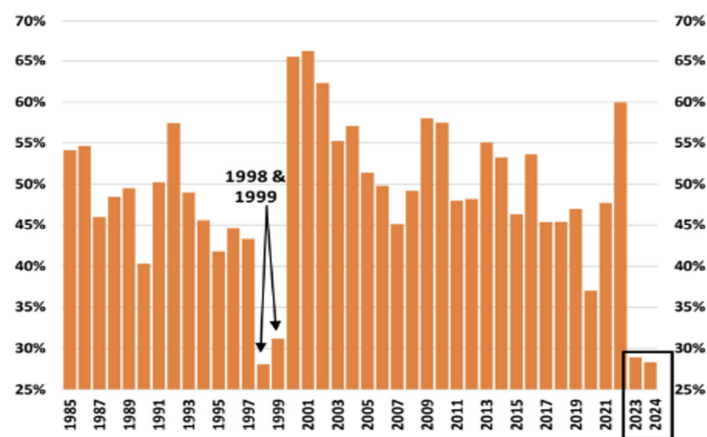
Following two bumper years of returns and with an incoming Trump presidency, we're entering a year of extremes. We should expect extreme reflexive reactions to economic data from investors, particularly those related to employment and inflation (the rest don't really matter). That's because these are the pivotal drivers for the US Federal Reserve's (Fed) interest rate decisions. It's the Fed's benchmark interest rate that sets the mood — and influences the pricing — of markets the world over.

Markets are very rate-sensitive at the moment, so expect to see outsized moves if the data surprises. The market is also playing whack-a-mole with extreme policy tactics, threats and U-turns from an unpredictable American administration. Animal spirits stirred by this pro-growth, antiregulation presidential creed can still drive markets higher, but the road ahead will be bumpy and we're not starting from depressed valuations following a recession. Instead, US markets have gained 25% for two years straight.

Avoiding over-concentration

Last year was another difficult year for active managers yet we still posted solid double-digit returns, slightly restrained as we took profits from highend computer chip designer **Nvidia** several times. We don't want a single stock to dominate our portfolio, increasing the risk that the tail starts to wag our fund. We've kept our holding to 4% or below. The concentration of market returns around a small number of stocks is the biggest challenge for us, as it has now been two years in a row where fewer than 30% of stocks beat the S&P 500 US stock market index. Perhaps this speaks to the scarcity of economic and corporate earnings growth?

% OF S&P 500 STOCKS THAT OUTPERFORMED THE INDEX ANNUALLY



IT'S BEEN TWO YEARS IN A ROW WHERE <30% OF STOCKS BEAT THE S&P 500!

Source: Piper Sandler

We've benefited from most of the Magnificent Seven tech stocks astride the S&P 500, like Nvidia, search giant Alphabet, office software king Microsoft, e-commerce titan Amazon and iPhone maker Apple. These members of the Magnificent Seven did well for us, but our machine-driven competitors (the tracker funds) did even better as they don't have the discretion to take profits or manage the risk of large position sizes. To put that risk, passively taken, into context, the Magnificent Seven tech companies make up almost 35% of the entire S&P 500 index. Now, these are great companies — as we said, we own most of them — but putting more than a third of a stock portfolio into fewer names than you have fingers is a big gamble.

Q4 2024 Top Five Contributors		
Stock	Average Weighting	Contribution to return
NVIDIA CORP	3.1%	0.5%
SERVICENOW INC	2.0%	0.5%
AMAZON.COM INC	2.0%	0.5%
WALMART INC	2.3%	0.4%
VISA INC-CLASS A SHARES	2.0%	0.4%

Q4 2024 Bottom Five Detractors		
Stock	Average Weighting	Contribution to return
SIKA AG-REG	1.1%	-0.3%
L'OREAL	1.3%	-0.3%
NOVO NORDISK A/S-B	1.1%	-0.2%
HOWDEN JOINERY GROUP PLC	1.6%	-0.2%
EQUIFAX INC	0.7%	-0.2%

Source: Starlight Capital & Bloomberg Finance L.P. As of December 31, 2024.

Sector	Portfolio Weight %	Top %Q/Q Changes
Communication Services	6.2%	1.7%
Apparel, Accessories & Luxury	1.2%	1.2%
Application Software	1.1%	1.1%
Consumer Staples	9.8%	-1.5%
Industrials	11.2%	-4.0%

Source: Starlight Capital & Bloomberg Finance L.P. As of December 31, 2024.

While markets have been a little choppy throughout 2024 and into the early days of 2025, don't let the noise drown out the true message: we don't think we're on the cusp of a prolonged bear market. In fact, the long-term future looks bright and we've been buying. We expect earnings growth to broaden out to the rest of the stock market in 2025, which would benefit our more balanced approach and our exposure to companies with different drivers of profits and varying degrees of sensitivity to economic fluctuations.

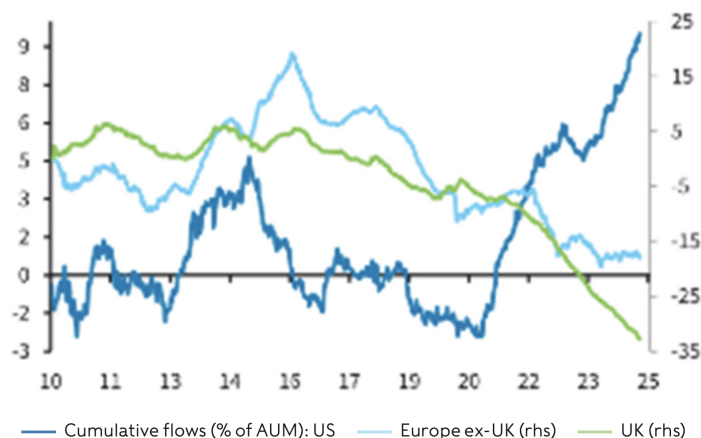
The polarised nature of markets and the revulsion towards any missteps was certainly on display in our bottom contributors to 2024 returns. Our holding in diabetes monitoring company **Dexcom** plunged in July following a shock profits warning driven by a very poorly executed salesforce expansion strategy. Sales account managers were taken off key accounts, competitors pounced and orders for Dexcom's glucose monitoring devices suffered. Management initially dismissed rumours of the problem, only to confirm it later on. We felt this lapse dented management credibility and it wasn't clear how long it would take to turn things around. We exited the position in the third quarter.

Cosmetics maker **L'Oréal**, construction supplier **Sika** and brewer **Heineken** all suffered from the persistent underperformance of European stocks combined with a rapid post-COVID normalisation that meant customers ran down their inventory rather than buying more in the face of rather tepid demand. We believe that setback was mostly temporary, but sold our position in Heineken as the company proves increasingly accident-prone due to its exposure to many frontier markets where coups, currency devaluations and pricing collapses make earnings upside increasingly unlikely in the years ahead.

American exceptionalism

Our top 2024 contributors all came from the powerhouse US market. It remains the home of innovation, adaptability, repeatable and mission-critical products and services, which continue to drive profit growth. The US has eight trillion-dollar companies; Europe has none. Why? The US has generally lower taxes on people and companies, and the government plays a much smaller role in the economy, giving space for private enterprise. The US offers much more business freedom, greater employment flexibility and a hunger to innovate. There's higher research and development spending and double the amount of venture capital investment when compared to most advanced nations as a proportion of GDP. Yes, US is an expensive market, but expensive doesn't always mean overvalued. Quality, resilience and a broad spread of future-proof companies means this market should grow through volatile economic cycles. Fund flows continue to support American exceptionalism despite the potential for market setbacks.

INVESTORS CONTINUE TO BUY US STOCKS AND SELL EVERYTHING ELSE



Source: EPFR, Barclays Research

A key tenet of our investment outlook since 2022 is that our environment sets up ‘the strong getting stronger’. We believe that a slower-growth, higher-rate environment makes it harder for smaller and more indebted businesses to finance the investment needed to secure the little growth on offer. If correct, that would mean only the strongest businesses will have the clout and reach to dominate. Two great examples of this are our holdings in large US retailers **Walmart** and **Costco**.

Walmart, for instance, is gaining market share and has the scale, strength and flexibility to withstand highly seasonal, stop-start shopping patterns concentrated around holidays and events. Its sharp prices, which include growing private label and e-commerce sales, have warded off the threat from discounters like Aldi, Lidl and Amazon. Walmart has invested in logistics to improve efficiency and on-shelf availability while also reducing costs and passing on savings to customers. Revenue growth was driven from remodelling Walmart stores, launching a third-party marketplace, and targeting people who are trading down from higher-priced rivals.

Our investment process targets ‘under the radar growth’, but this doesn’t always mean investing in companies you’ve never heard of. In our view, these retail giants are built to win in a consumer spending environment like today’s.

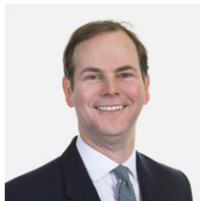
Despite some healthcare stock blunders this year, we benefited from our holdings in robotic surgery tool manufacturer Intuitive Surgical and medical equipment maker Boston Scientific. Intuitive is a US-listed pioneer in robotic, minimally invasive surgery. A quarter-century on the market, seven million procedures and now it’s just introduced its fifth-generation system. Urology, hernia, gynaecology, hysterectomy, prostate, colorectal, thoracic, bariatric — over 70 different procedures. Robotic surgery is often standard care today.

Patients chose robotic surgery because it makes smaller incisions, so creates less scarring and less blood loss. That means faster recoveries and, in turn, shorter lengths of stay, which saves our overloaded healthcare systems time and money. The latest Da Vinci 5 robot has around 100 enhancements, all aligned towards better accuracy and precision. These machines cost \$2 million (£1.6m) each, but this isn’t an area where you ask for the value meal: patients and surgeons demand the best. I think this gives you the biggest competitive moat in all of med-tech — that resilience is combined with best-in-class revenue growth, strong profit margins and scarcity value from having the very best technology on the market.

The year ahead may prove challenging, but we’ve positioned our portfolio with balance and diversity in the forefront of our minds to navigate market tantrums. These are some of the most innovative, exciting, resilient growth companies in the world. We think they have an exciting short and long-term future.

Investment Management Team

Rathbones Starlight Global Growth Fund is sub-advised by Rathbones Asset Management Limited.
Look forward



James Thomson
Portfolio Manager



Sammy Dow
Portfolio Manager

Investment Management Team

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