Claremont Global Fund

December 2024 Quarter Report

Performance to 31 December 2024

	Since inception p.a.	10 Years p.a.	7 Years p.a.	5 Years p.a.	3 Years p.a.	1 Year	6 Months	3 Months
Portfolio return (AUD)	14.0%	13.6%	15.1%	12.2%	6.4%	13.2%	13.0%	10.8%
MSCI AC World Accum Index ex-Aust (AUD)	12.8%	12.4%	13.0%	13.0%	11.3%	29.8%	14.0%	11.1%
Excess return	1.1%	1.2%	2.1%	-0.8%	-4.9%	-16.6%	-1.0%	-0.3%

Benchmark is MSCI All Countries World Index Ex-Australia (AS). Performance is net of investment management fees. Inception date is 18th February 2014. Numbers may not sum due to rounding. Returns assume reinvestment of distributions and are annualised for periods greater than 1 year. Past performance should not be taken as an indication of future performance.

Market commentary

Global equity markets posted modest gains for the quarter, up +1.3% in local currency terms, however appreciated strongly, +11.1% in Australian dollar (AUD) terms, with the AUD declining 10.5% against the USD. The Australian equity market underperformed the global market, falling by 0.8%. Note all figures are in AUD unless noted otherwise.

US equity markets were stronger, up +2.8% in local currency and +15.3% in AUD, as Donald Trump's victory in the Presidential election in November further buoyed investor sentiment towards US stocks and the US dollar relative to other regions. Talk of higher tariffs across many major trading partners did create some concern around inflation remaining higher for longer, however, that was largely offset by Trump's growth-oriented, lower tax, and lower regulation policy agenda. The Federal Reserve (Fed) lowered interest rates by 25 basis points (bp) in November and again in December, however, expectations around the pace of rate cuts in 2025 were subsequently scaled back on the back of persistent inflationary pressures.

European equity markets were relatively weak, +1.4% (-2.7% in EUR), weighed down by recessionary fears and the potential impacts of trade wars and higher tariffs being implemented by the Trump administration. The European Central Bank (ECB) cut rates by 25 bp in both October and December and indicated more cuts to come in 2025. However, the two major economies of Germany and France were hit with further political instability.

The German three-party governing coalition collapsed in November, whilst the French Prime Minister was thrown out in a no-confidence vote, as other parties declined to support the proposed budget agenda. In the United Kingdom, equity markets were slightly more stable, +4.4% (-0.2% in GBP), although concerns around domestic growth continue to plague investor sentiment.

From a sector perspective, Consumer Discretionary (+18.5%), Communication Services (+17.7%), and Information Technology (+17.1%) were the best performing sectors, while Materials (-3.8%) and Healthcare (-0.5%) lagged.

Fund details

Strategy FUM	$1.5Bn
ASX Ticker	CGUN
Number of Stocks	Up to 15
Maximum Single Stock Weighting	10%
Maximum Cash Weighting	10%
Minimum Investment[1]	$20,000
Investment Management Fee	1.25%
Performance Fee	Zero
APIR Code	ETL0390AU

[1] Does not apply to investments made via the ASX.

Top five holdings as at 31 December 2024

Top five	Region	Sector
CME Group	US	Financial Services
Jack Henry	US	Financial Services
Microsoft	US	Information Technology
Visa	US	Financial Services
Zoetis	US	Healthcare

Please note the top five holdings of the portfolio are in alphabetical order.

Portfolio characteristics – 5 years to Sep 2024

Standard deviation	13.6%
Realised beta	1.08
Tracking error	6.2%
Upside capture ratio	1.05
Downside capture ratio	1.10

For fund investor use only. The views expressed herein are part of a wider portfolio investment strategy and should not be considered in isolation. All figures displayed in AUD.

Composition of portfolio performance

	Since inception p.a.	10 Years p.a.	7 Years p.a.	5 Years p.a.	3 Years p.a.	1 Year	6 Months	3 Months
Local currency return	11.4%	11.4%	11.9%	9.6%	1.0%	3.5%	5.3%	-0.6%
Currency impact	2.6%	2.2%	3.2%	2.5%	5.3%	9.7%	7.6%	11.4%
Portfolio return (AUD)	14.0%	13.6%	15.1%	12.2%	6.4%	13.2%	13.0%	10.8%

Performance is net of investment management fees. Inception date is 18th February 2014. Numbers may not sum due to rounding. Returns assume reinvestment of distributions and are annualised for periods greater than 1 year. Past performance should not be taken as an indication of future performance. Composition of portfolio performance provides an estimate of the currency contribution to portfolio returns, and derives an indicative local currency return, for each period. The currency contribution estimate reflects the Fund's weighted currency exposure (based upon the currency in which each portfolio security is traded) and the change in the relevant foreign exchange rates, relative to the Australian Dollar, over each period.

Portfolio performance

The Claremont Global Fund appreciated 10.8% during the quarter, underperforming the broader market by -0.3% on a net basis, which saw a 11.1% increase (numbers may not add due to rounding).

Key contributors to performance for the quarter were **Visa** and **Amazon**:

- **Visa (V-US)** – reported a strong FY24 result with revenue growth of 10% and adjusted EPS growth of 17% respectively. Payment volume growth in the most recent quarter was 8%, whilst transactions grew 10%. New payment flows were up an impressive 22% for the year and new flows & services are now >30% of revenues. The company expects another strong year in FY25 and has guided to revenue growth of 10%, with modestly faster EPS growth. The company is currently the target of a US Department of Justice enquiry and our investigations with US legal experts lead us to believe that any case is likely to be in the courts for some time, whilst proving the company abused its market power to the detriment of consumers will be a tough proposition.

- **Amazon (AMZN-US)** – reported its third quarter result, delivering 11% constant currency growth, ahead of management's guided range, and an operating income margin of 11% (up over 300 bp). The margin improvement story remains a key pillar of our investment thesis, where management expect ongoing improvement in US retail through continued optimisation as well as in the Amazon Web Services (AWS) business, driven by robust cost control as the market further matures. As is the case with the hyper scalers, capex is always a talking point, and this quarter was no different. The company expect to spend approximately $75bn in capex for the full year (FY24) and suggested it could be even higher in 2025. Note, this is being spread across both the technology infrastructure for AWS, as well as continued investments in fulfillment to improve delivery speeds and lower costs to serve retail customers. Amazon remains a remarkable business, with a growing moat, and a core position within the Portfolio.

Key detractors to performance for the quarter were **Zoetis** and **Dassault**:

- **Zoetis (ZTS-US)** – the company delivered a solid 3Q24 result, reporting 14% sales growth in constant currency as key product franchises continued to perform strongly. Full year guidance was upgraded modestly. However, in December the FDA recommended a label update for Zoetis' key pain management product – Librela. The update will include considerations for side effects (all of which remain within expectations). This has raised some concerns about the growth outlook of Librela, putting pressure on the share price. The label change could have a short-term impact on demand as vets and pet owners continue to build knowledge on Librela. We think Librela will continue to be a meaningful contributor to growth given its far superior safety and efficacy. We also note that several European countries have already updated the label with no meaningful change in demand.

- **Dassault (DSY-FR)** – the company has been the victim of both its end market exposure and the continued political instability in France. Approximately 70% of its revenues are exposed to Automotive, Aerospace & Defense, and Life Sciences and all three industries have seen a level of disruption over the last year. More recently, larger auto and aero customers such as Stellantis and Boeing, of which Dassault's engineering software has long served as the core for product design and simulation, have stumbled as a result of their own operational

Fund details

ARSN	166 708 792
ISIN	AU60ETL03901
Responsible Entity	Equity Trustees
Administrator	Apex
Market Maker	Nine Mile
Custodian	JP Morgan
Currency Exposure	Unhedged
Fund Inception	18th February 2014
Buy/Sell Spread	0.10% / 0.10%

Contribution to portfolio return – Quarter December 2024 (%)

Top Three	%
Visa	2.52
Amazon.com	2.14
CME Group	1.87
Bottom Three	**%**
Zoetis	-0.61
Dassault Systems	-0.26
Adobe	-0.18

Portfolio performance (cont'd)

issues and industry challenges. That said, Dassault's revenues firmly sit in their customer's R&D cost line, which is one of the last areas to be cut through times of financial hardship. While we are witnessing a period of turbulence from an end market perspective, we are confident that the mission critical nature of Dassault's services will allow them to ride out these short-term headwinds. Despite the tough backdrop, the company expect to deliver organic revenue growth of 5-7% in FY24.

Portfolio additions

Idexx (IDXX-US) – we initiated a position in Idexx Laboratories in the quarter. The company is the global leader in companion animal (CA) diagnostics, with total addressable market revenue estimated at $5.3bn, and holds a 50% market share. IDEXX has been developing the market for nearly 40 years in the US and for over a decade internationally. The company has the most comprehensive in-clinic offer and reference lab network, driven by a remarkable leadership in R&D (IDEXX is responsible for >80% of the R&D spend in the industry). Over time, diagnostics has grown at ~10% per annum (p.a.) and IDEXX has consistently been able outgrow the industry by roughly 4%, driven by decades of investment, their track record of innovation, and commercial engagement.

The Companion Animal Group (CAG) accounts for ~90% of the group and ~90% of CAG revenue is recurring in nature. In the US, IDEXX enjoys a 98% retention rate in reference labs and Catalyst consumables. IDEXX pays close attention to Net Promoter Scores (NPS), which are currently above world class standards. Importantly, price is not the first topic of conversation with a clinic. Diagnostics is not seen as a commodity, it is a high value product and vets want a quality, powerful instrument. There is little price elasticity from a customer perspective, therefore clinics prefer to get the best product, as costs are passed on to the customer. This results in IDEXX being able to command annual price increases.

From a financial perspective, the company has delivered over 10% organic revenue growth over time, driven by diagnostics utilization. Increasing the frequency and number of tests is by far the largest contributor to organic growth, accounting for 4-5% of the 10%+ growth target. Only 19% of clinical visits in the US include bloodwork compared to best practice at ~35%, supporting increased utilisation as a long-term structural driver (utilisation has consistently increased at ~0.5% p.a.). At the time of purchase, the business was trading at 35x next-twelve-month consensus earnings, an attractive entry point relative to the ten-year average of ~48x.

Allegion (ALLE-US) – we initiated a position in Allegion in the quarter. The company is a leader of trusted security solutions, boasting an extensive portfolio of security and access control products across a wide range of brands (many of which are decades old). Their products span everything from door controls and systems, exit devices, locks, and electronic security while also offering various services and software to complement the product portfolio. In the Americas, which comprises ~80% of group revenue, the market is dominated by Assa Abloy and Allegion, with Dormakaba a very distant third.

From an end market perspective, roughly 40% are institutional customers (mainly in health and education), 35% are commercial, and 25% are residential. The size of ALLE's Total Addressable Market (TAM) is estimated at $40bn, equally split between the US and Rest of World. Around 50% of the business is new build and 50% aftermarket.

The company has delivered solid financials since listing in 2014, with organic growth of 5% p.a., an average EBIT margin of 20%, an average ROIC of 22%, and EPS growth of 12% p.a. We believe management can continue to execute against these metrics over the medium-term and at the time of purchase, the stock traded at ~19x next-twelve-month consensus earnings, slightly below the ten-year average.

Portfolio removals

There were no removals from the portfolio in the quarter.

Securities movements for the quarter

Bought in	Idexx and Allegion
Sold out	-
Increased holding	Adobe
Decreased holding	Automatic Data Processing, Amazon , CME Group and Visa

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Strategy Inception	Companies Held	Strategy FUM	7-year total return per annum (net)	7-year alpha per annum (net)
2011	10 - 15	$1.5Bn	15.1%	2.1%

Past performance is not a reliable indicator of future performance. Returns assume reinvestment of distributions and is net of fees.

About Claremont Global

Claremont Global is a boutique fund manager located in Sydney, Australia. We run a high-conviction, fundamental strategy and only invest in international equities. Our evidence based and rigorous bottom- up approach allows us to identify the world's best companies. If these businesses satisfy our specific criteria and strict valuation methodology the team will consider investing in them for the long term.

Our Philosophy

Our investment philosophy can be described as buying quality growth businesses at a reasonable price. We look to acquire these securities at a discount to our estimate of their intrinsic value. We explicitly exclude more cyclical or leveraged industries including banks and resources. We invest in companies whose earnings growth drives intrinsic value, whilst their inherent quality (high margins, strong balance sheets and cash flow) will help to protect client capital in difficult markets.

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