Ninety One

International Franchise SMA

Market context

International equities saw positive returns over the month.

Emerging market (EM) equities pushed higher in February, supported by an easing US dollar earlier in the month and renewed enthusiasm for the physical supply chain behind global AI investment. EM equity market leadership was concentrated in Asia. South Korea was the standout, as investors doubled down on the memory and AI hardware cycle, while governance reform continued to narrow the long-standing 'Korea discount'. Taiwan also advanced strongly, again buoyed by AI spending, while Taiwan's statistics office raised its 2026 growth forecast. Chinese equities lagged the broader EM rally. Latin America delivered steady gains, supported by a more constructive policy outlook.

European equities outperformed their US peers in February, with the STOXX Europe 600 registering its eighth consecutive monthly rise to the highest level in over a decade. Markets were supported by improving PMI data, resilient earnings and expectations of continued fiscal expansion, particularly in Germany, as confidence indicators climbed and composite activity remained in expansionary territory.

For a more detailed global market background, please read our market review.

Performance

The Strategy delivered a negative return and lagged the MSCI ACWI ex-US in US dollars, gross and net of fees*. Selection in health care and communication services were the biggest detractors at the sector level.

Clinical research company ICON detracted after it announced a delay in its quarterly reporting and an investigation into accounting practices, primarily around revenue recognition in fiscal years 2023-2025. This has clouded ICON's route to becoming a dominant franchise again and we have since sold the name. Eyeware producer EssilorLuxottica's FY'25 results showed strong sales performance underpinned by AI-enhanced wearable glasses sales. However, the shares came under pressure in part on a softening gross profit margin, given AI wearables tend to have lower gross margins. Looking ahead, management were confident that margins can expand as MedTech and wearables reach scale. Mastercard remained under pressure on little fundamental news. Its recent results were robust across the business, in particular value add services. Nintendo shares fell, given the lingering investor concerns surrounding the potential longer-term impact on profits from rising memory chip costs. However, the results were robust underpinned by strength in Switch 2 sales. Not owning Samsung Electronics detracted from performance.

Shares in Novartis appreciated following strong full-year results that reinforced confidence in the near-term transition year and the growth outlook beyond 2026. Not owning Novo Nordisk or Alibaba Group contributed to returns. TSMC continued its momentum. In January, the company reported strong results, supported by AI-driven demand. Eye care company Alcon had a strong Q4 that confirms, although 2025 was a transition year, the product cycle is now moving from setup to visible execution. Revenue accelerated meaningfully into the year-end, and Vision Care remained resilient.

*Where performance is gross of fees, returns will be reduced by management fees and other expenses incurred. Net performance is net of highest institutional segregated portfolio management fee.
Not all securities held have been discussed. For further information on how the overall strategy performed during the period covered, please reference the relative performance noted in the Performance review section.

Outlook

We view the dynamics of 2025 as cyclical rather than structural, with the balance of risks increasingly poised to shift back in favour of fundamental return drivers. Much of the positive surprise that fuelled the cyclical rally has now been priced in. After a strong run, valuations across cyclical sectors appear full relative to history - even stretched - reflecting a notably more optimistic stance on future outcomes. Multiple expansion is unlikely to be a disproportional driver of higher returns. Because rating-driven markets are inherently fickle, we see this as an opportune moment to re-anchor portfolios in more durable, through-cycle drivers of return, especially cash-flow growth.

We continue to view international Quality as a compelling opportunity. Investors often overlook that, in most years, roughly three-quarters of the top 100 performers in the MSCI ACWI are based outside the US. At the same time, the US market remains defined by an extraordinary level of concentration. The top 10 companies in the S&P 500 — eight of them technology related — now account for over 40% of the index, exceeding even the extremes reached during the dot-com era. Such narrow leadership inevitably elevates risk. Broadening exposure beyond the US can help mitigate these concentration risks while unlocking a wider spectrum of global opportunities.

We remain confident that the core principles underpinning our fundamental quality approach – a focus on enduring business quality, balance sheet strength, pricing power and sustainable cash generation – are as relevant today as they have ever been. A key tenet of this strategy is the consistency and sustainability in free cash flow and earnings generation by the underlying companies. Since inception, the strategy has not only compounded earnings at a faster rate than the broader market, but it has done so with smaller drawdowns.

Encouragingly, the quality and growth attributes of the portfolio have never been stronger and have improved across the year. At the same time, the portfolio's relative valuation is at its cheapest level in over five years, creating a highly attractive forward-looking opportunity. Overall, we believe it is well positioned to deliver strong and resilient outcomes across a full market cycle, and this is what ultimately underpins long-term shareholder value.

Specific risks: Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income.Derivatives: The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company.Concentrated portfolio: The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios.

Important information

This communication is provided for general information only. Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer, marketing or solicitation with respect to any particular strategy, security, derivative, services or investment product. The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. Views and opinions presented herein will be affected by changes in interest rates, general market conditions and other political, social and economic developments. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness. Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Reliance upon information in this material is at the sole discretion of the reader. Investors should consult their own legal, tax and financial advisor prior to any investments. Past performance should not be taken as a guide to the future. Investment involves risks; losses may be made.

Any decision to invest in strategies described herein should be made after reviewing the offering document and conducting such investigation as an investor deems necessary and consulting its own legal, accounting and tax advisors in order to make an independent determination of suitability and consequences of such an investment. This material does not purport to be a complete summary of all the risks associated with this Strategy. A description of risks associated with this Strategy can be found in the offering or other disclosure documents. Copies of such documents are available free of charge upon request.

This is not a buy, sell or hold recommendation for any particular security. Individual security performance does not represent the Strategy performance. There is no guarantee that the Strategy is currently investing and/or will invest in the securities in the future. The portfolio may change significantly over a short period of time. Forecasts are inherently limited and are not a reliable indicator of future performance.

In the US, this communication should only be read by institutional investors, professional financial advisers and their eligible clients, but must not be distributed to US persons apart from the aforementioned recipients. In Australia, this document is provided for general information only to wholesale clients (as defined in the Corporations Act 2001). For Funds within the Strategy that are registered for sale in Switzerland, copies of the Prospectus, latest annual and semi-annual Report & Accounts, Articles of Incorporation and Key Investor Information Documents may be obtained from the Swiss Representative and Paying Agent, CACEIS Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Bleicherweg 7, CH-8027 Zurich, Switzerland.

For distribution into Asia, this material should only be sent to professional investors, institutional investors and other qualified investors as defined by relevant local laws and regulations, and not to be distributed to the public or within a country where such distribution would be contrary to applicable law or regulations. It is strictly for the recipient's use only and should not be reproduced or distributed to any other persons without prior written consent from Ninety One. If you are not an intended recipient you must ignore this material and take no action based on the information in it. In Hong Kong, it is for professional investors only, issued by Ninety One Hong Kong Limited and has not been reviewed by the Securities and Futures Commission (SFC). In Singapore, it is for institutional investors only, issued by Ninety One Singapore Pte Limited (company registration number: 201220398M) and has not been reviewed by the Monetary Authority of Singapore. In the People's Republic of China (the "PRC"), it can be directed only at certain eligible PRC investors as prescribed by applicable PRC laws. In Taiwan, it is for professional institutional investors only. In Indonesia, Thailand, the Philippines and Brunei, it is for institutional investors and other qualified investors only. This material has been issued to you upon your request, without any marketing or solicitation activities conducted by Ninety One.