

US EQUITIES

QUALITY GROWTH: OUR COMPASS THROUGH UNCERTAINTY

By: Comgest's US Equities Team



- In an ever-changing US equity landscape, we focus on companies whose quality and discipline enable them to sustain long-term growth.
- From Oracle's cloud transformation to Netflix's expansion of content, we invest in innovators that reinvest and adapt to maintain their edge.
- Our collaborative, bottom-up approach targets resilient "evergreen" businesses with durable competitive advantages that compound value over time.

NAVIGATING THE WILDERNESS

With around 5,000 listed companies and an average of 400 IPOs each year since 2020, the US equity market offers abundant opportunities—but also hidden risks. At Comgest, our quality growth investment approach acts as a compass, guiding us toward companies built to stand the test of time, with enduring competitive advantages, such as brand strength, pricing power and a proven ability to innovate. In a market where innovation accelerates and competition never sleeps, quality remains our north star.

Driven by this approach, our US Investment team seeks out businesses that drive productivity—offering more efficient solutions and helping customers save time or cost—as well as resilient "all-weather performers" delivering essential services like healthcare and software. In our view, such companies are best equipped to sustain long-term growth regardless of market conditions and macroeconomic headwinds.

THE ROOTS OF RESILIENCE

Within the forest of US equities, the evergreen companies we seek have the durability to compound growth over decades. Drawing on over 15 years of experience, we focus on businesses with deep roots: significant longevity, visible growth, healthy free cash flow, high barriers to entry and strong corporate culture. The US innovation ecosystem—where world-class research institutions intersect with a risk-taking entrepreneurial culture—provides fertile ground for research and development that fosters renewal and durability.

ORACLE

Oracle exemplifies this spirit of innovation. For over 50 years, Oracle has provided essential resource planning solutions while transforming from a traditional database model into one of the largest cloud enterprise planning providers through strategic acquisitions and rising AI demand. As of September 2025, Oracle's cloud infrastructure as a service (IaaS) business recorded quarterly backlog sales increase of US\$315 billion, driven by major contracts with **OpenAI**, **Meta**, **AMD** and **Nvidia**.¹ Furthermore, Oracle's Q1 FY/2026 press release reported cloud revenue (IaaS + SaaS) of US\$7.2 billion, up 28% year-on-year.²

Based on our research, Oracle's differentiated cloud architecture serves as a competitive advantage over its peers by enabling better deployment and lower costs. We also believe that the company's five-decade legacy as a database provider reinforces its expertise in securely managing critical enterprise data. These advantages, coupled with Oracle's strategic vision and disciplined execution, position the company as a compelling example of the qualities we seek in a long-term investment—driving sustainable growth in revenue, earnings and scale.

For today's market leaders, longevity and adaptability remain common threads. Both Oracle and Netflix—still led or influenced by their founders—have navigated multiple business cycles and evolving technologies, tapping vast total addressable markets (TAMs).

STREAMING THROUGH THE THICKETS

Investor enthusiasm has recently focused on AI-related stocks, particularly the "Magnificent Seven," which accounted for over 30% of the S&P 500's market capitalisation as of September 2025.³ While our US Equity strategy maintains some exposure, our investment approach is not confined to any single sector or benchmark.

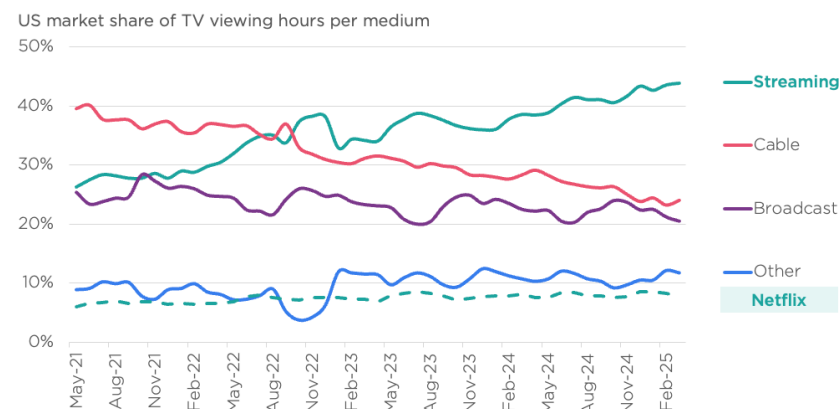
In our view, video-streaming service **Netflix** illustrates how deep competitive advantages can leverage technology to strengthen its core product offerings. While not a major AI model developer, Netflix integrates AI tools to enhance user experience and production

efficiency—a pragmatic approach to innovation that supports long-term productivity rather than short-term hype.

As consumers continue shifting from traditional cable packages to streaming, we believe that Netflix remains well positioned to capture this growing share of the market. As of August 2025, streaming accounted for nearly 50% of US TV viewing hours, while cable and broadcast fell to around 20% (see Figure 1).

Beyond its diverse catalogue, Netflix is among the most cost-efficient platforms—subscribers pay about \$0.20 per hour

Figure 1. Streaming continues to gain market share in the US



Source: Nielsen, as of 01-Aug-2025.

¹ Comgest research note, 26-Sep-2025

² Currency: USD. Source: [Oracle Announces Fiscal Year 2026 First Quarter Financial Results \(Press Release\)](#), Oracle Corporation, 9-Sep-2025.

³ CordCutting.com, "Subscribers pay 61 cents per hour of cable but only 20 cents per hour of Netflix," and Reelgood.com analysis based on Netflix's standard plan (\$9.99/month) and estimated viewing hours, 2023.

of viewing, versus roughly \$0.61 per hour for cable⁴, and \$0.50–\$0.80 for premium streaming services such as HBO Max and Amazon Prime Video⁵.⁶ In that sense, Netflix acts as a “productivity enhancer”, offering more value for less cost.

At Comgest, we look for companies with long reinvestment runways—those able to deploy profits effectively to reinforce their competitive advantages and expand their share of structurally growing markets. For Netflix, this is evident in content spending, with amortization expenses around 39% of revenues in 2024. As long-term investors, we view this reinvestment as a virtuous circle—deepening advantages and strengthening subscriber loyalty by delivering fresh and engaging content.

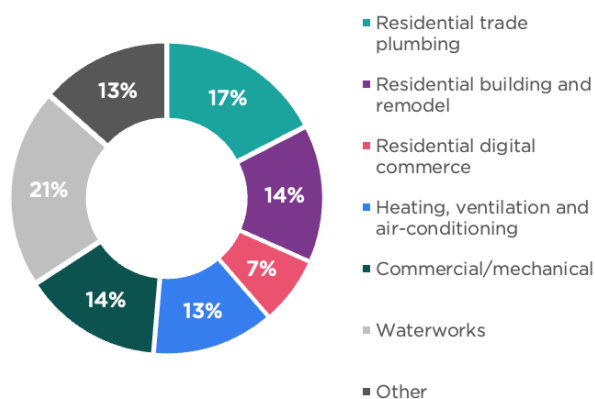
SHELTER AGAINST THE ELEMENTS

Just as Netflix continues to innovate, we apply the same long-term lens to companies that are well-positioned to benefit from certain structural themes. We take a patient, team-based approach to identifying high-quality growth companies. Rather than chase trends, we pitch our tents, assess carefully and focus on the long term.

Companies like **Ferguson**, a specialized distributor of plumbing, HVAC, industrial, fire and water solutions, demonstrates kind of the diversified, well-positioned businesses we seek. As a pure domestic player, Ferguson benefits from long-term trends in US infrastructure and building activities.



Figure 2. Ferguson’s diverse end sectors



Source: Ferguson, Comgest as of 31-May-2025

Serving residential and non-residential sectors in both new construction and maintenance projects, Ferguson has a presence in eight end-markets. Its nationwide footprint—95% of customers within 60 miles—offers a competitive edge due to proximity and service in a fragmented industry.

BETTER TOGETHER

Our strength lies in collaboration and shared conviction—debate-driven discussions that challenge assumptions and refine ideas.

We look beyond the noise to find companies with strong moats, sustainable earnings growth, robust free cash flow, and enduring corporate cultures. Four decades of experience have taught us that quality compounds—and these fundamentals, not short-term trends, drive lasting value.

While some holdings like Oracle benefit directly from AI, our investment style also uncovers quality growth in less obvious sectors such as construction and plumbing. In a constantly evolving market, our compass remains steady, guiding us towards enduring quality—*wherever it grows*.

⁴ CordCutting.com, “Subscribers pay 61 cents per hour of cable but only 20 cents per hour of Netflix,” and Reelgood.com analysis based on Netflix’s standard plan (\$9.99/month) and estimated viewing hours, 2023.

⁵ Pricing estimates for HBO Max and Amazon Prime Video based on publicly available subscription data and average viewing-hour assumptions (HBO Max official pricing; Tom’s Guide, “What streaming costs in 2025: the price of Netflix, Disney Plus, Max and more,” 2025).

⁶ These figures above are provided for illustrative purposes only, rely on publicly available data and assume methodologies cited by third-party sources. They were not verified or furnished by the companies mentioned and may vary depending on subscription plan, usage and regional pricing.

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