

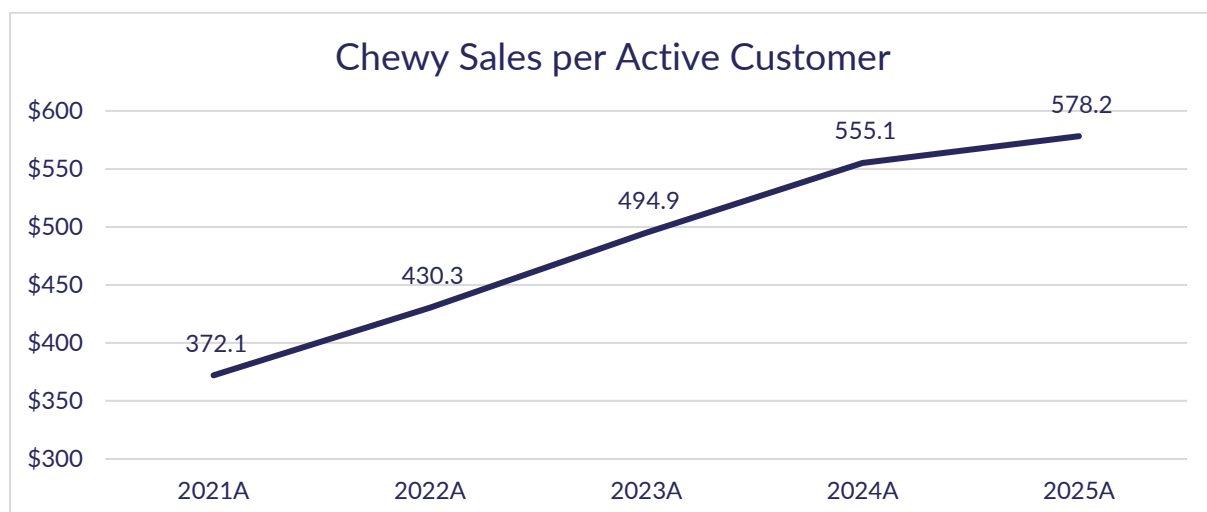
Barking Up The Right Tree

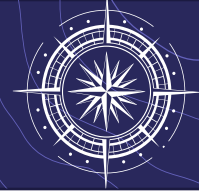
Aubrey's Global Emerging Market (GEM) Strategy and Aubrey's Global Conviction (GCF) Strategy are investing in pet sector companies. During 2025, we have added Gambol Pet Group (China) in GEM and Chewy (US) in GCF. The US market for pet products is mature with 70% of US households owning a pet while in China it is comparatively early stage with 22% household pet ownership.

The Aubrey strategies share the same fundamental bottom-up process resulting in high conviction portfolios of quality growth stocks. However, while the Global Conviction Strategy invests in US companies with considerable success, GEM focusses on domestic champions in emerging markets. Despite the different geographic focus, both strategies have found opportunities in the same sector which have undergone a period of normalisation since COVID and now look attractive.

The Chinese market is growing fast with household pet ownership increasing from 59 million to 187 million from 2010 to 2024 as disposable incomes have increased and, amid declining birth rates, there is a growing demand for animal companionship. As a result, the pet food industry is expected to grow at a CAGR of 7-12% over the next three years as pet owners become more educated and interested in higher quality products for their furry friends. This has led to increased demand for an increasing variety of higher quality products. Gambol is one of the leading players, but with only 6% of market share the opportunity for them to expand in the high growth environment is considerable and Gambol is targeting a market share of 15%. Gambol offers better value for money products than international players and is an established domestic brand.

Contrastingly, pet ownership and the status of pets as members of the extended family is well established in the US (one friend living in Brooklyn New York shares an already cramped apartment with two emotional support animals belonging to their flat mates). There is a very different consumer dynamic with the average US pet owner spending \$2,000 per year on their pet (vs. ~\$300 in China), Chewy, a pure e-commerce play, has the largest pet product platform in the US and its competitive advantage is the scale of its well-established distribution network. Chewy's Autoship function enables customers to schedule regular deliveries of food and other products ensuring a consistent and streamlined supply. As a result, Chewy's growth stems from an increasing share of wallet as they expand into new verticals and product lines.





Eighty percent of Chewy's sales are generated from the Autoship function, which gives a potential indication of where the Chinese pet sector is heading with e-commerce already accounting for 68% of China pet food sales. Gambol has demonstrated agility in adapting to rapidly evolving distribution dynamics and marketing trends. This is where the key growth opportunity lies, as an increasing proportion of younger consumers who lean into online channels become the next generation of pet owners. Millennials already make up the largest generation of pet owners in the US at 33%, with Gen Z also accounting for 16% despite their young age. This illustrates that the transition is already underway, with just under half of all pet owners in the younger, more digitally advanced cohort who skew towards online shopping.

The global pet industry underwent a period of outsized growth during the Covid pandemic, as pet adoptions surged and demand for pet products rose with it (both companies grew revenue over 40% during 2020). However, what came next was a significant normalisation, with pet relinquishments outstripping adoptions and pet share prices falling accordingly. Three years on, the timing now looks promising, with Chewy returning to customer growth for the first time since 2022, a key signal that we've reached a turning point.

Biography

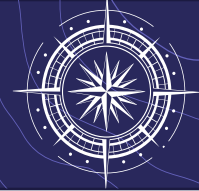
Tom Dalrymple | Investment Analyst



Tom joined Aubrey in 2024 as an Investment Analyst, working across both the Global and Emerging Markets strategies.

Previously, Tom worked at J. Stern & Co. in London for 4 years, where he undertook a broad range of work across client relations and performance analysis.

Tom has a degree in History from the University of Newcastle, holds the Investment Management Certificate and has passed Level 3 of the CFA program.



Further Reading

If you would like to read further articles, please select the following link - [Aubrey Research](#)

If you would like to receive more articles like this, [sign up to the Aubrey mailing list now](#).

Important Information

This is a marketing communication issued by Aubrey Capital Management Limited, which is authorised and regulated by the Financial Conduct Authority and registered as an Investment Adviser with the US Securities & Exchange Commission. You should be aware that the regulatory regime applicable in the UK may well be different in your home jurisdiction. Aubrey Capital Management has taken reasonable care to ensure the accuracy of this information at the time of publication but it is subject to change without notice and it does not in any way constitute investment advice or an offer or invitation to deal in securities. The Fund is not registered for sale in the United States and is not available to, or for the benefit of, U.S. persons as defined by U.S. securities laws.

Past performance is not a guide to future returns and may not be repeated. Aubrey Capital Management Limited accepts no liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).