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Digital Economy strategy

Companies we met in the month were more constructive about corporate buying behaviour as we head into Q2 earnings

- Global Equity markets continued to march on in June despite escalation in geopolitical tensions
- Strength from Netflix and Spotify with accelerated content flywheel ; Weakness from Trip.com
- We exited Goodman Group as we continue to focus on asset light digital leaders

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What's happening?

Global equity continued to march on in June, with the MSCI All Country World Total Return Index rising by 4.5%¹ and now up over 20% from the recent lows of early April. This came despite an escalation in geopolitical tensions in the Middle East and fears of a sustained military conflict between Israel and Iran, the role the US may play, and the knock-on effects on oil prices and potential disruption to certain key shipping routes. In the background there was a calm between the tariff storms as markets awaited further details of negotiations between the US and key trading partners, particularly China and the EU.

Portfolio positioning and performance

The Digital Economy strategy outperformed the MSCI All Country World Index during the month with strength seen across the sub themes. The strategy's focus on companies with recurring revenue models, strong competitive moats, pricing power and Artificial Intelligence integration capabilities proved resilient. Commentary from a large number of the companies we met in the month was more constructive about corporate buying behaviour as the uncertain macro outlook faded to something of 'business as usual' in the absence of tangible bad news.

Pleasingly, two of the largest positions in the fund, Netflix and Spotify, performed well in the month. Netflix continued to execute well on content releases and, whilst the substitution of linear TV has accelerated so far in 2025 partly as a result of Netflix's ongoing success, it is worth remembering that Netflix still only accounts for c.8% of US TV consumption according to Nielsen industry data, with traditional linear TV still accounting for c.50% of viewership. We see the advertising model and the growing global success of overseas content as further evidence of the content reinvestment flywheel offering a long path of potential profitable growth ahead. Similarly at Spotify we see a similar playbook where the content flywheel is

¹ Source: Bloomberg as of 30/06/2025 in USD



accelerating, e.g. in audiobooks and podcasts, as well as better discovery capability for users driven by investment in AI. In contrast, however, we feel Spotify is earlier in its journey, for example in price-tiering and in its underdeveloped advertising model. Elsewhere we saw strength in Meta, Microsoft and Amazon and note the particular strength in Nintendo which benefitted from a very good reception for the release of its new console, the Switch 2, with demand running well ahead of expectations, but with ongoing sales of the original console potentially expanding the market for software sales from hereon. Among the top detractors over the month, Trip.com, the Chinese online travel agent was weak as fears rose over increased competition coming from JD.com within China. Whilst we believe Trip has established a strong long term competitive moat in the domestic and international Chinese travel markets, this could result in a period of near term pressure on the business. Our experience suggests that this competitive step up is often short lived but we will continue to monitor how this develops as a similar dynamic is developing in the food delivery market in China, with our holding in market leader Meituan facing the same emerging competitive foe, JD.com.

In the month we took the decision to exit Goodman Group as we continue to focus on asset light digital leaders. Goodman, as a leader in ecommerce and data centre logistics development, had suffered from fears relating to tariffs and macro-economic uncertainty but had recovered lost ground, gaining nearly 40% from the April lows, giving us a better opportunity to exit. With the proceeds we added to our position in Shopify where we see it rapidly deploying solutions to help small businesses to navigate tariff uncertainty and integrate AI for improved efficiency and consumer reach and engagement.

Outlook

Investors are paying close attention to developments here as we seek to understand where tariff and trade relationships are likely to ultimately settle. Compared to the cautionary tone struck during first quarter earnings releases, and the accompanying outlook narratives, we see greater optimism that companies will be able to deliver a 'beat and raise' quarter against these low expectations, but clearly this creates its own new hurdle for shares to push on.

The Digital Economy, whilst limited exposure directly to tariff uncertainty, will certainly benefit from greater certainty on where international trade relationships will ultimately settle. Ultimately, even in a world of higher international trade frictions, we see the resilience of the structural growth drivers in the digital economy holding and a significant number of holdings within the strategy actively benefitting from the need for customers to themselves have more agile and efficient business models.

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