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AI & Metaverse strategy

Sovereign AI projects are accelerating globally as countries recognise AI infrastructure as a strategic priority

- Global equity markets continued to rise in June with outperformance of our AI strategy
- The 'Enablers' sub-theme was strong over the month, in particular AI related semiconductors
- We continued to refine the portfolio toward companies with more direct AI exposure

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What's happening?

Global equity markets continued to rise in June, with the MSCI All Country World Total Return Index gaining 4.5%¹ in USD terms, capping a positive but volatile first half of 2025 (10.3% return for the MSCI All Country World Total Return Index in USD terms). Market sentiment improved as the Trump administration adopted a more conciliatory stance on trade policy, signalling potential progress in negotiations with China and hinting at near-term deals. While geopolitical tensions in the Middle East remained elevated, markets responded positively to strengthening leading indicators of both consumer and business confidence.

Portfolio positioning and performance

The AI & Metaverse strategy outperformed the MSCI All Country World Index during the month. Both subthemes 'Applications' and 'Enablers' contributed to performance, with Enablers being the strongest contributor. Several AI related semiconductors (such as Nvidia, Broadcom and TSMC) reached new all-time highs as investor confidence in the AI infrastructure buildout strengthened.

Within key contributors, Nvidia, the leading AI chip designer, performed strongly and management meeting as well as GTC Paris (Nvidia's technology event) reinforced our investment thesis on multiple fronts. First, the company has successfully resolved supply chain challenges that had constrained availability of current generation products. Second, the new Blackwell product ramp is exceeding expectations, with sovereign AI projects accelerating globally as countries recognise AI infrastructure as a strategic priority. Management now has visibility to approximately \$1.5² trillion of AI infrastructure investment in coming years. Third, and perhaps most importantly, we are witnessing a dramatic shift toward inference

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

² Source : NVIDIA GTC Paris, 11/06/2025



workloads as enterprises move from model training to deployment. CEO Jensen Huang revealed that inference token generation has exploded 50-100x³ in the past year, with Microsoft alone processing over 100 trillion tokens last quarter (which is five times more than a year ago). This transition to inference, combined with upcoming product refresh cycle, should sustain robust demand momentum.

Japanese semiconductor testing equipment manufacturer Advantest also performed strongly over the period as the company benefits from the increasing complexity of AI chips that require more sophisticated testing solutions. The shift towards advanced packaging and chiplet designs is driving demand for their testing platforms.

Roblox, the user-generated gaming platform, delivered solid performance as its AI-powered creation tools continue to attract both developers and players. The game experience "Grow a Garden" broke industry records with over 20 million concurrent players, surpassing previous peaks seen in Fortnite and other major titles. This further demonstrates the platform's ability to generate viral, engaging content that drives monetisation.

Within key detractors, AppLovin, the mobile app monetisation and marketing platform was weak following its exclusion from the S&P 500 index despite market expectations for inclusion. The company's fundamentals remain strong with its AI-driven advertising optimisation tools continuing to gain market share.

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.

During the month, we continued to refine the portfolio toward companies with more direct AI exposure.

In healthcare, we exited positions in medical technology companies Penumbra and Enovis to purchase Recursion Pharmaceuticals, which uses AI and machine learning to accelerate drug discovery, and Procept BioRobotics, which combines AI-guided imaging with robotic surgery for prostate procedures.

Within financials, we sold payment network company Mastercard and invested the proceeds into Upstart, a lending platform that uses AI to assess credit risk beyond traditional credit scores.

In cybersecurity, we exited Palo Alto Networks and CrowdStrike and purchased CyberArk, which specialises in identity security and privileged access management. As AI systems proliferate, securing machine identities and automated workflows becomes critical.

Within semiconductor capital equipment, we sold positions in Lam Research, Applied Materials and ASML and purchased ASM International, as well as increased our exposure to Advantest. ASM's atomic layer deposition technology is essential for manufacturing the advanced chips used in AI applications.

Outlook

The AI and Metaverse landscape continues to evolve rapidly, with recent developments highlighting the breakneck pace of innovation, intense competition and global strategic significance of AI. Structurally, we believe the stock market gains from AI will broaden out over time from the companies involved in the infrastructure build-out as the deployment of downstream

³ Source : NVIDIA GTC Paris, 11/06/2025

AI applications picks up. We view AI as a general purpose technology with applications and value creation that will be realised across most of the economy.

President Trump's tariffs present both challenges and opportunities for the AI sector. While semiconductors remain largely exempt, increased costs for data center hardware and networking equipment may require companies to adapt their strategies. Though these tariffs may temporarily impact growth as companies absorb costs or reconsider supply chains, the persistent strong demand for AI capabilities will likely drive innovation in sourcing and potentially accelerate domestic production capabilities. Over time, we believe this could strengthen the resilience of the AI supply chain and create new investment opportunities in onshore manufacturing.

The strategy maintains a balanced exposure to both enabling technologies and innovative applications, with a continued focus on companies demonstrating clear competitive advantages and tangible AI-driven growth opportunities. We believe this positioning allows us to capture both the infrastructure build out and the longer-term application deployment phases of the AI revolution, while navigating the evolving trade and regulatory landscape.

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