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Digital Economy strategy

Markets continue to run as AI investments accelerate and the US makes its first interest rate cut of 2025

- Tech continues to lead equity markets higher as more high-profile AI infrastructure deals signed
- Strong performance across both the Consumer and Business portions of the strategy
- We exited CyberArk and Salesforce and initiated a position in Zeta Global in the month

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What's happening?

Global equity markets continued to move higher in September, with the MSCI All Country World Total Return Index rising by 3.6%¹ in the month and approaching a 20% gain since the start of the year. Even the shutdown of the US government as politicians remained gridlocked over funding on the final day of the month refused to dent market optimism, which has continued to be led by AI related advancements against a backdrop of better than expected US economic growth and the US Federal Reserve's first interest rate cut of the year.

Portfolio positioning and performance

The Digital Economy strategy slightly outperformed in the month and, unlike in the prior month, we saw positive contributions across both the more Consumer oriented portion of the portfolio and the Business oriented portion. Within Consumer, there was notable strong performance across media, which has been a strong source of performance through 2025, but also from fintech. The most notable performance came from Google parent Alphabet, a name we flagged for its strong performance in the prior month. One investor debate we referenced then was the impending decision from the US Department of Justice antitrust lawsuit remedy decision and, early in September, we got our answer which turned out to be far more benign than the more draconian possible outcomes. That decision alone saw the shares push on 8% but further AI momentum and product innovation around image and video generation gave investors increased confidence that, despite ongoing search monetisation question marks, the innovation engine and place at the top table of AI monetisation look increasingly positive. On the fintech side of the more consumer focused portion of the portfolio, the modern retail

¹ Source : Bloomberg as of 30/09/2025 in USD.



investment and trading platform, benefitted from being included in the S&P500 index for the first time. However the strength in the shares was just as, if not more, impacted by the continued product innovation cadence and international expansion, both areas where we continue to see a very long runway of growth potential in addition to its core growth markets.

Less strong performances in Consumer were seen from Amazon, as investors questioned more the current focus on building out its own AI silicon infrastructure rather than leaning as heavily into Nvidia's GPU solutions as some its peers in AI infrastructure. We can understand these concerns but remain optimistic that AWS and Amazon as a whole is still well positioned to benefit from AI, particularly downstream from the heavy infrastructure build. The ability to continue driving efficiencies in operations as well as continuing to drive greater consumer choice and personalisation on top of a rapidly growing advertising platform positions Amazon very well but its progress on these fronts is somewhat away from the spotlight today. Elsewhere one of our less well known holdings, Par Technology, which provides a suite of digital payment, operations and loyalty software solutions primarily for large quick-service restaurant chains such as Burger King, was weak in the month. We attribute part of this to something of a continuation of the malaise around the software ecosystem more broadly, but we also saw it walk away from a potential acquisition of an online restaurant ordering software company called Olo. Whilst we agree that the acquisition was strategically very appealing, we are actually comforted by the financial discipline shown by management and believe there are many other growth vectors for Par to pursue

All of the business oriented subthemes contributed positively in the month. The standout, however, was AI-driven advertising technology company AppLovin, which rose 50% in the month and over 100% for Q3. One reason for the strong performance was, just like with Robinhood, its inclusion in the S&P500 in the September review. More importantly for us though was the increased optimism post very strong results in August and post the disposal of its gaming business, that AppLovin is now a very well positioned beneficiary of AI where it has been able to generate such a powerful two sided advertising business where it has optimised for both a rapidly expanding advertiser base as well as for the app developers. As such it has rapidly come a very powerful alternative platform to the likes of Meta, Google and TikTok with a huge growth runway and powerful operating efficiency driving incredible returns. Elsewhere we saw strength from Palantir and Veeva Systems but less helpful contributions from Klaviyo and Paylocity, with a real mixed sentiment view of enterprise software companies overall.

During the month we sold our position in CyberArk, a fantastic cybersecurity software vendor focusing on identity security and protecting access to important and sensitive business information. We weren't the only ones to have this view and it is in the process of being acquired by larger cybersecurity platform vendor Palo Alto Networks. We continue to believe cybersecurity is of ever increasing importance in a world of work-from-anywhere and, particularly as we move into an AI-first world, especially in the enterprise. We continue to find interesting opportunities and flag Varonis as a recent purchase for the fund, which we feel is well positioned for the changing data and access security requirements we see going forwards.

We also exited our position in customer relationship management software leader Salesforce. Whilst well positioned as a leader in the space, we believe it will take a long time for the company to prove its Agentic AI business models will set it apart from competitors going forwards and is going through a period of heightened competition in its core market and integrating a significant acquisition.

We started a new holding in Zeta Global, an AI driven cloud-based marketing technology company that helps enterprises personalize customer engagement across email, mobile, web and connected TV with a very strong base of permissioned consumer identity data. As we see disruption escalating in how consumers engage with, for example, traditional search engines, we believe that Zeta is very well positioned to help fill the information vacuum for enterprise engagement with their customers.

Outlook



Markets have certainly settled following significant volatility earlier in the year around the tariff announcements in the US and Investor sentiment has continued to improve as trade agreements have been reached at levels generally seen as lower than feared, whilst time has been given to negotiate further with China. Following a strong earnings season and further broadly positive economic data and the first rate cut pointing to a growth focused agenda despite somewhat sticky inflation, paving the way for companies across the economy to make investment decisions with greater clarity.

The Digital Economy, whilst limited in its direct exposure to tariff uncertainty, will certainly benefit from this greater clarity but, ultimately, even in a world of higher international trade frictions, we see the resilience of the structural growth drivers in the digital economy holding firm. This is particularly true of Artificial Intelligence which is beginning to really show up in the 'doing' rather than simply the model training. Whilst the Digital Economy strategy is less directly invested in the asset heavy parts of the Artificial Intelligence rollout, we are very optimistic that this increase in infrastructure build will flow through to a wide array of digital investment opportunities over the years to come.

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