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Evolving Trends Strategy

Global Equity rally extends with mounting AI sector enthusiasm

- Global equity gains in September as the Federal Reserve cuts interest rates
- Strength from Automation & Digitalisation themes; weakness from healthcare sector
- We added Alibaba and reduced position in United Health

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What's happening?

Global Equities rose over 3.5% in USD terms over the month despite the ongoing threat from tariffs and weakness in the US jobs market. The weak jobs data for August gave the Federal Reserve the cover to cut interest rates by 0.25%, the first cut of 2025. Lower interest rates boosted sectors such as Communication Services, Technology and Utilities. In addition to the strong performance of the US market, Asian markets were the leaders at the regional level, with the Hang Seng rising almost 5% in local currency terms as companies exposed to the growth of Artificial Intelligence in China were boosted by progress in the industry including advances in models and applications.

Portfolio positioning and performance

The strategy underperformed the broader equity market over the month as the impact of stock selection in the Technology and Healthcare sectors detracted from relative performance.

The Automation theme was strong, thanks to ongoing momentum in AI infrastructure companies such as Applied Materials, Broadcom and Nvidia. The main detractors in the theme were Zebra Technologies and Keyence, as geopolitical overhang continues to delay factory automation investments.

The Digitalisation theme also posted strong gains, primarily due to Alphabet – which rose over the month as the antitrust remedies in the landmark case brought by the US Department of Justice were better than investors had feared.

During the month we added Alibaba to the portfolio, as the market leader in AI cloud computing with their own deep research model, we believe it is well positioned to capitalise on the industry growth. To fund Alibaba we sold United Health, where we have concerns around their pricing models and ongoing regulatory and litigation risk.

Outlook

One of the major questions for investors at present is the future returns on the huge amount of capital expenditure that is being deployed in AI. We were therefore encouraged to see the news this month that Open AI are partnering with Shopify to allow purchases through ChatGPT, as it provides another credible pathway for AI monetization. Outside of AI, in the short term the risk of an extended government shutdown in the US may cause some consternation, but we see limited impact on the earnings of the companies that we invest in.

Source: All data sourced from Bloomberg, local currencies, as at 30/09/2025



The relative underperformance of the strategy has largely been due to multiple compression, rather than a deterioration in the earnings quality of the portfolio in aggregate. While further interest rate cuts should ease the valuation compression headwind overall, we are confident that the earnings power of the strategy's underlying holdings should drive the recovery.

No assurance can be given that the Evolving Trends Strategy will be successful. Investors can lose some or all of their capital invested. The Evolving Trends strategy is subject to risks including Equity; Emerging markets; Currency; Global investments; Investments in small and/or micro capitalisation universe; ESG.

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