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Robotech strategy

Global Equities rise as the US cuts interest rates for the first time since December 2024

- Small and Mid-cap stocks could gain ground on larger cap peers as macro conditions ease
- Stronger performance from AI infrastructure; continued weakness in healthcare
- Alibaba added to the portfolio, the market leader in AI cloud computing in China

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What's happening?

Global Equity markets continued to show strength during the month, with the MSCI All Country World Total Return Index rising 3.6%¹ in USD terms. A slightly weaker jobs market coupled with stable inflation data gave the Federal Reserve comfort to cut interest rates in the US for the first time since December 2024. With the first cut now behind us, the market is now anticipating a further 2 cuts by the Fed before year end.

The stock market responded positively to an easing of financial conditions, with the Technology Sector performing well during the month. Historically, small and mid-cap stocks have performed well during interest rate cutting cycles. With small and mid-cap companies having lagged their larger cap peers over the last few years, there is the potential for that gap to narrow in a more favourable environment.

Portfolio positioning and performance

The Robotech strategy rose during the month (in USD terms) but lagged the broader equity market during the period. Our exposure to the Healthcare sector weighed on performance.

AI infrastructure stocks were generally strong in the quarter. We have seen Nvidia making an increasing number of strategic partnerships, most notably with Open AI during September to enable Open AI to deploy at least 10 gigawatts of AI datacenters. There remains some market skepticism on durability of these incredibly high levels of spend, but we are encouraged by the size and scale of these commitments and the increasing applications of Artificial Intelligence that are beginning to emerge and be monetised. Associated with this theme, we saw strong performance during the month from TSMC (Manufacturer of AI Chips), Schneider Electric (Power Infrastructure for Data Centers), Teradyne (Semiconductor Testing), alongside AI Chip designers Nvidia and Broadcom.

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

Our Healthcare holdings have been weaker performers in 2025 and this continued again in September. Uncertainty at Procept Biorobotics weighed on the share price meanwhile Dexcom and Intuitive Surgical have continue to lag this month despite solid earnings results during the summer.

We sold our position in AMD following a period of solid performance for the company and exited the remainder of our position in ON Semiconductor. We used the proceeds to increase our positions in Monolithic Power, a semiconductor company well exposed to both AI and Analog. We also increased our position in Alphabet on signs of market share gains in Gemini – Google’s AI Model.

In the software space, we exited our position in construction software company Procore and increased our position in design software company PTC. We also reduced our position in Synopsys (Electronic Design Automation Software) following weakness in its IP business and challenges in China.

We continue to be optimistic on the recovery of the warehouse automation sector and increased our positions in Cognex (Machine Visions for inspection), Zebra (Warehouse Automation Solutions) and Impinj (RFID chips used for asset tracking). Within healthcare we trimmed some more of our position in Intuitive Surgical. Whilst results at Intuitive have been good and we have seen strong adoption of DaVinci 5, its latest generation surgical robot, political challenges in the US healthcare industry have continue to weigh on sentiment and we see better near-term opportunities elsewhere.

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 in China. We also added a position in AXON, a public safety Technology solution, who’s camera-based AI solutions are driving significant productivity within law enforcement.

Outlook

Markets have settled following significant volatility earlier in the year around the tariff announcements in the US. 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. During earnings season, we have seen a reassuring resilience of company results and an optimism that greater stability in global trade will allow companies to make investment decisions with greater clarity. The tariffs are seen by the US administration as a key tool to address what they deem to be unfair trade practises for many nations around the world and making foreign imports more expensive will be a key driver to support US manufacturing and reshore activity and jobs domestically. Ultimately, Trump’s manufacturing agenda, if successful, should favour major investments in the US and we believe the Robotech strategy is well positioned to benefit from this. We also believe that Trump’s push for deregulation and the emphasis on speeding up permitting process for construction should aid activity here.

We have seen very strong levels of CAPEX from the large Technology companies as they invest heavily in the infrastructure required for artificial intelligence and have seen indications that this heavily spending will continue in to 2026. This has been further supported by the passing of the “One Big Beautiful Bill Act” in the US which allows for the immediate depreciation of infrastructure and R&D investments and is expected to provide significant tax savings for companies investing heavily. In Europe, we have seen initiatives principally from Germany, who have launched a 500 billion Euro Infrastructure and Climate Bill set up to support investment in Germany over the next 12 years as well as an initiative from 61 Corporates in Germany to invest 631bn Euros domestically by 2028.

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