Digital Economy strategy

Strong US GDP data and an additional 25 bps interest rate cut by the Fed has set up something of a goldilocks scenario for investors

- Market fuelled by newsflow & reporting around the accelerating and broadening adoption of AI
- Mixed performance in both consumer and business digital markets
- We took profits in some strong 2025 performers in the month

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What's happening?

Global equity markets continued to move higher in October, with the MSCI All Country World Total Return Index rising by 2.2%[1] in the month and approaching a 35% gain from the early April lows. Even the continued shutdown of the US government failed to temper broad market optimism, which has continued to be fuelled by continued positive newsflow and reporting around the accelerating and broadening adoption of Artificial Intelligence.

Portfolio positioning and performance

The Digital Economy Fund underperformed in the month, with a mixed performance from companies in both consumer and business digital markets. On the positive side, ecommerce platform Shopify was very strong in October. The company announced early commercial integrations whereby Shopify's checkout functions can be embedded in Agentic AI platforms like ChatGPT. Whilst early days for such functionality, it highlights the rapid innovation capabilities of the Shopify platform and its positioning as a potential winner of Agentic Commerce. Elsewhere Google parent Alphabet performed well following stronger than expected results. With Department of Justice (DoJ) investigations into anti-competitive practices largely in the rearview mirror and increasing evidence that Google is navigating the transition from traditional to AI search without disrupting its monetisation model, two historic fears have continued to erode. Further its full AI stack from silicon to leading large language models, accelerating growth at Google Cloud Platform (it's hyperscale cloud business) and consumer traction for its Gemini app which now has 650m monthly active users. Amazon shares also ended the month strongly, having lagged somewhat earlier in the year, when it reported strong than expected growth in its cloud computing unit AWS and announced a deal to host OpenAI workloads on its infrastructure. Other notable positive performance came from merchant acquiring payments platform Adyen, cloud data platform Snowflake and edge network and security platform Cloudflare.

[1] Source : Bloomberg as of 31/10/2025 in USD.

Less positively, we saw weak performance from cybersecurity vendor Varonis following disappointing results. The company secures sensitive corporate and client data for enterprises which is becoming increasingly important and difficult to do as companies look to harness the power of their data to benefit from artificial intelligence, e.g. through Agentic AI. The compelling vision of the future for Varonis is only fully possible in the cloud-based SaaS version of its solutions and it is rapidly transitioning its existing customer base to the cloud platform. This mode transition moving from on-premise software to SaaS is something we've seen before and can occasionally hit customer friction points and this is what unexpectedly happened to Varonis this quarter. We believe that these issues are resolvable and that the future outlook for Varonis looks strong and, as a result, chose to increase our position. Elsewhere, we saw weakness in Applovin, a stock which had performed strongly since purchase earlier in the year, but suffered in the month from a report that the SEC was looking into the results of a short seller report earlier in the year. Whilst no new substantive allegations were made, the stock pulled back sharply on the day before somewhat recovering. Separate from this news we took the decision to trim our exposure due to increasing valuation headwinds following its strong longer term performance. Further profit taking was seen at digital media leaders Spotify and Netflix, platforms we continue to believe are well positioned to leverage AI to improve customer experience and to build powerful advertising platforms going forwards.

Trading activity in October was more limited than recent months. We took profits in some strong 2025 performers including cybersecurity vendor Crowdstrike, ad-tech platform Applovin and Meta, where we are waiting to see greater progress on integrating AI into their consumer facing products. We also took the opportunity to increase our holding in data security software vendor Varonis following the very sharp fall in the shares referenced above.

Outlook

As we write we sit in the middle of a broadly positive calendar Q3 earnings season with corporate commentary generally pointing to a strong end to the year. Strong US GDP data and an additional 25bps interest rate cut by the Fed in October despite somewhat sticky inflation has set up something of a goldilocks scenario for investors. Given the strong market returns of the last 6 months, however, we acknowledge that there is a risk of increasing volatility in the short term.

The Digital Economy will benefit from the greater decision making clarity that trade and tariff resolution will bring 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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