# Robotech strategy
## We are seeing greater strength in our industrial automation holdings

- The Robotech strategy nicely outperformed the broad equity market over the month
- Strength from Japanese factory automation companies
- We added to our Japanese names (trading at quite significant discounts)

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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 2.2%[1] in USD terms. For a second consecutive month, the Federal Reserve cut interest rates and the stock market continued to respond positively to the easing of financial conditions.

The Q3 earnings season has commenced and corporate earnings results for the Robotech strategy have again been amongst the strongest we have seen and stand out compared to the broader market. At the time of writing (3rd October 2025), 23 of the 50 companies held in the strategy have reported earnings results so far and of those that have reported, over 90% of the holdings in the portfolio have beaten earnings expectations compared to 61% for the broader market as measured by the MSCI ACWI Index (source Bloomberg). The earnings beats have been broad based across the strategy, notably within our Technology holdings, but encouragingly we are seeing greater strength in our industrial automation holdings where we are seeing signs of growth following a period of weaker CAPEX[2].

### Portfolio positioning and performance

The Robotech strategy rose during the month (in USD terms) and nicely outperformed the MSCI All Country World Index during the period.

Results at Yaskawa Electric (Industrial Robots and Motion Control) were good with order momentum improving, with revenues beating expectations by 5%, and operating profits by 24%. We saw solid demand for Robots and signs of a recovery in demand for inverters in North America and AC Servomotors for semiconductor manufacturing. The share price rose substantially during the month and other Japanese factory automation companies performed well as a result. At the end of the month, we saw strong results from Fanuc (Industrial Robots) which supported investor sentiment that the industry outlook is starting to improve after a long period of uncertainty.

[1] Source: Bloomberg as of 31/10/2025 in USD.
[2] CAPEX : Capital Expenditures

We saw strong results from semiconductor testing and robotics company Teradyne during the month. Teradyne cited strength in demand for its testers used for Data Center Networking Chips as well as testers for Artificial Intelligence ASICs and Memory.

Intuitive Surgical (Robotic Surgery) performed well after reporting a good set of results with strong procedure volume growth and good placements of Da Vinci 5, its latest generation AI enabled surgical robot. Prior to this earnings report, the share price of Intuitive Surgical had struggled year to date alongside a broader sell off in the Healthcare sector and concerns around Hospital CAPEX budgets. Our position in Dexcom (Continuous Glucose Monitoring for Diabetic Patients) has also had weaker performance in 2025. Dexcom reported results in the quarter that beat expectations but Dexcom cut their gross margin guidance on higher freight costs and elevated scrappage rates at manufacturing facilities.

Amazon reported a strong set of results and importantly for the stock, showed acceleration at its cloud computing business AWS (Amazon Web Services), driven by strong demand for AI workloads. Growth rates at AWS had been lower than peers over prior quarters due to capacity constraints and investor fears had been building that AWS was losing substantial share to Microsoft Azure and Google Cloud Platform. A subsequent announcement in early November that Amazon had signed a 38bn USD[3] agreement with Open AI further boosted the stock. Within Amazon's ecommerce business, the company highlighted the fact that they already have 1 million robots working in their fulfilment network at this point and that they will continue to "invest very significantly in robotics". Elsewhere in the warehouse automation space, our holdings in Cognex and Zebra were weaker – the reported results for these companies were both solid, but perhaps given recent stronger share price performance, fell a little short of investor expectations.

We added back our position in AMD following an announcement of a partnership with Open AI to deploy 6GW of AI capacity over the next several years, with estimates that this could result in over 100bn USD of revenue over the period. We had previously exited our position on concerns of a deterioration of AMD's competitive positioning following deals between Nvidia and Open AI for GPUs and an announcement that Nvidia would be co-developing custom data center and PC products.

Following strong results from Yaskawa Electric, we added to our positions in Nabtesco (Reduction Gears used in Industrial Robotics) and SMC (Motion Control Components). Our Japanese automation holdings have generally been underperformers over the last couple of years during the weaker manufacturing environment and trade uncertainty. Japanese automation stocks are trading at quite significant discounts to average valuation levels over the last 20 years and we see an opportunity here if the backdrop continues to improve. We continued to add to our Chinese positions adding to holdings in Alibaba (AI Cloud Computing) and Xiaomi (Cars and Consumer Electronics).

We reduced our position in warehouse automation company Symbotic following a period of very strong performance for the company. We exited our position in Emerson Electric, seeing better opportunities elsewhere.

## Outlook

Investor sentiment has continued to improve as trade negotiations have progress and uncertainty has reduced. The current earnings season has generally been strong and 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.

[3] Source : Reuters, 03/11/2025

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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