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Artificial Intelligence strategy

Strong AI fundamentals persist amid evolving infrastructure landscape

- Resilient US growth amid market expectations of interest rate cuts
- Strength from Alphabet, JFrog & Broadcom; weakness in NVIDIA, Palantir & Cloudflare
- We topped up Alphabet and reduce Oracle

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What's happening?

Global equity markets were volatile during November, declining through much of the month before recovering in the final week. The MSCI All Country World Index ended the month flat in USD terms¹. The resolution of the 43-day US government shutdown removed a source of uncertainty, though the prolonged disruption meant key economic releases were delayed, making the picture more complex for monetary policy. Federal Reserve commentary through the month leaned dovish, with markets pricing a December rate cut alongside expectations for further easing in 2026.

The key development within AI infrastructure was Google's release of Gemini 3 on November 18th, its most capable AI model to date. Importantly, the model was trained entirely on Google's proprietary chips called Tensor Processing Units (TPUs). Reports subsequently emerged that Meta Platforms was exploring Google TPUs deployment in its data centres. This development highlights the potential for Google Cloud to become a meaningful external provider of AI compute infrastructure, leveraging eight years of proprietary chip development. Elsewhere in AI infrastructure, Nvidia reported strong third quarter results with record data centre revenue and Blackwell ramping as expected. We are invested across GPU, TPU and other specialised accelerators ecosystems and believe that there is growth opportunity across the board, reinforcing the overall infrastructure investment case.

Further downstream, the picture for AI applications remained mixed. Enterprise AI platform Palantir continued to demonstrate strong growth, reporting 63% revenue growth with US commercial up 121% year-over-year, suggesting genuine return on investment for customers deploying AI². However, broader questions persisted during the month around the timeline for AI monetisation across the software landscape, with investors scrutinising which companies are delivering tangible AI-driven revenue. We continue to be selective and follow the earnings rather than the narratives.

¹ Source: Bloomberg as at 30/11/2025.

² Source: Palantir 3rd quarter earnings result, 03/11/2025.

Portfolio positioning and performance

The Artificial Intelligence strategy underperformed broader equity market during the month.

We believe active management is essential in investing in AI, and our strategy captures opportunities in both AI infrastructure – companies enabling the use of AI – and AI innovators – companies using AI. November was a challenging month for both parts of the strategy, with AI infrastructure detracting more than AI innovators.

The biggest positive contributors to the strategy's performance during the month were JFrog, Alphabet and Broadcom.

JFrog, the software supply chain and binary repository platform, reported third quarter revenue growth of 26% year-over-year with cloud revenue up 50%, driven by strong adoption of AI-related software packages and security solutions³. We view JFrog increasingly well positioned to be the system of record for AI artifacts as software development velocity accelerates. Alphabet benefited from Gemini 3's success and the strategic implications of its vertically integrated AI capabilities spanning models, cloud infrastructure and distribution. Broadcom, the semiconductor company that co-designs Google's custom TPU chips, rallied as investors recognised the potential for its ASIC partnership model to benefit from broader hyperscaler interest in custom silicon.

The biggest detractors during the month were Nvidia, Palantir and Cloudflare. Nvidia declined on the TPU-related newsflow despite strong underlying results with record data centre revenue. Demand for Nvidia's products remain robust and the company continues to execute well on its product roadmap. Palantir, the enterprise AI and data analytics platform pulled back after an strong year-to-date performance as investors took profits despite continued strong execution. Edge network and security platform Cloudflare also detracted to performance. An outage that disrupted several services weighed on sentiment, though we note the operational issue was resolved quickly and quarterly results demonstrated strong execution with 31% revenue growth and accelerating backlog⁴. We still view Cloudflare as well positioned for benefitting from increasing AI inference workloads.

During November we increased our exposure to Alphabet and reduced Oracle. The Alphabet increase reflects conviction in its full-stack AI capabilities. Our largest holdings include Nvidia, Broadcom and Alphabet, positioning us across both GPU, TPU and the broader ASIC opportunity as the infrastructure landscape evolves and believe there is growth opportunities across the board. We reduced Oracle, the cloud infrastructure and database provider to rebalance our infrastructure exposure given the evolving competitive dynamics.

Outlook

As at the time of writing, on 2nd of December, the Q3 earnings season has almost concluded with companies generally reporting strong fundamentals and management pointing to a likely good end to the year. Resilient US economic growth and rate cuts despite somewhat sticky inflation, provides a supportive environment. That said, given the strong stock market returns of the past six months, we acknowledge potential for market volatility. We would view this as an opportunity to purchase well positioned companies in AI at lower valuations.

Our strategy of investing in companies across AI infrastructure and innovators provides a pure and diversified approach to capturing the gains of AI. We believe AI is a once-in-a-generation general purpose technology presenting opportunities across the whole economy. We are focused on investing in companies that can deliver superior stock returns by unlocking these opportunities and possessing strong barriers to competition.

³ Source: JFrog 3rd quarter earnings report, 06/11/2025.

⁴ Source: Cloudflare 3rd quarter earnings report, 30/10/2025.

We believe the accelerating use of AI in the economy so far this year underlines the strong potential of the investment strategy. At the same time, whilst most – if not all – companies will use AI in the coming years, not all will win. Indeed, many will be disrupted by its emergence, as we believe is beginning to be reflected in the stock market. As such, we believe an active and dynamic investment approach to AI is essential, as we implement in this strategy.

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