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Digital Economy strategy Despite a market rotation, growth prospects stays strong

- The 'Data & Enablers' theme contributed most to performance
- Recovery from names most affected by the pandemic following vaccine news
- Payments names could see a recovery of payment volumes associated with travel & leisure

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What's happening?

Global equity markets rose sharply in November, with the MSCI ACWI gaining 12.4%¹. Optimism following the vaccine announcement from Pfizer, and later in the month from Moderna and Astrazeneca drove stocks higher. Although the market rose, there was a noticeable rotation within the month, with companies trading on higher valuations being sold off whilst more value-centric names performing better.

The market was also driven higher by the certainty of the result of the US Presidential election, with Democrat nominee Joe Biden winning the election.

Following the third quarter results which have been better than expected for our investments, a couple of important events in November have shown the strength of the Digital Economy landscape. In China, Alibaba had its Singles' Day shopping event and reached record sales of over \$74 billion², up 26% compared to the same timeframe last year. In the United States, Adobe released its online shopping report for the 2020 holiday season and is forecasting that Black Friday online sales could reach the \$10bn mark, up 37% compared to 2019 and online holiday season spend could be as much as \$189 billion dollars, up 33% compared to 2019.

Portfolio positioning and performance

During November, our exposure to the Data & Enablers theme contributed most to performance. We saw strong performance from customer support and relationship management software company Zendesk. Within the Delivery theme payments companies such as Visa, Paypal, Fidelity Information Services and Global Payment performed well, as the vaccine news is giving hope that cross-border transaction volume related to travel and leisure may recover.

¹ Bloomberg as of 30/11/20

² Reuters.com

There was relatively little activity during the month, however, we have taken advantage of the recent rotation and some stock specific news to reallocate our investments where appropriate.

Outlook

The rotation that has been taking place in November, from growth sectors such as Technology into value sectors such as Energy, and also into sectors that are viewed to be major beneficiaries from the news related to the vaccine, are mostly a decision to invest in undervalued sectors and use sectors that have driven good returns such as technology, more particularly the ones that have seen a pull forward of demand related to the lockdowns, as a source of funds.

We believe that the prospects for companies associated with the theme of the Digital Economy remain strong and we would be inclined to use share price weaknesses as an opportunity to invest.

Digital Transformation is expected to be an important business focus for the coming years, and the portfolio remains well positioned to benefit from the trends associated with the digital economy theme, such as online commerce, digital media consumption and electronic payments.

Our investment preference, that of investing in good quality companies who address a strong long-term opportunity within the Digital Economy theme remains the same.

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