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# Digital Economy strategy

## Volatility has increased but so far earnings results have been encouraging

- The 'Discovery' theme contributed most to performance
- Strong performance from Chinese gaming and ecommerce companies
- We would be inclined to use share price weaknesses as an opportunity to invest

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### What's happening?

Global equity markets fell in October, with the MSCI ACWI declining 2.4%<sup>1</sup>, as the continuous increase in Covid-19 cases in Europe led governments to introduce additional measures to contain the virus spread; Asia, where the pandemic seems to be under control, performed better than Europe and North America.

From a market perspective, earnings season for the third quarter has started and while it may still be too early to draw broad conclusions, results so far have been encouraging. Amazon delivered an impressive set of results ahead of expectations, and also provided revenue guidance well ahead of the Street, highlighting the success of its Prime Day, with revenue from third party sellers 60%<sup>2</sup> higher than last year. The company continues to see strong demand trends in all major product categories across the globe, and strong Prime member engagement who are shopping more frequently than before the pandemic.

### Portfolio positioning and performance

During October, our exposure to the 'Discovery' theme contributed most to performance. We saw strong performance from Tencent, Chinese internet and gaming company, and social media company Snap Inc., recent addition to the portfolio, who reported results well ahead of expectations, driven by user growth and a rebound of brand advertising spend.

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<sup>1</sup> Bloomberg as of 30/10/20

<sup>2</sup> Amazon news releases, 15 October 2020

Within the 'Decision' theme, we saw strong performance from Chinese ecommerce giant Alibaba, and within the Data & Enabler theme, we saw good performance from Twilio who provides a cloud-based platform that enables business to easily send important messages in a timely fashion via SMS, in-app messaging or email.

During October we sold our position in Splunk, as the company may be facing increasing competition. We added Snap Inc, social media company targeting millennials and gen Z audiences.

## Outlook

Concerns related to the pandemic continue to overhang the market and the recent spike in new cases and lockdown measures introduced in some European countries have left equity investors nervous about the overall health of the global economy. At the time of writing, the results of the US presidential election were too close to call and the outcome may not be known for a few days, presenting some uncertainty for markets. With several long term themes driving growth associated with the Digital Economy, we would be inclined to use share price weaknesses as an opportunity to invest.

During this period of uncertainty we remain focused on our investment philosophy, which is the preference to invest in companies who address a strong long-term opportunity. The drivers of the Digital Economy theme remains intact, and could even play out stronger, once the current turmoil is over.

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.

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