

**Your capital is at risk. Past performance is not a guide to future returns. The following update is based on a representative portfolio. As such, stock examples may not be held in every client portfolio, and performance may differ.**

**Toby Ross:** In the early waves of the rollout of a new technology, there's often a huge focus on building more capacity. And we've certainly seen a lot of that in the last few months with ever larger announcements of new infrastructure being built for AI.

These make for good headlines, but often the real progress, and we believe the durable returns in markets, emerge in a second stage from less celebrated players who help to change how people work and ensure technologies are widely applied.

The durable fortunes made during the rollout of the internet weren't made from equipment makers who suffered most when the dot-com bubble burst, but in the companies who helped apply digital advances to every walk of life. These are what we think of as the unexpected engines of progress.

Now, this quarter, the sustainable growth strategy delivered positive returns but lagged an index that continues to be highly concentrated. The main reasons for this were our deliberate reduced exposure to certain prominent AI players and some temporary stock-specific setbacks.

So I want to provide some more context about where our investments in technology are focused today, some new names that we've added this quarter, and what those setbacks have been.

Only a handful of AI names have captured the market's attention, driving some unusually concentrated gains. At the same time, we think the risk is growing that we're overbuilding the infrastructure needed to support the deployment of AI.

Now, there are a couple of dynamics at play here. Large language models continue to get more efficient, inference is much less compute-intensive than training, and companies like Microsoft are working out how they can use their compute infrastructure more efficiently.

On the other side, the economic models through which companies pay for using AI are still being figured out. That combination of uncertain demand on the one hand and rapid growth in the installed base of infrastructure raises the risk that today's build-out doesn't translate into the durable returns that markets are currently pricing in. So, how do we respond to that as managers?

Well, we remain forward-looking and cautious when share prices appear detached from underlying progress. But there are areas where we see real opportunities. So we've positioned the portfolio to benefit in the long term with exposure to three distinct groups of companies.

So firstly, at the semiconductor level, we hold TSMC. They've got a virtual monopoly in leading-edge semiconductor manufacturing. But importantly, they work with every major player in the industry.

We have not invested in companies [that] are specifically focused on leading-edge GPUs, where we think the supply-demand dynamics face the greatest potential disruption.

Secondly, we have larger holdings in a couple of businesses with flexible infrastructure that can adapt to different market environments. So, Microsoft and Alphabet are cases in point.

Microsoft is deeply embedded across enterprise workflows. They generate very strong cash flows and they can allocate capital in a disciplined way and pivot their strategy if the environment evolves. So, they're adaptable, resilient players with really strong economics.

Thirdly, we believe the really significant growth will come from companies that help customers apply AI in the real world. So, for example, Cadence and Synopsys, companies providing software that's essential to designing every new generation of chip. And they're helping [us] use AI to automate more of the steps in this process. That adds enormous value to designers and chip design companies.

Shopify and Intuit are using AI to improve day-to-day tasks for lots of small businesses, while reducing administrative burdens for entrepreneurs. In each case, the use of AI is helping them to reach more customers and add more value to them. And during the quarter, we added to both Intuit and Synopsys.

So, put simply, we maintain meaningful absolute exposure to technology and to the changes that AI will bring. But we focus that exposure where we see the highest probability of enduring growth, including through any period of industry overbuild.

This quarter, we also took advantage of recent share price weakness to buy two healthcare companies that we've monitored closely for some time. One you've heard of, one you haven't. So Novo Nordisk is the undisputed leader in weight loss medications. They've got an exceptional pipeline.

But the market's taken quite a short-term view of some recent commercial issues they have. We think they'll get back on track and we're very excited to have it in the portfolio.

Shenzhen New Industries Bioengineering, or Snibe, is a founder-run Chinese diagnostics business that is growing tremendously fast in many overseas markets and we think [it] can build a really interesting global diagnostics franchise.

Now, I said at the start that this quarter's underperformance reflected some stock-specific factors. Detractors included The Trade Desk, where some of the big consumer-facing advertise pulled back their spending, partly because they were worried about tariffs and the impact on the consumer, and DSV, where we saw some softness in road freight.

In both cases, we view these as very much temporary. And our conviction in DSV in particular remains very strong. They're just getting stuck into integrating the largest acquisition they've ever done, DB Schenker. We see massive gains for market share growth and cost savings as they integrate that.

So, in summary, markets are expensive, leadership is narrow, and sentiment is fragile. Our job is not to predict the next headline. It's to own the businesses that can turn innovation into durable growth. And that's why I've talked a lot today about adaptable companies that can flex as the landscape evolves.

We recognise that performance has fallen short of our expectations. But looking ahead, we're confident the portfolio is well-positioned to capture the next generation of growth opportunities and deliver the long-term results that our clients expect.

## Sustainable Growth

### Annual past performance to September each year (%)

	2021	2022	2023	2024	2025
Sustainable Growth Composite (gross)	N/A	N/A	N/A	30.6	3.8
Sustainable Growth Composite (net)	N/A	N/A	N/A	29.9	3.3
MSCI ACWI Index	N/A	N/A	N/A	32.3	17.8

### Annualised returns to 30 September 2025 (%)

	1 year	5 years	10 years	Since inception*
Sustainable Growth Composite (gross)	3.8	N/A	N/A	14.7
Sustainable Growth Composite (net)	3.3	N/A	N/A	14.1
MSCI ACWI Index	17.8	N/A	N/A	21.9

\*31 December 2022.

Source: Revolution, MSCI. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

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