

Manager Insights: Tom Slater

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Tom Slater, Investment Manager

Your capital is at risk. Past performance is not a guide to future returns.

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It's a pleasure to be speaking with you. As we reflect on the past year, one thing stands out clearly: despite the disorienting backdrop (volatility, persistent inflation, fragile confidence) there has been real, compounding progress beneath the surface.

Our companies, the ones we've backed for years, have quietly delivered. Not just in growth, but in becoming more resilient, more focused, and in many cases, more profitable.

That wasn't inevitable. Two years ago, many of these businesses faced a sharp rise in funding costs and a far less forgiving market. The most ambitious took those signals seriously. They made hard choices: slowing headcount growth, refocusing on core strengths. And they committed to long-term decisions that only look obvious in hindsight. As the environment has stabilised, those choices have started to bear fruit. Margins have widened. Free cash flow has accelerated. And long-standing themes like digital platforms, AI, electrification, and personalised medicine are delivering real, tangible results.

Let's talk about AI. Few forces this year have been more consequential than the rise of generative AI. The conversation has moved from theory to practice and we're already seeing its impact especially in software engineering, where productivity is rising dramatically.

And this matters, because software is the beating heart of the modern economy. Our companies are using AI tools to do more with less – launching new products with smaller teams and scaling operations without scaling costs. This isn't a promise for tomorrow. It's operational leverage happening today.

As investors, we've had to think carefully about how to respond. NVIDIA, our largest holding at the start of the year, remains at the epicentre of the AI boom. But if AI is to become truly transformative, it also needs to become ubiquitous and that points to commoditisation.

A world built on \$70,000 chips and 60 per cent margins isn't likely to endure. So we reduced our position, not because we admire the company any less, but because we're disciplined. We look for asymmetric outcomes, and at \$3.5tn valuation it's much harder to make exceptional returns.

In contrast, we increased our positions in businesses benefiting from the broader adoption of AI tools. Meta, for instance, has rebuilt its business with greater efficiency, deeply embedding AI into its product and advertising stack. Just last year, Facebook saw an 8 per cent increase in time spent on the platform – driven by AI-powered content recommendations. The stock's performance reflected that progress.

Spotify is another standout. It's become one of the most efficient scaled platforms in the world, using AI to personalise content, target ads, and potentially build a broader content ecosystem. Both these companies were among our strongest contributors.

We also initiated a new position in TSMC. As AI moves from training to deployment at scale, compute demand will continue to grow. TSMC's leadership in the semiconductor manufacturing industry has only strengthened, especially as competitors like Intel have stumbled.

Resilience

In today's world, resilience isn't a nice-to-have – it's a strategic advantage. We're convinced that the companies most likely to endure and thrive are those that adapt. That means having not just strong balance sheets, but leadership teams that can evolve, reallocate capital, and make difficult decisions while staying true to their long-term mission.

This year reminded us just how interconnected – and vulnerable – the global system has become. Trade tensions have escalated. The U.S. introduced sweeping new tariffs, with immediate and severe market reactions. We don't see this as a blip. Many imbalances in the global economy – trade, debt, inequality – are becoming untenable.

In this kind of world, few companies will be untouched. What matters is how they respond. And our role is to find businesses that can recalibrate, learn from shocks, and emerge stronger.

Amazon is a great example. After expanding rapidly during the pandemic, it has now streamlined operations and is benefiting from a far leaner, more productive fulfilment network. Margins are up. Free cash flow is strong. And it's well placed to invest in an AI-driven future.

Shopify, the operating system for retailers, has done something similar – shedding logistics assets and refocusing on its core mission. Its headcount is down, but growth continues. CEO Tobi Lütke recently told staff, before requesting new hires, prove why AI can't do the job.

Cloudflare is positioning itself as a foundational enabler of AI services, while improving profitability. DoorDash, often overlooked, has grown into a scalable logistics platform across food, retail, and local delivery – showing 15 points of margin improvement in just two years.

Resilience isn't guaranteed. Some investments have struggled. Moderna, once our largest holding, underperformed as vaccine uptake declined. Still, its mRNA platform remains promising. But better commercial execution is essential.

Northvolt, on the other hand, failed to scale its manufacturing effectively, and has gone bankrupt – a hard but necessary lesson in capital-intensive industries.

Beyond the US Innovation is Flourishing

In Latin America, MercadoLibre continues to shine. Its ecommerce and digital payments platform is gaining share, improving margins, and proving operationally agile despite challenging macro conditions.

We added Nubank, now the largest independent digital bank outside China. With over 100 million users and a digital-first model, its cost advantage is striking. It's expanding rapidly in Brazil, Mexico, and Colombia.

We also took a new position in Sea Limited. Its subsidiary Shopee is gaining ground in ecommerce, and SeaMoney is emerging as a major fintech player in underbanked Southeast Asian markets.

On a very different note, Ferrari has delivered exceptional long-term returns. This isn't about tech disruption – but about brand power, scarcity, and executional excellence. We added Hermès for similar reasons. Scarcity, pricing power, minimal capital intensity – these are rare, enduring qualities.

Investing in China

Investing in China over the last five years has required conviction and patience. Regulatory shifts scared off many global investors. We didn't exit – we stayed, though with reduced exposure.

This year, we saw tentative signs of thaw. President Xi's handshake with Jack Ma was symbolically significant. Policy rhetoric has shifted toward supporting private enterprise.

Our Chinese holdings – Meituan, PDD, and now BYD – remain some of the most operationally dynamic. Meituan has defended its lead in food delivery. PDD is taking its Temu store global. BYD, the electric vehicle maker, now generates over \$100bn in annual revenue and is expanding rapidly beyond China. We remain alert to risks but see real long-term opportunity.

Looking Forward

Looking forward, we remain focused on the next generation of winners. SpaceX is the standout. Starlink satellite internet now serves over 5 million subscribers. Starship, its next-gen rocket, could revolutionise space and beyond. This isn't science fiction – SpaceX is solving some of the hardest problems in the physical world.

Aurora Innovation has launched autonomous commercial trucking operations targeting a space with real commercial potential and growing labour shortages. Joby Aviation is nearing FAA certification for its air taxis, and Zipline just launched 30-minute drone deliveries for Walmart in Dallas.

These may sound bold – but that's what long-term investing is about. Backing ambitious ideas and exceptional teams, and giving them time.

What's our Approach?

People often ask how we forecast product developments or inflection points. The answer is: we don't. We focus on two questions. Is the opportunity transformational? And is the likelihood of capturing it increasing?

That's how we stayed with SpaceX. How we stuck with Stripe and Tempus. That's how we invest.

Periods of change are rarely comfortable. But they are fertile ground for progress. And so, our job remains what it has always been: to find the world's most exceptional growth companies, support them for the long term, and then let them do the heavy lifting on behalf of our shareholders.

Thank you.

Annual Past Performance To 31 March each year (net %)

	2021	2022	2023	2024	2025
Share Price	99.0	-9.5	-33.6	32.5	6.0
NAV	111.2	-13.2	-17.8	11.5	11.4
Benchmark*	39.6	12.8	-0.9	21.0	5.5

Source: Morningstar, total return, sterling. *FTSE All World Index (GBP).
Past performance is not a guide to future returns.

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