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Digital Economy strategy

Global equity markets have recovered to pre-COVID levels

- Q2 2020 earnings season: our companies have reported mostly better than expected results
- Digital Economy strategy performed well in August, driven by the 'Decision' theme
- Strong performance from cloud computing solutions and cloud communications platform

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What's happening?

Global equity markets continued to rise in August and recovered to pre-crisis levels, with the MSCI All Country World index gaining 6.2%¹.

Investor sentiment remained positive as earnings and economic data continued to be better than feared. From a market perspective, the vast majority of companies we invest in have now reported their results for the second quarter, and have mostly been positive.

Portfolio positioning and performance

The Digital Economy strategy performed well in August, driven by the Data & Enablers and Decision theme.

Within the Data & Enabler theme, we saw strong performance from Salesforce and Zoom. Salesforce, enterprise cloud computing solutions provider targeting the sales, customer service, marketing and cloud platform markets, reported excellent results. Prior to this, markets were concerned that Salesforce would see an impact from customers having to cut their IT² budgets because of the pandemic, but the company reported results well above expectations on revenue, billings and margins. Video communications platform Zoom also reported results that far exceeded expectations, and significantly raised guidance for the full year.

Within the Decision theme, Alibaba, Chinese ecommerce giant, performed well after reported strong results, alleviating investors' concerns over the pace of its recovery. The company should be in a strong position to benefit from both ecommerce acceleration and cloud digital services adoption. Finally Ocado, British online grocery company who started to licence its market leading technology to peers around the world also continued to perform well, as investors increasingly

¹ Bloomberg as of 31/08/20

² Information Technology

recognise the step change in demand for online grocery shopping which should significantly modify the landscape for the overall industry.

During the month we started a position in Etsy. Etsy operates a marketplace for unique and creative goods, and recently the company has seen home nesting driving online consumption higher across its biggest categories such as homeware and crafts.

Outlook

We are encouraged by the early signs of a recovery in the global economy, largely supported by Central Banks who continue to step up with unprecedented stimulus measures and should continue to support equity markets. We are pleased to see that companies within the portfolio have reported mostly better than expected results, showing the strengths of the business models exposed to the Digital Economy.

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. We firmly believe that the opportunity driven by the long-term theme, the Digital Economy, 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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