



Bytes: Identifying structural long-term trends driving sustainable investing

In the second of our three-part series **George Crowdy, Senior Fund Manager**, looks at 'bytes' – representing investments into the digital world – and how this long-term trend is represented in our sustainable fund range.



Atoms, bytes and genes represent our way of thinking about the evolution of the physical, digital and natural worlds, which constitute everything around us. Ample evidence suggests that trends in these areas will drive growth in the corporate world for many years to come.

We live in an increasingly uncertain environment driven by a changing macroeconomic environment and financial market structure. From a macroeconomic standpoint, the 2010s were a unique period characterised by a stable environment of low growth, low inflation and low interest rates. The pandemic was the trigger to exit this environment; what the new environment is, only time will tell. Meanwhile, financial markets are increasingly driven by passive, algorithmic trading which is creating significant short-term volatility.

Yet, while this environment of increased uncertainty and volatility is confusing a lot of investors, we believe the microeconomic trends are strengthening, and focusing on them makes it easier for us to understand the world.

Our framework to analyse these microeconomic trends is via atoms, bytes and genes.

What are Bytes?

Bytes refers to the digital world and encompasses the hardware, software and applications that support the digitalisation of society. Although we've already seen significant innovation and growth, we believe we are still in the very early stages of the digitalisation of society. Global IT spending is expected to be c. US\$5.7trillion in 2025 and up c.9.3% versus 2024¹ and is estimated to grow to c.17% of global GDP by 2028². The digitalisation of society represents one of the most powerful structural growth trends we can identify.

Looking back over history we can identify major technology waves with each one building on the one before it. These included the rollout of mainframes in the 1960-80s, the birth of the PC in the 1980s followed by networking in the 1990s. This in turn led to the introduction of desktop internet in the 2000s which then facilitated the mobile internet in the 2010s.

We then had the introduction of cloud computing and Software as a Service (SaaS) application from 2015 onwards and are now in the early stages of what could be the most powerful and significant technological wave we have seen – Artificial Intelligence (AI).

While the excitement around the opportunities surrounding AI has not been lost on the market, with the 10 largest companies in the world all direct enablers or beneficiaries of it, we believe the explosive growth many of these companies have experienced will continue. AI first came into the mainstream in November 2022 with the launch of ChatGPT which became the fastest company in history to reach one million active users³. Using AI tools is becoming a part of how businesses and consumers operate. The explosion in AI is due to the combination of the cloud facilitating the hosting of an unprecedented amount of data, advancements in semiconductor technology such as Graphic Processing Units (GPUs) to process this data and increasingly sophisticated software applications on which AI can be deployed.

¹ [Gartner Forecasts Worldwide IT Spending to Grow 9.3% in 2025](#)

² [The Global Digital Economy Will Reach \\$16.5 Trillion And Capture 17% Of Global GDP By 2028](#)

³ [Chart: Threads Shoots Past One Million User Mark at Lightning Speed | Statista](#)

We believe AI will fundamentally change how humans and businesses interact with technology. We are reminded of a quote from Microsoft Founder Bill Gates who said, “we always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten” and suspect this will turn out to be the case with AI. We see the potential for AI to meaningfully enhance global productivity and provide the potential for businesses to generate additional revenue streams, optimise costs and develop new products.

How can investors benefit?

We have always concentrated on identifying the most exciting long-term investment themes and then finding the lowest-risk and predictable ways of benefitting. On this basis, we have identified interesting investment opportunities in semiconductors; the backbone of all digitalisation. We have also identified opportunities in companies exposed to the data centre build out, which is where the lines between our ‘atoms’ and ‘bytes’ approach start to blur.

A few examples include:

TSMC: The world’s largest manufacturer of advanced semiconductors used in mobile devices, high performance computing, robotics and automotive applications. Supplying the world’s most innovative companies with the technology to boost product computing power, improve energy efficiency and enable smaller form factors for applications across healthcare, transportation, manufacturing, finance, construction etc, making society cleaner, healthier, safer and more inclusive.

Microsoft: The world-leading software developer and provider of intelligent cloud-based solutions, operating systems, software applications, development tools, personal computing and other intelligent devices that are used in a wide range of industries. Software solutions provide access to data and cloud services that improve efficiency and productivity while addressing critical security requirements, contributing to a cleaner, healthier, safer and more inclusive society.

Intuit: A global provider of business and financial management solutions focusing on small businesses, self-employed individuals and consumers. Intuit’s products and services help customers to manage their finances, build savings and improve financial health, contributing to a more inclusive society.

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Ref: AL RLAM PD 0202

