Amati Global Investors

Investing in innovation: finding value beyond the obvious

by Mikhail Zverev and Graeme Bencke

At first glance, innovation investing can appear crowded, particularly in areas like AI, where the largest companies dominate headlines and returns. But in practice, the most compelling opportunities often lie beneath the surface.

For the WS Amati Global Innovation Fund, the focus is not simply on owning technology leaders, but on identifying where innovation is creating value across the system, and where that value is being mispriced by the market.

A Broader Approach to Innovation

We think about innovation across three categories:

- pioneers – companies developing new technologies;
- enablers – those providing the infrastructure or components;
- adopters – businesses applying innovation to existing markets.

Crucially, value does not always accrue to the pioneers. In many cases, it is the enablers or adopters, often less visible, that capture the most attractive and sustainable returns.

This flexibility allows us to invest across sectors, not just within technology, and follow innovation wherever the risk-reward is most compelling.

Advanced testing and diagnostics

Pioneer	Enabler	Adopter
Creating innovation	Supporting innovators	Implementing innovation
illumina	QIAGEN	labcorp
P/E 47x	P/E 21x	P/E 14x
FCF Yield 1.5%	FCF Yield 4.1%	FCF Yield 7.6%
Market cap $39bn	Market cap $10bn	Market cap $23bn

Source: Bloomberg. Valuation data as of Fund launch date 23/05/2022

Embracing complexity, but staying disciplined

Innovation tends to come with complexity and uncertainty. That is precisely where we believe opportunity exists.

Our approach is to embrace that complexity, spending time on specialist research, engaging directly with industry participants, and attending trade shows to see technologies in practice.

But this is balanced with a strict focus on fundamentals:

- profitability;
- cash generation;
- balance sheet strength;
- valuation discipline.

In short, we are looking to invest in high-quality businesses exposed to innovation, not speculative "science projects."

Where we're seeing opportunity

Several themes have been particularly important for the portfolio over the past year:

Photonics: Enabling the AI Infrastructure Boom

As data volumes and processing demands increase, particularly with AI, traditional electronic systems are reaching their limits.

This is driving a shift toward optical networking (photonics), where data is transmitted using light rather than electricity.

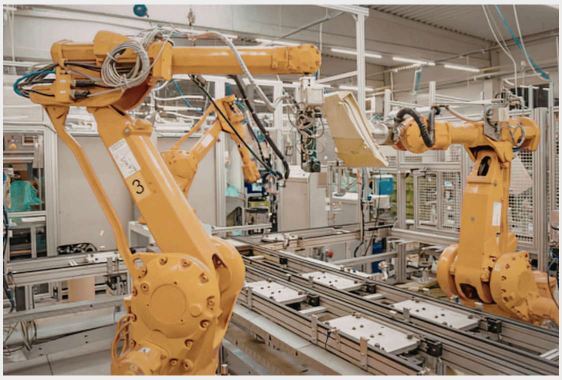
Portfolio companies such as Lumentum and Fabrinet have been key beneficiaries of this shift, supporting the infrastructure behind AI rather than competing in the most crowded areas of the market.

Physical AI: from software to the real world

AI is increasingly moving beyond software into physical systems, factories, logistics, robotics and automation. This is creating demand in areas such as:

- machine vision - Cognex, Basler;
- sensors and control systems - Allegro.

These businesses enable machines to "see", process information and operate autonomously, an essential layer in the development of real-world AI applications.



Life sciences and bioprocessing

Another area of focus is the shift toward biologically manufactured medicines. As drug development becomes increasingly complex, and AI accelerates discovery, the need for advanced bioprocessing infrastructure is growing rapidly.

Companies such as Sartorius, Repligen and Danaher benefit from:

- high barriers to entry;
- long-term customer relationships;
- recurring, consumables-driven revenue models.

These are examples of the types of durable, scalable business models we look to own within innovation-led sectors.

A different way to generate returns

One of the defining features of the portfolio is how different it looks relative to traditional global equity strategies.

We deliberately avoid crowded areas, such as the "Magnificent Seven", where valuation and positioning risk can be elevated. Instead, we focus on companies that:

- are earlier in their growth journey;
- sit within niche but expanding markets;
- are often overlooked by broader investors.

This has enabled the fund to deliver strong performance without relying on the same drivers as the broader index, providing a differentiated return profile.

* MSCI ACWI Index (GBP), Total Return.

** IA Global (GBP), Total Return

Chart since fully funded date

Past performance is not a reliable indicator of future performance

Cumulative Performance %	1m	6m	1 year	2 Year	3 Year	Since fully funded (10/06/2022)	Since inception (23/05/2022)
Fund	**13.94**	**16.45**	**41.65**	**39.76**	**70.66**	**75.48**	**73.27**
Benchmark*	6.01	11.39	30.33	39.84	68.20	77.68	78.00
Peer Group**	5.10	8.96	23.31	28.25	48.12	55.40	57.03
Peer Group Quartile	1	1	1	1	1	1	2

Source: FE Analytics as at 31/05/2026

Why our process matters

A key part of our edge comes from how we generate ideas and build conviction. We:

- engage deeply with industry developments;
- visit trade shows to see technologies in practice;
- speak directly with engineers and specialists;
- conduct detailed bottom-up analysis.

This helps us identify where innovation is already being adopted, and where markets have yet to fully reflect its impact.

Final thoughts

Innovation remains one of the most powerful drivers of long-term value creation.

But it is also an area where markets can misprice opportunity, particularly in complex or less visible parts of the value chain.

By combining the following, we aim to identify companies where growth, profitability and market understanding are not yet fully aligned:

- a broad definition of innovation;
- deep, specialist research;
- strict valuation discipline.

That is where we believe the most compelling opportunities continue to lie.

Click here to watch the latest fund update

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