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Global Technology strategy

An improved sense of confidence from companies, in contrast to the significant lack of visibility when they reported their last quarter

- The Global Technology strategy performed positively in July
- Positive contributions from Semiconductors
- We continued to use market volatility to add to existing holdings

Jeremy Gleeson

Portfolio Manager, Global Technology strategy

What's happening?

During July, the MSCI World index fell by 1.4%¹, although this was mostly currency related as the US dollar weakened. The technology sector outperformed, finishing the month slightly negative with the MSCI World Information Technology index, down by 0.3%¹. [All index returns provided in GBP]

Investors remained optimistic with economies reopening and the number of cases of Covid-19 plateauing in Europe and also in the US. Towards the end of the month some countries such as Spain recorded an increase in new cases but authorities have acted quickly and these are reportedly under control. News on treatments and vaccines also continued to be supportive.

Portfolio positioning and performance

The Global Technology strategy performed positively in July, as several of the themes we invest into continued to perform well. As such, we have seen notable contributions from Advanced Micro Devices (AMD), who announced new products and reported a strong set of results whilst additionally the news that their major competitor, Intel (not held in the fund) continues to struggle with its new manufacturing process, also helped buoy the AMD share price. Taiwan Semiconductor, the leading global semiconductor manufacturer, also performed strongly on the back of good results and the news that Intel might turn to them to help them with the current manufacturing issues.

¹ Bloomberg – 31/07/2020

We also saw contribution from the cloud-based security company Zscaler, which continue to see an acceleration in cloud security deployments for work-from-home setups.

Elsewhere, other notable performers included Twilio, who provides a platform that enables business to easily send important messages in a timely fashion via SMS, in-app messaging or email and has clearly demonstrated their importance as their customers need these services more than ever during the current crisis.

During the month we continued to use market volatility to add to existing holdings. We also started a new investment in Applied Materials, a provider of equipment used in the semiconductor manufacturing process. We sold our investment in Analog Devices, after they announced the acquisition of Maxim, another semiconductor company. The stock has done well but we feel that the acquisition might weigh on performance until the deal is completed.

Outlook

We are encouraged by the signs of a slowdown of the pandemic and progress on the gradual reopening of the economies, but we are mindful that the impact to the global economy will not be fully known for some time, and the timelines for the issue to come under control are still uncertain. Central banks and governments have stepped up with unprecedented stimulus measures in order to provide support to the economies and support to the equity markets.

We are approximately half way through second quarter earnings season, and despite the concerns that continue to overhang the global economy, companies within the portfolio have for the most part reported better than expected results.

We remain aware that there will likely be further after-shocks felt around the globe as a result of the virus and that there might also be second waves at some point. We are also aware that the summer months often present opportunities within the technology sector and so, we continue to preserve a slightly higher cash balance than normal in order to take advantage of any further volatility in markets during the forthcoming summer months.

No assurance can be given that the Global Technology Strategy will be successful. Investors can lose some or all of their capital invested. The Global Technology strategy is subject to risks including; Equity; Smaller companies; Currency; Industry sector or region; Changing technology; Emerging markets; Liquidity.

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