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Global Technology strategy

Volatility has increased but so far earnings results have been encouraging

- Markets have been volatile despite encouraging quarterly results from the Technology sector
- Strong performance from digital advertising companies
- We would be inclined to use share price weaknesses as an opportunity to invest

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What's happening?

During October, the MSCI World index fell by 3.1%. The technology sector underperformed with the MSCI World Information Technology index, down 5.2%¹. [All index returns provided in GBP]

From a market perspective, earnings season for the third quarter has started and while it may still be too early to draw broad conclusions, results so far have been encouraging. Amazon delivered an impressive set of results ahead of expectations and also provided revenue guidance well ahead of the Street, highlighting the success of its Prime Day (this year held in October rather than July) with revenue from third party sellers 60%² higher than last year. The company continues to see strong demand trends in all major product categories across the globe, and strong Prime member engagement who are shopping on Amazon more frequently than before the pandemic.

Portfolio positioning and performance

The Global Technology strategy outperformed the broader Technology Equity index (MSCI World Information Technology) in October, as several of the themes we invest into continued to perform well. The top performing stocks within the strategy during the month included Alphabet (the holding company of Google) and Snap Inc, recent addition to the

¹ Bloomberg as of 31/10/20

² Amazon news releases, 15 October 2020

portfolio, after reporting better than expected September quarter results, driven by a rebound of brand advertising spend. We also received a good set of results from cloud-based customer service platforms Five9 and Zendesk.

Additionally, Chinese internet and gaming company, Tencent performed well during the month.

During October we added Snap Inc to the portfolio, a social media company targeting millennials and gen Z audiences.

Outlook

Third quarter earnings season has begun, and results have generally been good for the technology sector. For those companies in the MSCI World Index (representing the broader market) that have so far reported their third quarter financial results, 67% have reported better-than-expected revenues and 76% reported better-than-expected earnings, while for the technology component of the same index, the results were 77% and 81%, respectively. For the Fund, these figures are 100% and 94%, respectively. (Source: Bloomberg)

At the time of writing, the results of the US presidential election were too close to call and the outcome may not be known for a few days, presenting some uncertainty for markets. Ultimately, the stocks in which we invest have strong long-term prospects which helps us to look through near term noise volatility in share prices.

We are cognisant that there will likely be further after-shocks felt around the globe as a result of the virus and the secondary waves of outbreak. We continue to believe that the opportunities driven by the long-term themes within the portfolio remain intact, and could even play out stronger, once the current turmoil is over. We believe that our investments in areas of innovation such as cloud computing and digital payments will continue to see further adoption as we approach 2021.

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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