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Global Technology strategy

We continue to focus on companies supported by powerful long-term themes

- The rotation in equity markets continued in March
- Strong results from cloud-based document storage and sharing platform DropBox
- We would be inclined to use share price weaknesses as an opportunity to invest

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What's happening?

During March, the MSCI World index rose by 4.1%¹. The technology sector underperformed with the MSCI World Information Technology index climbing 2.1%¹. [All index returns provided in GBP].

In the US, the latest economic and employment data continue to suggest that the country is on a path to recovery. The Federal Reserve kept its dovish stance and commented that an inflation spike is likely in the near term but is expected to be temporary, with rates expected to remain unchanged in coming years. In Europe, the path to recovery is still uncertain as progress on vaccination programmes remains slow and several countries are starting a new period of lockdowns. The ECB² remains supportive, announcing that the Pandemic Emergency Purchase Program will continue for another year. Asia had a muted performance over the period, mainly driven by concerns over policy tightening in China and a slower than expected economic recovery.

Portfolio positioning and performance

The top performing stocks in the strategy during the month included DropBox, the cloud-based document storage and sharing platform; Facebook, the social media business; and Applied Materials, a leading manufacturer of semiconductor capital equipment.

Our exposure to some software and IT services names was the main detractor to performance, driven by cloud-based customer service platforms Five9, customer support and relationship management software company Zendesk and

¹ Bloomberg as of 31/03/21

² ECB: European Central Bank

internet communications platform Twilio. These fast growing names were impacted by the broad market rotation but fundamentals for these names remain unchanged.

During March, we switched our holding in graphics semiconductor company Nvidia into the communications semiconductor company Broadcom. We sold our investment in remote access and IoT monitoring business TeamViewer. We also sold our position in Autodesk, the Computer Aided Design and Manufacturing software provider.

Outlook

The rotation in equity markets that started last September but picked up pace in February continued into March, with defensive sectors of the market attracting more interest at the expense of cyclical sectors, of which Technology is one.

As previously mentioned, we are mindful that as we emerge from this pandemic that equity markets may continue to be volatile and this could be the case for a while until we get more visibility with regards to the reopening of the global economy.

This reinforces our view to focus on investing in companies with strong fundamentals and a healthy outlook, where the growth is supported by powerful long-term themes.

Whilst many aspects of the technology sector delivered expansion during the Covid19 outbreak, we are cognisant that questions will be raised about the future likelihood of growth as the world returns to some level of normality. We are aware that annualised growth rates might be challenging in the near term, and we have taken this into account within the portfolio. However, we believe that many of our investments are in companies that will continue to flourish over the coming years despite near term headwinds and so we look to use any weakness in share prices as an opportunity to add to our holdings.

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