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Global Technology strategy

We have seen a positive trend with regards to Technology companies exceeding expectations

- The Technology sector underperformed the broader equity index in May
- Performance during the month was hampered by the ongoing growth into value rotation
- Most of our companies have reported better-than-expected revenues and earnings

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What's happening?

During May, the MSCI World index declined by 1.1%¹. The technology sector underperformed the broader equity index with the MSCI World Information Technology index falling 3.3%¹. [All index returns provided in GBP].

In the US, some economic indicators triggered concerns that inflation could lead to earlier than expected interest rate rises, however the Federal Reserve continued to signal the transient nature of this inflation and remained committed to continue to provide supportive monetary stimulus.

Portfolio positioning and performance

Our best performing investments during the month included Endava, an IT services business focused on digital and cloud transformation projects; NXP Semiconductor, the analog and mixed-signal semiconductor manufacturer and Viavi, the specialist in optical and thin-film technologies used in a variety of applications such as 5G networking and anti-counterfeit for banknotes.

Performance during the month was hampered by the ongoing growth into value rotation. Stocks that performed poorly during the month included Everbridge, a provider of a Critical Events Management platform; Q2 Holding, a provider of cloud-based digital banking solutions; and Ocado, the UK grocery retailer and supplier of automation solutions to the grocery industry.

¹ Bloomberg as of 31/05/21

During May, we sold our position in Akamai, the provider of a content distribution network, that helps with the delivery of content and applications over the internet.

Outlook

With first quarter earnings season almost over we have seen a positive trend with regards to companies exceeding expectations and providing a constructive commentary for the remainder of 2021 despite the uncertainties that still exist with regards to the ongoing impacts of the pandemic and timing of full economic recovery.

At the time of writing, for those companies in the MSCI World Index (representing the broader market) that have reported their first-quarter numbers, 69% have reported better-than-expected revenues and 75% reported better-than-expected earnings. For the technology component of the same index, the results were 79% and 83%, respectively and for our strategy, these figures are 88% for both, respectively. (Source: Bloomberg)

As we emerge from the Covid19 pandemic, we are aware that equity markets may continue to be volatile and this could be the case until we get better insight with regards to the recovery of the global economy. We believe our focus on identifying well managed businesses, with proven operating models and large opportunities still to address is the right approach to investing in the long-term growth opportunities present within the technology sector.

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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