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# Global Technology strategy

## Second quarter earnings season has produced decent results for the technology sector

- The technology sector underperformed the broader equity index in August
- Positive performance contribution from our cybersecurity investments
- We purchased a position in Infineon, a German semiconductor business

**Jeremy Gleeson**  
Portfolio Manager, Global Technology strategy

### What's happening?

During August, the MSCI World index rose 0.2%<sup>1</sup>. The technology sector underperformed the broader equity index with the MSCI World Information Technology index declining 1.6%<sup>1</sup>. [All index returns provided in GBP].

Inflation concerns and the debate over the path the US Federal Reserve and other central banks are taking with their interest rate policy and whether that will result in a hard or soft landing for the global economy have continued to be the primary driver of equity market returns.

The ongoing rising cost of living and the associated impact on the consumer continues to be a headwind for businesses whilst the backdrop of the war in the Ukraine adds to current market uncertainty and supports the current risk off sentiment.

### Portfolio positioning and performance

During August, our exposure to the cybersecurity specialists contributed the most to positive returns. Significant contributors to the strategy's performance included Darktrace, Palo Alto and CyberArk.

Our investment in WolfSpeed, a provider of Silicon Carbide materials, that are used in several end markets including automotive, also generated a strong return this month after reporting better than expected results and increasing its long term revenue target for 2026 by 30-40%<sup>2</sup>.

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<sup>1</sup> Source: Bloomberg as of 31/08/22, performance in GBP

<sup>2</sup> Source: WolfSpeed Reports Financial Results for the Fourth Quarter of Fiscal Year 2022 – 17/08/2022

We purchased a position in Infineon, the German semiconductor business that specialises in analog and mixed-signal chips that go into a wide range of end products such as automotive and industrial applications.

## **Outlook**

We expect that markets may remain volatile whilst the geo-political uncertainty and macroeconomic concerns continue. The long-term growth potential of many of the companies in the sector remain robust and hence valuations within the technology sector have become increasingly attractive.

The debate over the path the US Federal Reserve is taking with their interest rate policy and whether that will result in a hard or soft landing for the US economy will continue to have significant sway over the sentiment of the equity market.

Second quarter earnings season has produced decent results for the technology sector. For those companies in the MSCI World Index (representing the broader equity market) that have reported their first-quarter numbers, 65% have reported better-than-expected revenues and 67% have reported better-than-expected earnings. For the technology component of the same index, the results were 57% and 69%, respectively and for the Fund, these figures are 69% for revenues and 85% for earnings. (Source: Bloomberg)

We believe the long-term growth trends which the fund is exposed to are still intact however the strength of the economy will influence the pace of this growth. Therefore, we continue to focus on quality within our investment universe, backing management teams who we believe can steer their companies through these more challenging times.

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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