

# Global Technology

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12 October 2022

# AXA Framlington Global Technology

Jeremy Gleeson - Portfolio Manager

AXA IM Equity

October 2022



Awarded: 17/10/2019. The references to FT Adviser are not an indicator of future performance or places in league tables or awards.



Awarded: 02/11/2017. The references to league tables and awards are not an indicator of future performance or places in league tables or awards.

# Relative valuation of the technology sector in line with historical levels

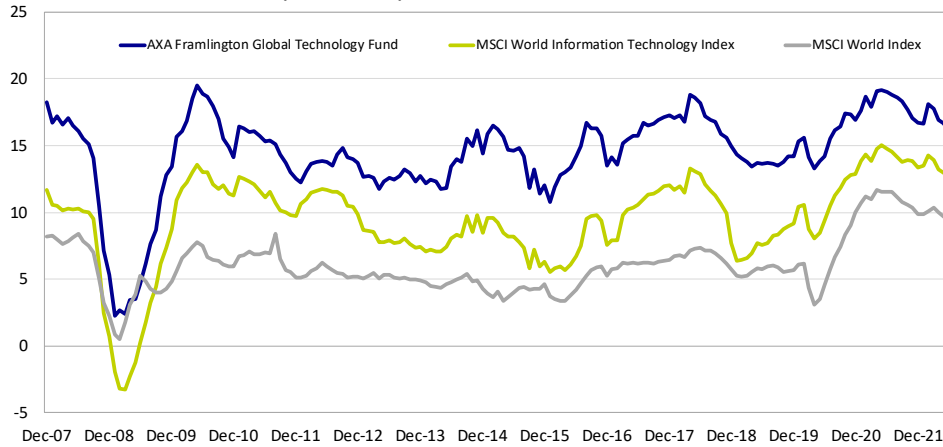
## MSCI World IT Forward P/E Relative to MSCI World P/E (ex-IT)



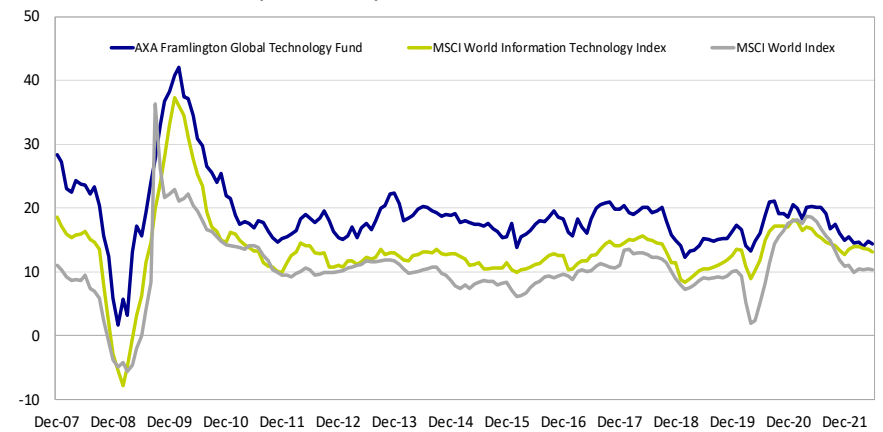
Source: FactSet as at 30/06/2022. Chart updated on a quarterly basis, latest available. **Past performance is not a guide to future performance.**

# AXA Framlington Global Technology Fund Ratios

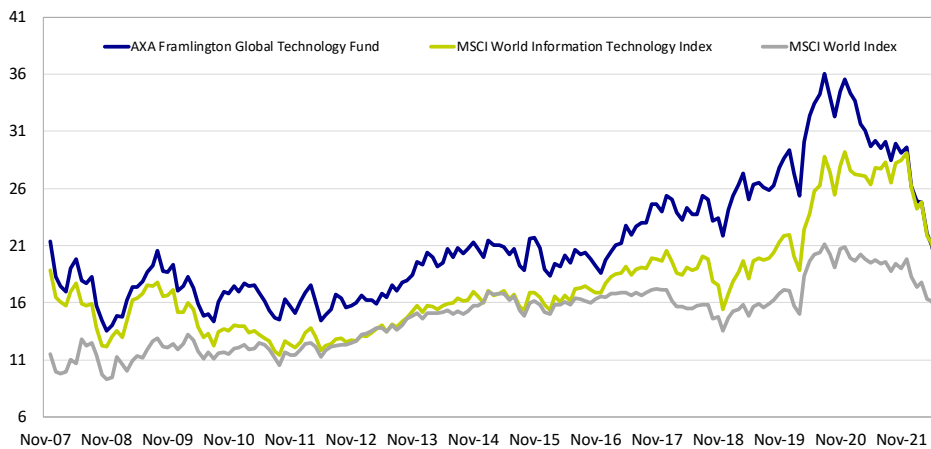
## 12m Sales Growth (Forward)



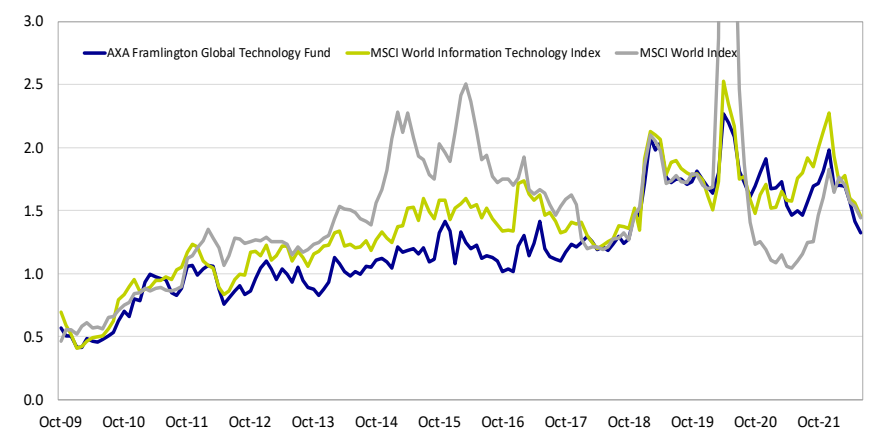
## 12m EPS Growth (Forward)



## Price to Earnings 12m (Forward)



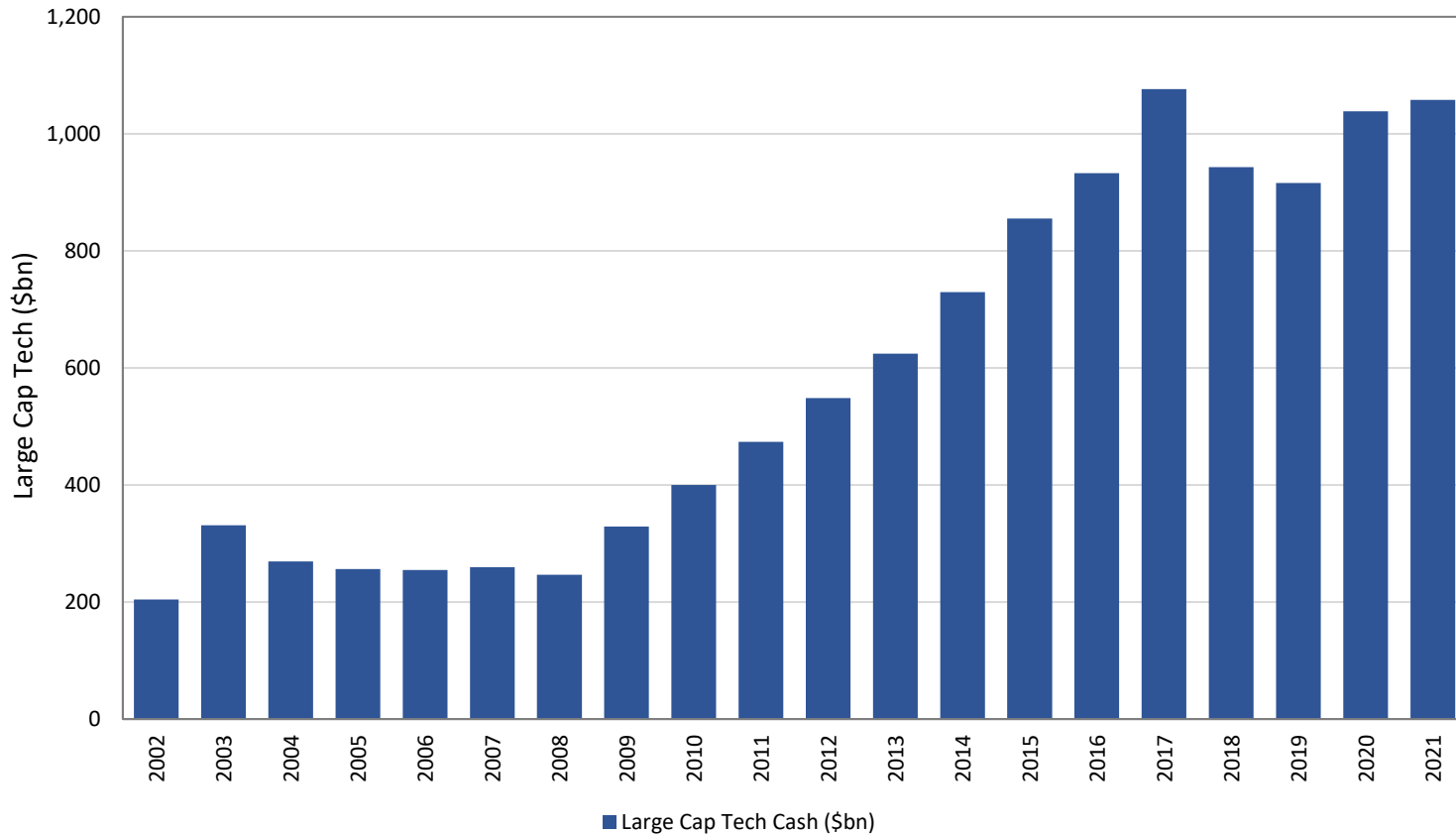
## PEG Ratios (Post crisis)



Source: Descriptive data calculated using FactSet data, USD. Harmonic averages used for price ratios and weighted averages elsewhere. The interquartile method (based on the comparative benchmark) has been applied to ensure outliers do not distort the data. As at 30/06/2022, chart updated on a quarterly basis, latest available. **Past performance is not a guide to future performance.**

# Cash balances are robust

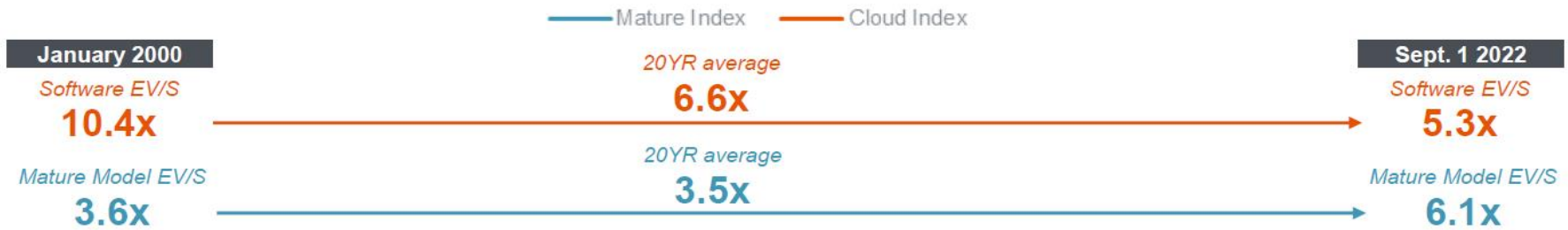
Strong Cash generation and healthy balance sheets have supported share buybacks and M&A



Source: AXA IM as at December 2021. Large cap stocks include largest 10% of companies by market cap. Cash = Cash and short term investments plus other investments. Based on the S&P United States BMI.

# Mature cohort vs. Software

Only 4 Times in over 20 years mature cohort had higher EV/S vs. Software



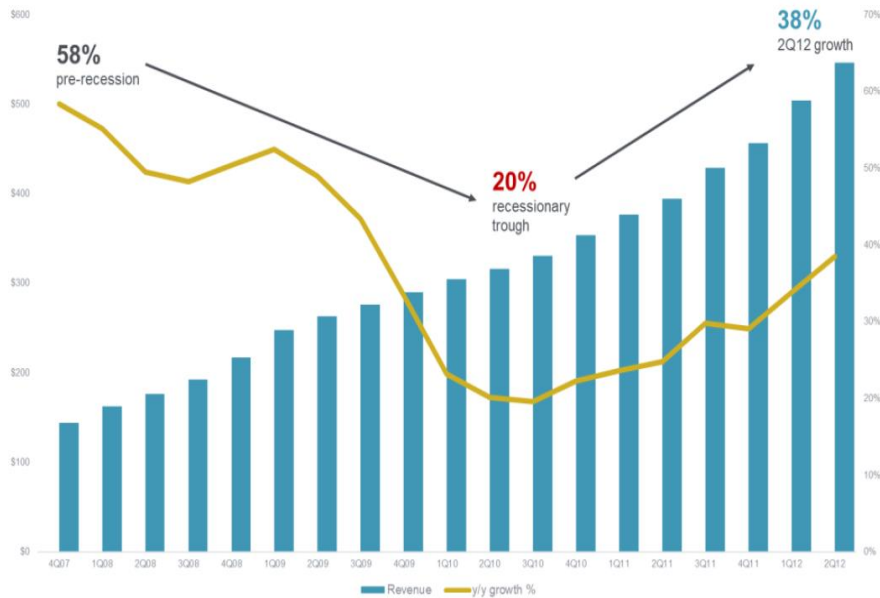
Source: Factsset, Piper Sandler, State of Cloud, September 2022. Stock names are for illustrative purposes only and do not constitute investment advice or recommendation. Mature cohort tickers includes: AAPL, V, JNJ, PG, KO, TMO, MCD, NKE, TXN, UNP, MS, AMGN, SYK, ADP, DUK, ITW, MNST, HSY, ROP, YUM. Priced at 01/09/2022.

# Software model merit

Subscription model is typically more resilient during turmoil market

## [ SUBSCRIPTION MODEL representative company<sup>1</sup> ]

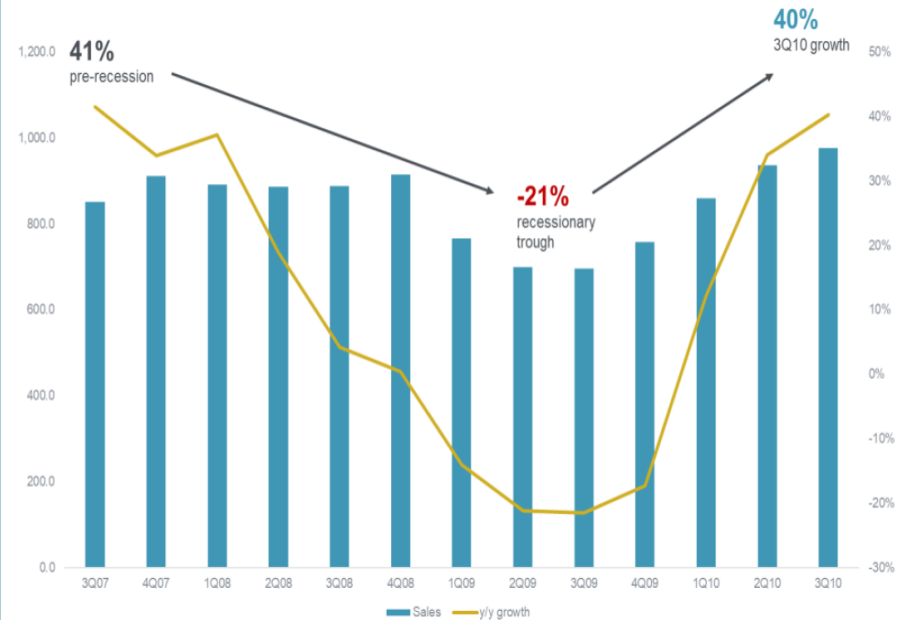
Subscription model Revenue  
\$ in millions, fiscal quarters



2008-2009 Financial Crisis trough growth rate:  
**+20%**

## [ LICENSE MODEL representative company<sup>2</sup> ]

License model Revenue  
\$ in millions, fiscal quarters



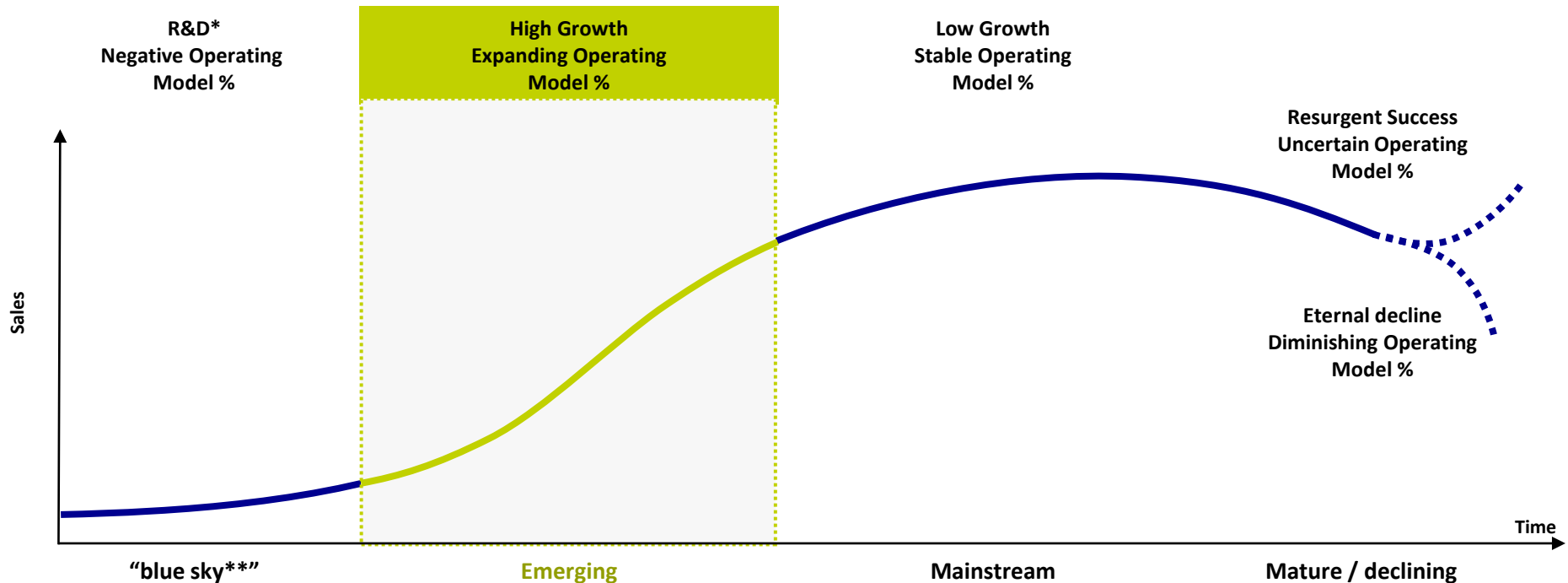
VS.

2008-2009 Financial Crisis trough growth rate:  
**-20%**

Source: Factsset, Piper Sandler, State of Cloud, September 2022. Stock names are for illustrative purposes only and do not constitute investment advice or recommendation. (1) subscription model representative company = Salesforce (CRM) ; (2) license model representative company = Adobe (ADBE). Priced at 01/09/2022.

# Investment philosophy

- It takes new technological developments, in concept stage, far longer to be ready for mass distribution than initially expected. This is one of the reasons why new technology seems to disappoint in the early stages
- When technology is ready to be commercially deployed, it tends to address a far larger market than initially anticipated



Source: AXA IM – for illustrative purposes only. \*Research and Development. \*\*Blue sky refers to start-up companies. CR08098/12-18



# Technology Innovation is in a multi-year investment cycle

**Technology is driving change across the whole economy.** Furthermore businesses, customers and Governments are open to change and adopting change **faster than at any time in history.**  
Technological innovation is at **the heart of this.**

**Long term investment themes** in the technology sector:

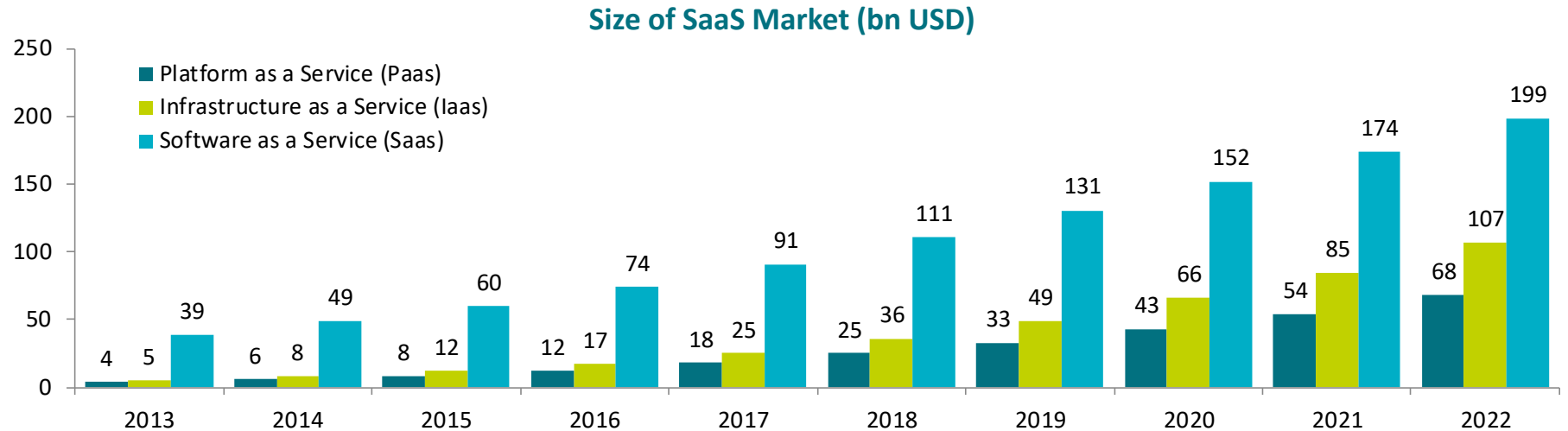
- **Productivity enablers / cost savers** – enterprises looking to drive efficiency and do more with less
- **Ubiquitous computing – mobile broadband:** anytime, anyplace, anywhere
- **Broadband adoption** – enabling voice, video and Web 2.0
- **Digitalisation** – electronics everywhere
- **Web 2.0** – communication, information sharing, interoperability and collaboration
- **Globalisation** – opportunity or threat?

**New innovations** have spurred significant **changes in the life of businesses and individuals** including:

- Cloud computing
- Software as a Service (SaaS)
- Digital transformation
- Big Data
- Cybersecurity
- Cashless payments
- Software everywhere
- Internet of things
- e-Commerce

# Software as a Service (SaaS)

SaaS software is licensed on a subscription basis and is centrally hosted by the software vendor. It displaces traditional on premise solutions, where software is purchased upfront and usually hosted by the buyer.



## Advantages to client include:

- ✓ Reduced time for initial implementation and automatic updates
- ✓ Scalability - increased flexibility to customer to add/remove seats

## Advantages to software provider include:

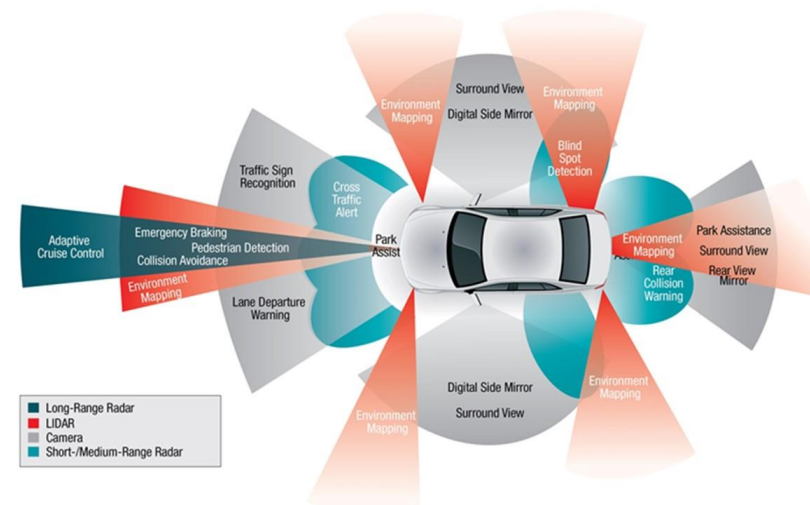
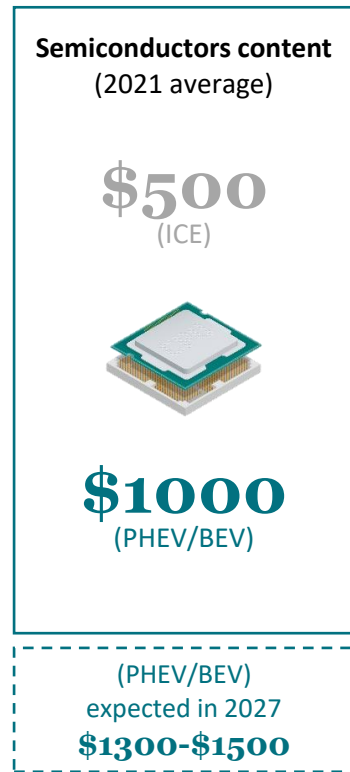
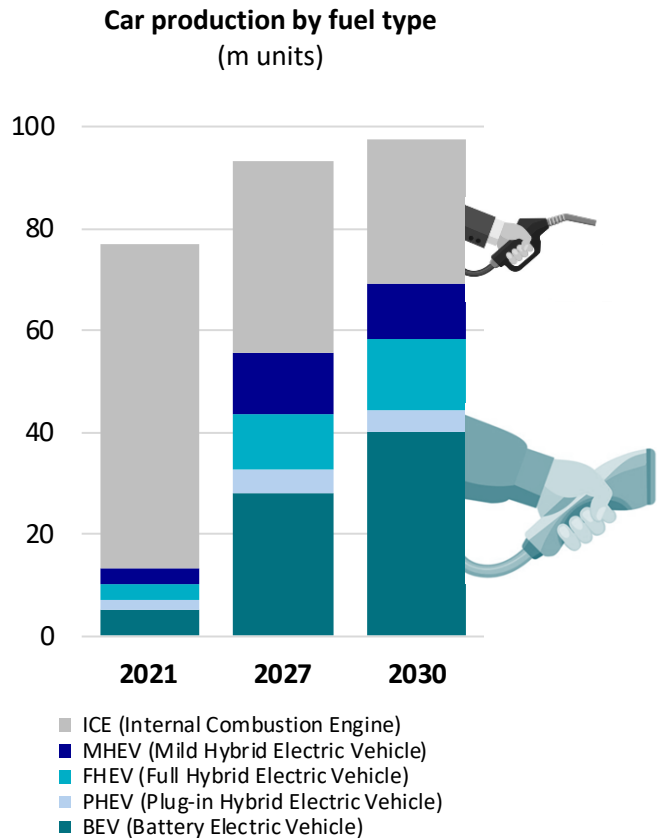
- ✓ Increased revenue visibility
- ✓ Broadens the market – can sell enterprise level services to SMBs

Source: IDC, Bloomberg Intelligence as at 04/02/2019. Figures for 2019-2022 are forecasts and therefore cannot be guaranteed. CR12376/04-20

# Electrification and Digitalisation of the Auto industry

“There’s going to be **more change in the next 5 to 10 years** than there’s been in the last 50\*”

**Mary Barra**  
Chairman & CEO, General Motors

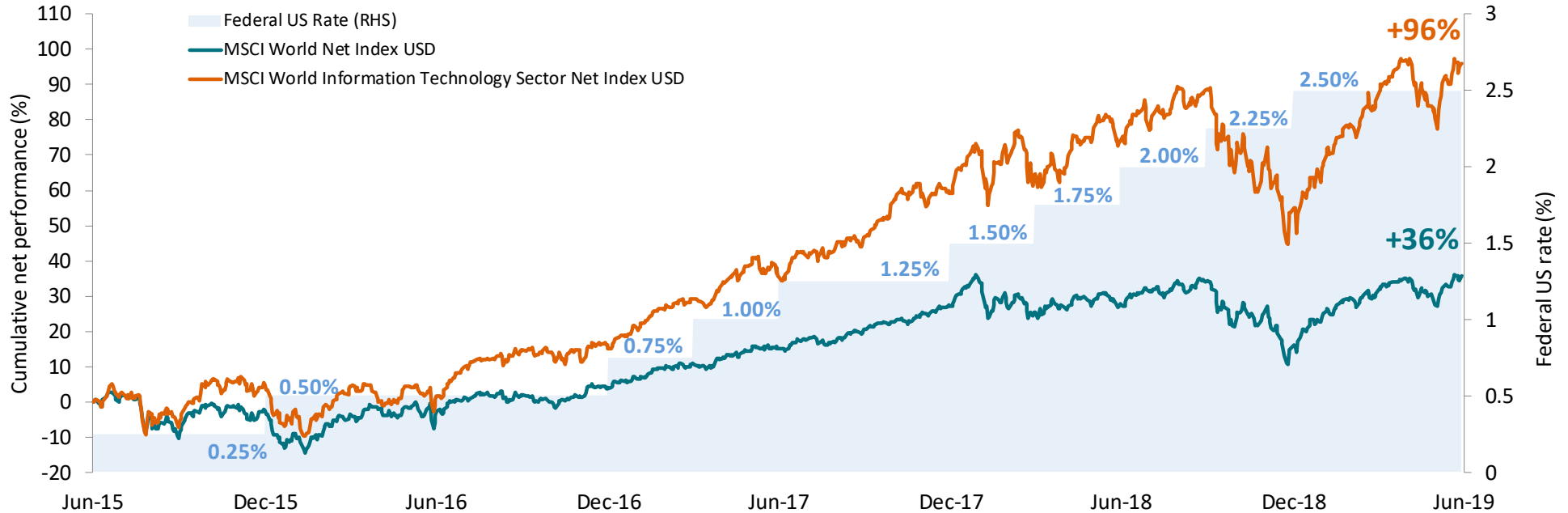


**In 5 years over 50% cars produced could be fully or partially electric**

# Appendix

# Should we be worried about rising interest rates?

Global and Technology equity markets over a full US rate cycle period

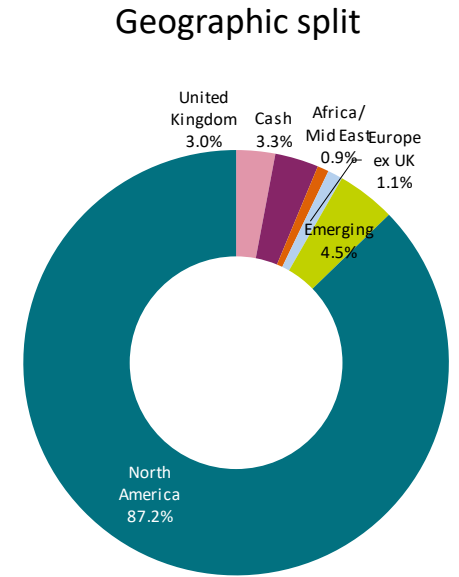
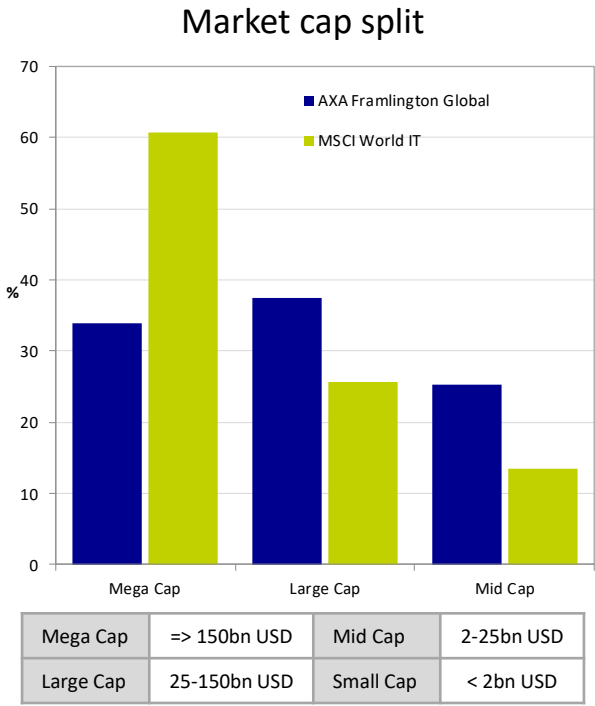
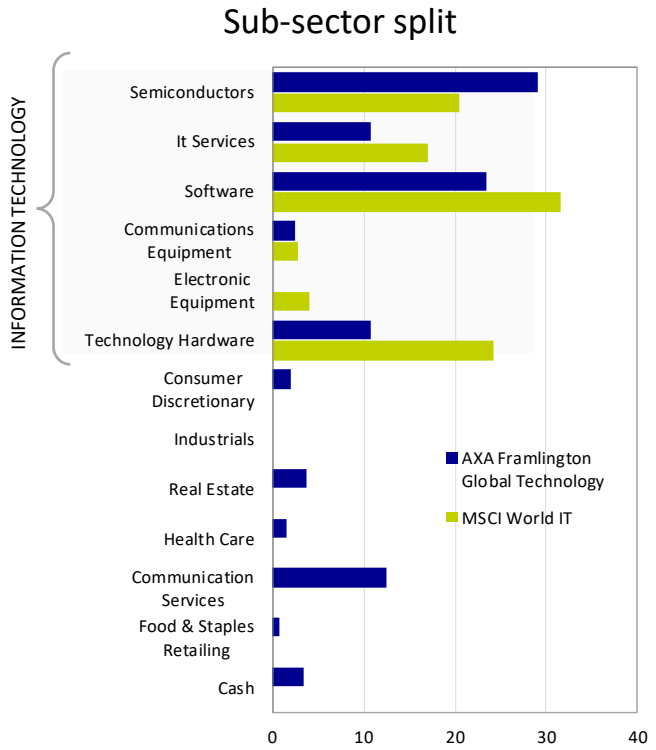


- At the start of the rate rising cycle (December 2015), the market saw volatility.
- The global and technology equity markets then performed well for 2 years until the US China Trade War destabilised the global economy in 2018.

Source: Lipper, Bloomberg as at 30/06/2019. Basis in USD.. The figures provided relate to previous months or years and past performance is not a reliable indicator as to future performance. Index's performance is calculated on the basis of dividends.

# AXA Framlington Global Technology Fund

Positioning as at 31/07/2022



### Top ten holdings (%)

	Fund	MSCI World IT
Apple	9.38	22.65
Alphabet	8.44	0.00
Qualcomm	4.52	1.40
Visa	3.90	3.00
ON Semiconductor	2.77	0.25

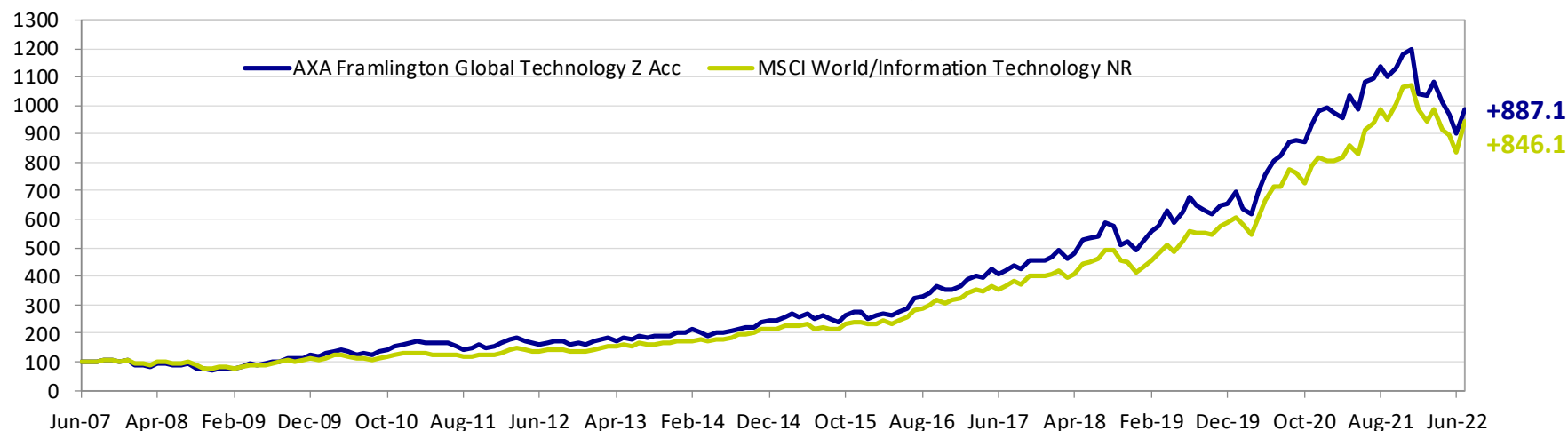
	Fund	MSCI World IT
Cadence Design Systems	2.66	0.44
ServiceNow	2.45	0.76
Salesforce	2.42	1.55
American Tower	2.38	0.00
Broadcom	2.14	1.87

Source: AXA IM as at 31/07/2022 in GBP. Comparative benchmark: MSCI World Information Technology Sector.

# AXA Framlington Global Technology Fund

## Net Performance

Net Performance – since Fund Manager took over\*



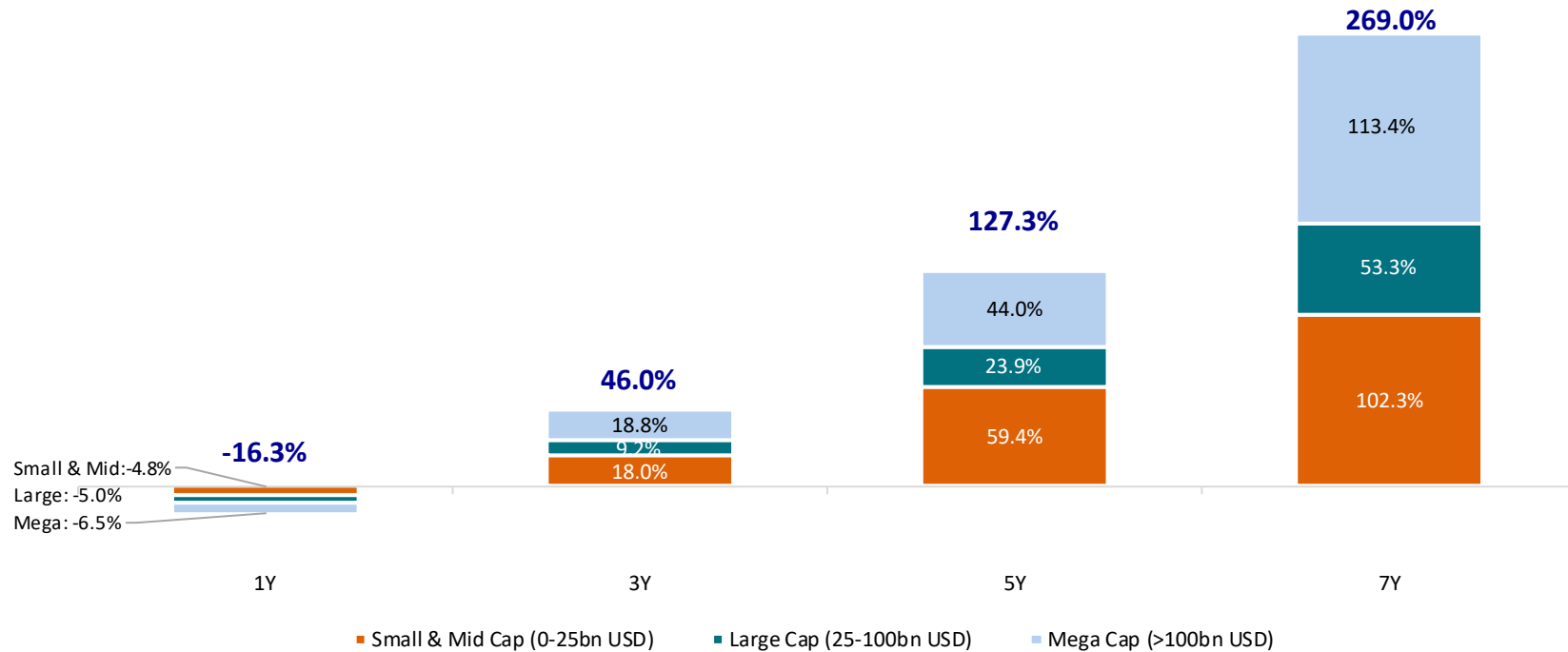
Net performance	YTD	1Y	Cumulative			Annualised		
			3Y	5Y	Since JG	3Y	5Y	Since JG
AXA Framlington Global Technology Z Acc	-17.5	-9.6	45.7	133.9	887.1	13.4	18.5	16.4
MSCI World IT	-11.5	0.7	69.2	160.6	846.1	19.2	21.1	16.1
Excess over benchmark	-6.0	-10.3	-23.5	-26.7	41.0	-5.8	-2.6	0.3
Quartile	2	2	1	2	1	1	2	1

Source: AXA IM as at 31/07/2022 in GBP. Basis: Lipper: Z Share Class, Net Income Reinvested, Net Fees in GBP. \*Jeremy Gleeson took over fund on 01/07/2007. **Past performance is not a guide to future performance.** The descriptions above represent our strategy and approach only and do not equate to the stated investment objectives as per the prospectus.

# AXA Framlington Global Technology Fund

## Performance contribution by market capitalisation

Contribution to portfolio absolute return (gross performance in GBP)



Small & Mid Cap stocks are a rich source of added value

Source: AXA IM at 30/06/2022 in GBP. Chart updated on a quarterly basis, latest available. The figures provided relate to previous months or years and past performance is not a reliable indicator as to future performance. Performance calculations are based on the reinvestment of dividends. Performance calculations are net of management fees. Stocks shown for illustrative purpose only. The portfolio composition may evolve anytime.

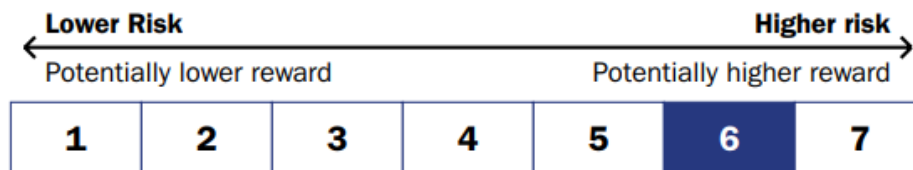


# AXA Framlington Global Technology Fund

Unit class : AXA Framlington Global Technology Fund Z Accumulation GBP (ISIN: GB00B4W52V57)

*This Fund is managed by AXA Investment Managers UK Limited, part of the AXA IM Group*

## Risk and Reward Profile



The risk category is calculated using historical performance data and may not be a reliable indicator of the Fund's future risk profile.

The risk category shown is not guaranteed and may shift over time

The lowest category does not mean risk free.

### Why is this Fund in this category?

The capital of the Fund is not guaranteed. The Fund is invested in financial markets and uses techniques and instruments which may be subject to sudden and significant variation, which may result in substantial gains or losses.

### Additional Risks (risks materially relevant to the fund which are not adequately captured by the indicator)

**Single Sector Risk:** as this Fund is invested in a single sector, the Fund's value will be more closely aligned with the performance of that sector and it may be subject to greater fluctuations in value than more diversified funds.

**Currency Risk:** the Fund holds investments denominated in currencies other than the base currency of the Fund. As a result, exchange rate movements may cause the value of investments (and any income received from them) to fall or rise affecting the Fund's value.

Further explanation of the risks associated with an investment in this Fund can be found in the prospectus.

Source: AXA IM & Key Investor Information Document (KIID) – 09/02/2022. For additional Risks, please read the Prospectus.

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**Fund specific risks**

The capital of the Fund is not guaranteed. The Fund is invested in financial markets and uses techniques and instruments which may be subject to sudden and significant variation, which may result in substantial gains or losses. Single Sector Risk: as this Fund is invested in a single sector, the Fund's value will be more closely aligned with the performance of that sector and it may be subject to greater fluctuations in value than more diversified funds. Currency Risk: the Fund holds investments denominated in currencies other than the base currency of the Fund. As a result, exchange rate movements may cause the value of investments (and any income received from them) to fall or rise affecting the Fund's value. Further explanation of the risks associated with an investment in this Fund can be found in the prospectus.

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