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Global Technology strategy Performance was strong in 2020 and we remain positive for the Technology environment in 2021

- Positive news around the approvals of COVID-19 vaccines helped lift equity markets
- The Global Technology strategy fared positively over the month
- Positive performance contribution from our cybersecurity investments

Jeremy Gleeson
Portfolio Manager, Global Technology strategy

What's happening?

During December, the MSCI World index rose by 1.8%¹. The technology sector outperformed with the MSCI World Information Technology index, gaining 3.4%¹. [All index returns provided in GBP]. For the full year, the MSCI World index rose by 12.9%¹. The technology sector outperformed with the MSCI World Information Technology index, gaining 44.3%¹.

Positive news around the approvals of COVID-19 vaccines helped lift equity markets with several indices making new highs into year end. Following 3 months of relative underperformance, the technology sector performed well during the final month of 2020.

Portfolio positioning and performance

The Global Technology strategy outperformed the broader Technology Equity index (MSCI World Information Technology) in December, as several of the themes we invest into continued to perform well. The top performing stocks within the strategy during the month included some of our cybersecurity investments specifically Proofpoint, Zscaler and Mimecast. The recent reports of cyberattacks has again raised awareness around the sector. It is our view that a robust cybersecurity strategy needs multiple layers of protection from various solutions suppliers hence why we hold investments in several such companies in the strategy.

Additionally, Video games developer Activision Blizzard also performed strongly after positive news regarding the Call of Duty franchise and the new World of Warcraft release.

¹ Bloomberg as of 31/12/20

During December, we initiated a position in Viavi, a manufacturer of network enabling solutions and optical components. The company addresses a variety of end markets with its products including wireless networking test equipment, filters for 3D sensors (used in face recognition on mobile devices) and speciality inks used for counterfeit prevention in currency.

Outlook

As we enter 2021, we will be rapidly approaching the anniversary of the global outbreak of Covid-19 and the lockdown measures that were put in place in order to contain the virus. We will continue to monitor the progress of vaccination programmes that have begun and the potential for economies to re-open and for life to hopefully return to normal as this year progresses.

With regards to our investments, there are some companies for whom 2020 put them on a growth trajectory far greater than was initially expected, and for these companies, they could face some difficult year on year comparisons in the coming months and quarters. We have already taken some of this into account, for example opportunistically reducing our position in Zoom Video several months ago. For some of our other investments, we believe that changes in consumer behaviour could prove to be sticky and they will retain a healthy proportion of new customers that they welcomed on board in 2020, as long term consumer habits shift, for example with online grocery shopping or at home entertainment such as gaming. Another category of our investments are those companies who have been providing technology solutions and services to enable their business customers to undergo their digital transformations, whilst we are aware that some of these programmes may have been pulled forward in 2020 as a result of the pandemic, we believe that there is still a lot of business to be done as companies adopt new ways to support their employees and customers even after the full effects of the virus have waned.

During this past year of uncertainty, we have remained focused on our investment philosophy, which is the preference to invest in companies who address a strong long-term opportunity rather than chasing niches or fads. Therefore, we feel confident that most of our investments play into the heart of our long-term investment themes and their business will remain strong and possibly get even stronger, once the current turmoil is over.

We continue to believe that the long-term thematic approach we take when identifying investments will help us focus on companies with long term growth opportunities in areas such as cloud computing, cybersecurity and digital payments.

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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