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Global Technology strategy

Positive contribution from digital specialists enhancing the work-from-home environment

- Global equity markets continued to recover in May
- Positive contributions from digital communication platforms
- We used market volatility to selectively add to existing holdings

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What's happening?

During May, global equity markets continued to recover with the MSCI World index climbing 7.0%¹, whilst the technology sector outperformed with the MSCI World Information Technology Index gaining 10.1%¹. [All index returns provided in GBP].

Investors optimism was based upon the gradual reopening of the economies, a flattening of the infection curve in several countries in Europe and in some of the most affected states of the US, and hopes of a potential vaccine. Unprecedented monetary and fiscal measures across the globe have been put in place to help businesses and households cope during the crisis, with the International Monetary Fund estimating that so far countries have deployed a total of \$9 trillion of emergency support². From a market perspective, corporate earnings results continued to be robust. The current situation has triggered a pull forward of several secular trends we invest in the portfolio and companies have given positive updates on how their business is evolving. We are seeing particular strength in software associated with the working from home environment, ecommerce and services to accelerate digital transformations.

Portfolio positioning and performance

The Global Technology strategy performed well in May, as several of the themes we invest into continued to perform strongly. As such, we have seen notable contributions from digital communications platform Twilio after the company reported first quarter results, delivering 57% year on year growth, and exceeding forecasts by 10%³. The company

¹ Bloomberg – 31/05/2020

² IMF.org

³ Twilio press release - 06/05/20

provides a platform that enables business to easily send important messages in a timely fashion via SMS, in-app messaging or email and has clearly demonstrated their importance as their customers used these services with more frequency during the current crisis.

We also saw strong performance from cloud-based security company Zscaler as it reported revenue growth well ahead of expectations and raised guidance for the full year. Performance and security on the cloud are key concerns for work-from-home setups, and Zscaler has seen an acceleration in cloud security deployments to address those needs. Still related to the work-from-home environment, we've also noted solid performance of Zoom Video, a provider of a video conferencing platform enabling enterprise meetings to take place even with personnel in different locations.

Elsewhere, we've seen notable contribution from the British online grocery company retailer Ocado.

Outlook

Most companies with either a March or April quarter end have now reported, and for the most part results have been better than feared, with management commentary for the remainder of the year reasonably constructive, where visibility allows. Overall, we have been happy with how management of our investment companies have handled themselves during the crisis; and the technology sector has been a beneficiary of the work from home and shelter at home initiatives that have been put in place over the last few months.

We are cognizant there will be further after-shocks around the globe as a result of the virus and that there might also be a second wave of outbreaks at some point. Hence, we continue to preserve a higher cash balance than normal in order to take advantage of any further volatility in markets over the summer months.

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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