

**SHINING A LIGHT ON THE.....
Putnam Global Technology Fund**

AT A GLANCE

| Investment Objective |
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| The investment seeks capital appreciation. The fund invests mainly in common stocks (growth or value stocks or both) of large and midsize companies worldwide that the manager believes have favorable investment potential. Under normal circumstances, it invests at least 80% of its net assets in securities of companies in the technology industries. The fund is non-diversified. |

| | |
|----------------------------|---|
| Launch date (UK) | TBC |
| Fund Factsheet Link | https://markets.ft.com/data/funds/tearsheet/summary?s=pgtax |

| Management | |
|---------------------|-------------------|
| Manager Name | Start Date |
| Di Yao | - |
| Neil P Desai | - |

| Top 5 Holdings | | |
|-----------------------|----------------|-------|
| Microsoft | Software | 11.8% |
| Sino-American Silicon | Semiconductors | 4.0% |
| Applied Materials | Semiconductors | 4.0% |
| Adobe | Software | 3.9% |
| Ceridian | Software | 3.7% |

| Top 5 Sectors | |
|---|--------|
| Software | 30.90% |
| Semiconductor and semiconductor equipment | 24.89% |
| IT Services | 17.58% |
| Internet and direct marketing retail | 7.21% |
| Entertainment | 5.55% |

| Top Regions | |
|--------------------|-------|
| North America | 64% |
| Emerging Markets | 30.4% |
| Japan | 5.2% |

UPDATE....

The real challenge with technology is how do you invest? There are indexes which track parts of the technology story, there are tech funds which invest in big tech (and therefore have crossover with global strategies) and so forth. We are therefore at a stage where we do not know which the best way is to invest in this theme.

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This is a new strategy to the UK and confirmation will come out when it is available. However it has a track record going back to 2008 in the US. This is a fund that starts to offer investors something a little different. There are some recognisable tech names, but it is not dominated by the big tech names. 50% of what they hold is outside of the MSCI Technology index and they believe they are benchmark agnostic.

Taking this further this is also not about themes but more about finding good stock ideas. There is a mix of holdings which includes turnaround stories where they see misunderstood opportunities – two examples of this are Boston Tech and GSX.

They also have unique insight into management teams Neil's background is in private equity and therefore he will have seen many of the management teams and tracked their performance. A good example with be Vroom who buy, sell and trade-in used vehicles online, the CEO came from Priceline which is a company they know well, meaning that they knew the management team and how they worked.

This is a dynamic strategy and has about 25 to 35% to small and mid-cap. Where they feel this adds value is that this is an eclectic mix of holdings. Returns are not driven from one source and every name must earn its place in the fund.

The stock turnaround appears high at 75% which would mean the average holding is about 1.5 years. The reality is that if a stock returns quickly within 3 to 6 months, then they will sell out, but there are holdings like Microsoft which they have held for many years.

Although this is stock driven they are aware of market cycles and so will time when to be in and out of parts of the market – an example company would be Sino-American Silicon Products which has two business segments – semiconductors and solar – the business is misunderstood and will benefit from the current market environment.

The dynamic approach also means there is no style bias so this invests across value and growth and will move in and out of cycles to get the best returns. They want to be different and this means they want to invest where the valuation supports it. So, this doesn't hold the likes of Zoom and Tesla: in terms of EVs they argue there are better ways to invest i.e. semi-conductors. And likewise with ecommerce the fund can gain better returns via a company like SEA compared to Amazon or Alibaba.

This is also a global strategy. It does have a high weighting to the US but also about 35% is in emerging markets and Asia. Many tech strategies are basically US funds.

In summary, this is the first time we have come to a technology fund which may blend well into a portfolio. We accept there will be a crossover of names, but this is not about the FANGS, where investors can get exposure via Global or US strategies. This is about identify stock by stock opportunities.

There will be movements in holdings either as companies' turnaround quicker than they expect or as they pivot into areas and industries where they see headwinds. They have high return targets for the companies they invest in and they believe that is also a point of difference.

The one area of concern we would have is the high weighting to Microsoft which dominates the portfolio and therefore creates stock specific risk. This would be a fund we would add to our watch list and certainly will be easier to monitor once a UK version is launched.

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