

# Henderson Horizon Global Technology Fund

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April 2016

**Fund manager names: Stuart O'Gorman & Alison Porter**

## **Performance and activity**

Technology Hardware, Storage & Peripherals and Internet contributed positively to performance, while Communications Equipment and Electronic Equipment & Components detracted.

Being underweight Apple and the Apple supply chain helped performance over the month, as the company downgraded its forecasts for iPhone sales. While we see Apple itself as attractively valued and the long-term strength of its ecosystem as being intact, we recognise Apple is in a period of business transition and remain underweight the supply chain on concerns over pricing pressure and weak near-term unit demand. Amazon, a top performer in 2015, saw profit taking following weak Q4 results but results in the first quarter restored confidence in the company's margins and the stock rebounded in April. Importantly, the North American retail business saw margin expansion and the cloud infrastructure business continued to grow strongly. These business segments are exposed to strong secular growth as ecommerce continues to take share from brick and mortar retailers, while cloud infrastructure continues to disrupt. ServiceNow also outperformed; the company's fundamentals remain strong as they take share from legacy vendors in information technology service management and boost operating leverage. Elsewhere, Facebook performed well. The social network continues to take dollars away from traditional forms of advertising and is creating new advertising mediums through big data.

On the negative side, Cavium sold off following weaker-than-expected end demand and a one-off delay to a wireless project. The semiconductor company is beginning to ramp up its major design wins from hyper scale datacentre clients such as Amazon and Alibaba. Juniper also underperformed as the communications equipment company reported weaker enterprise spending on its networking products, and IT services company Cognizant underperformed as the market became concerned about the demand outlook in financial services (one of the firm's key markets). We sold Juniper following a weaker demand outlook and increased competition. Elsewhere, we added to TE Connectivity and ServiceNow as we have even stronger conviction following recent results.

## **Outlook**

The long-term drivers of technology remain intact, as it continues to take share versus the old economy, driven by demographics and innovation. The relative valuation of the tech sector is attractive, particularly given its balance sheet strength. The headwinds from a strengthening dollar in 2015 are now abating, which should benefit the sector. Additionally, as the level of quantitative easing-supported funding is fading, funding of irrational competition is now moderating. However, the sector faces significant secular changes in enterprise demand coupled with the maturation of the PC and smartphone markets. This may result in moderating outperformance by the sector. We continue to have a fundamental focus on powerful secular themes and growth at a reasonable price.

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