

# Henderson Horizon Global Technology Fund

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## **Performance and activity**

Semiconductor companies contributed positively to performance while component firms detracted.

At the stock level, Cavium performed well after posting reassuring quarterly results. Broadcom also outperformed. Both Cavium and Broadcom are exposed to semiconductor growth areas such as networking, datacentre and cloud infrastructure. Micron, the leading memory supplier of DRAM and NAND products, also outperformed. We believe consolidation in the industry has led to a more favourable supply side for the firm, leading to better pricing and margins. Alibaba was another good performer as the company continues to benefit from secular ecommerce growth and a ramp up in mobile monetisation rates.

Despite delivering strong growth in profits, Criteo sold off largely as a result of revenue guidance not being raised. We believe the ad re-targeting company is exposed to strong secular growth in online advertising. Universal Display, a company which licenses OLED technology, underperformed. While the company had previously performed strongly, sales proved to be lower than expected as a large customer delayed its orders. ServiceNow, the enterprise software company, underperformed following some confusion surrounding reported quarterly billings. We largely view this as noise and were impressed by new customer additions and the roadmap for new products in adjacent markets. Red Hat, the provider of enterprise grade Open Source support, underperformed following weaker than expected renewals. Here, we believe the outlook for Open Source software is favourable and Red Hat should benefit as a result.

In terms of activity, we sold Paypal as it reached our valuation target. We topped up Nokia as we believe the company has an undemanding valuation, significant cost synergies following the Alcatel merger, and the potential to improve profitability in its licensing segment.

## **Outlook**

The long-term drivers of technology remain intact as the sector continues to take share versus the old economy, driven by demographics and innovation. The relative valuation of the sector is attractive, especially given balance sheet strength. The headwinds from a strengthening dollar in 2015 are now abating, which should benefit the sector. However, technology companies face significant secular changes in enterprise demand coupled with the maturation of the PC and smartphone markets. This may result in moderating the sector's outperformance. We continue to focus bottom-up on powerful secular themes and growth at a reasonable price.

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