

Henderson Horizon Global Technology Fund

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Performance and activity

Components and IT services contributed positively to performance while Hardware and Internet detracted.

At the company level, Universal Display outperformed following strong results. The company has a strong patent portfolio in OLED technologies - a display technology that allows for thinner and more flexible screens with lower power consumption that is being increasingly adopted by smartphone companies - which it receives royalties from. CDW was a positive contributor to performance as the predominantly US-focused tech distributor has been taking share from a fragmented competitor base. Fleetcor, the US fuel card company, also performed well. The company is exposed to strong trends in paperless payments.

Memory and storage names Micron and Western Digital were weak during the month following a period of strong performance. ServiceNow also gave back some of its prior gains. The company has a strong franchise in IT Service Management software, and has been expanding successfully into adjacent areas such as Human Resources and Security.

We increased our underweight position in Intel as we felt expectations of a PC upgrade cycle were fully priced in its valuation. We initiated a position in the contract manufacturer Flextronics. Typically contract manufacturers have faced very short product cycles and low margins, being heavily skewed to consumer electronics. However, Flextronics is pivoting to non-tech end markets which carry better margins and longer product cycles, which should be positive for returns.

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 sector is attractive, especially given the balance sheet strength. We continue to focus bottom-up on powerful secular themes and growth at a reasonable price.

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