

# BlueBox Funds- BlueBox Global Technology Fund

Direct Connection



## Fund Objective

The Fund's principle objective is to seek long term capital growth by investing mainly in shares of companies having their principle business in the technology sector or profiting from it. The Fund invests globally and is not benchmark constrained.

## Investment Theme—Direct Connection

The Direct Connection of computers to the real world has enabled the technology revolution of the past 15 years, driving an acceleration in tech adoption simultaneously across all industry verticals. With every other industry investing its excess returns in technology, we expect the IT sector to continue to outperform the broader market as it steals the growth from the rest of the economy. The Fund focuses on the companies enabling Direct Connection, giving it exposure to the most exciting developments in the sector without needing to chase over-hyped themes or invest in over-valued stocks.

## Investment Team

### Lead Portfolio Manager

William de Gale, FCA, CFA



### Portfolio Manager

Rupert de Borchgrave, CFA



## BlueBox Global Technology Fund Performance



%													YTD	Since Launch	S&P BMI IT INDEX		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			YTD	Since Launch	
2022	-13.09	-6.45	1.53	-13.19	2.32									-26.69	97.86	-22.12	88.44
2021	0.89	3.61	1.57	3.60	0.42	6.50	2.01	5.00	-6.52	6.03	2.85	2.45	31.58	169.88	25.83	141.95	
2020	1.15	-3.90	-10.06	13.90	8.12	8.95	8.49	5.50	-1.70	0.01	15.12	7.78	63.77	105.10	44.95	92.28	
2019	10.44	5.12	2.95	7.55	-9.42	8.44	1.62	-3.82	2.47	2.29	5.34	4.03	41.74	25.23	46.00	32.66	
2018				-0.10	4.55	-0.89	1.32	2.70	-2.49	-10.90	1.93	-7.36	-11.65	-11.65	-9.14	-9.14	

<sup>1</sup> Performance based on Share Class S since launch on 29 March 2018 (ISIN LU1793347128)

<sup>2</sup> S&P Global BMI IT INDEX is Net Total Return, calculated since launch of BBGT on 29 March 2018

## Top 10 Holdings

Microsoft	6.8 %
Adobe	5.9 %
Taiwan Semiconductor	5.0 %
EPAM Systems	4.8 %
Synopsys	4.8 %
Cadence Designs	4.6 %
Lam Research	4.2 %
Applied Materials	4.1 %
MercadoLibre	4.0 %
Alphabet	4.0 %
Total	48.2 %

## Top Countries

United States	71.7 %
Netherlands	5.7 %
Japan	5.2 %
Taiwan	5.0 %
Argentina	4.0 %
South Korea	3.0 %
Sweden	2.0 %
Ireland	2.0 %
Cash & equivalents	1.4 %

## Market Capitalisation

Mega cap (>\$350bn)	20.8 %
Large cap – upper (\$200bn - \$350bn)	9.8 %
Large cap – mid (\$100bn - \$200bn)	15.9 %
Large cap – lower (\$10bn - \$100bn)	52.1 %
Mid cap (\$1bn - \$10bn)	0.0 %
Small cap (<\$1bn)	0.0 %
Cash & equivalents	1.4 %

## Sector Allocation

Software & services	40.9 %
Semiconductors & semi equipment	34.0 %
Hardware & components	18.1 %
Consumer discretionary	5.6 %
Cash & equivalents	1.4 %

Top 10 Holdings, Top Countries, Market Capitalisation & Sector Allocation as of 31.05.2022

## William de Gale's Monthly Comment

May began to feel a little different from the almost indiscriminate selling of previous months: although a modest bounce for the BlueBox fund (up 2.3%) could be followed by a new low, the fund's outperformance of the broad tech index (-1.1%) and especially in comparison to profitless disrupters (represented by funds such as ARK Innovation, -6.5%) was suddenly quite striking. This suggests that the market is once again starting to distinguish between profitable and loss-making businesses, as one might expect at this point in the "sentiment cycle".

Investors attempt to predict the business cycle, so you get a sentiment cycle leading it, although often incorrectly (the sentiment cycle probably predicts 9 out of every 3 recessions). It's that sentiment cycle that hits tech and especially semiconductors early; but having got past the initial panic of realising that a recession might be on the horizon, investors are now starting to work out which businesses are best-positioned to weather the approaching storm, leading to outperformance for our profitable-growth names as sentiment turns in our favour. In particular, the global semiconductor industry recovered in May all of this year's previous underperformance.

This pattern is clear when we look at our individual stock contributions. The fund's leading performer was EPAM Systems (+28%), which reported that business has been affected by the war in Ukraine much less than many feared. The next four strongest were all semiconductor-related: Advanced Micro Devices (+19%), Lam Research (+12%), Synopsys (+11%) and NXP Semiconductors (+11%). In contrast, the worst performing holdings were MercadoLibre (-19%) and Etsy (-13%), two stocks that are often associated with high-growth, profitless names, even though they are in fact extremely profitable. We added to MercadoLibre and bought a new position in the IT services company Accenture, but we sold our Nidec holding.

Indiscriminate selling has created many extremely attractive opportunities in the "profitable growth tech" space, as it often does at this point in the cycle. Companies that we expect to be consistently growing their GAAP profits in the mid-teens or better for many years to come have been significantly marked down over short-term macro-economic worries, setting the scene for multiple years of subsequent outperformance. That outperformance typically doesn't wait for an economic recovery - it tends to be underway by the time other, less resilient, businesses begin to report the effects of the slowdown on their earnings, and on this occasion it may already have started.

We remain confident in the long-term earning power of our stocks, and we are therefore doing very little to the portfolio. Much of the downside is now behind us, while all of the recovery remains ahead, and that recovery can come very suddenly. We therefore remain fully invested in what we believe are the best-positioned profitable enablers, which remain the main engine of profit growth globally. This gives our investors exposure to the strongest technology trends, without the absurd valuations and poor business models of many of the high-profile, but profitless, disrupters.

### Portfolio Construction

Asset Class	Equity
Number of Securities	30-40
Weight	10% maximum
Turnover	Low
Market Cap	Mainly Targeting \$10 bn - \$100 bn
Geographic Allocation	Global
Cash	Minimal cash, always below 10%
Benchmark	Flexible, not benchmark oriented
AuM	\$705 million

### Key Facts

Fund Base Currency	USD
Liquidity	Daily
Fund Type	UCITS
Legal Status	SICAV
Domicile	Luxembourg
Auditor	PwC
Custodian	Northern Trust Global Services SE
Launch Date*	March 29th 2018

\* The Fund was launched under Share Class S, with Management Fee of 1% until December 2020, 0% Management Fee since. The Share Class is closed to new investors.

### Share Classes

	A Acc.	C Acc.	I Acc.
Min. Initial Investment:	\$ 10,000.-	\$ 1,000.-	\$ 150,000.-
Annual Management Fee:	1.5%	2.2%	1.0%
Launch Date:	Feb 10th 2020	Nov 27th 2020	Oct 5th 2020

#### USD

ISIN:	LU1793345262	LU2092176275	LU1793346666
Bloomberg Ticker:	BLBGTA LX	BLBGTC LX	BLBGTI LX

#### EUR

ISIN:	LU1793345429	LU2092176515	LU1793346823
Bloomberg Ticker:	BLBGTA LX	BLBGTC LX	BLBGTI LX

#### GBP

ISIN:	LU1793345346	LU2092176358	LU1793346740
Bloomberg Ticker:	BLBGTA LX	BLBGTC LX	BLBGTI LX

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