

# BlueBox Funds- BlueBox Global Technology Fund

## Direct Connection



Global  
Technology  
Fund



bluebox

### 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



%														S&P BMI IT INDEX		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch	YTD	Since Launch
2022	-13.09	-6.45	1.53	-13.19	2.32	-12.62	15.91	-6.04	-13.44	3.67			-37.39	68.98	-30.81	67.42
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	6.4 %
Adobe	5.7 %
ASML Holding	4.5 %
Taiwan Semiconductor	4.5 %
Lam Research	4.3 %
Applied Materials	4.3 %
MercadoLibre	4.0 %
EPAM Systems	4.0 %
Alphabet	3.9 %
Synopsys	3.8 %
Total	45.4 %

### Top Countries

United States	70.0 %
Netherlands	6.5 %
Japan	5.8 %
Taiwan	4.5 %
Argentina	4.0 %
South Korea	3.2 %
Ireland	2.4 %
Sweden	2.3 %
Cash & equivalents	1.3 %

### Market Capitalisation

Mega cap (>\$300bn)	17.1 %
Large cap – upper (\$200bn - \$300bn)	3.2 %
Large cap – mid (\$100bn - \$200bn)	20.1 %
Large cap – lower (\$10bn - \$100bn)	58.2 %
Mid cap (\$1bn - \$10bn)	0.0 %
Small cap (<\$1bn)	0.0 %
Cash & equivalents	1.3 %

### Sector Allocation

Semiconductors & semi equipment	35.8 %
Software & services	34.9 %
Hardware & components	18.3 %
Consumer discretionary	5.8 %
Communication services	3.9 %
Cash & equivalents	1.3 %

Top 10 Holdings, Top Countries, Market Capitalisation & Sector Allocation as of 31.10.2022

## William de Gale's Monthly Comment

Inflation and employment remained high in October, so central banks continued to raise rates, but September quarter reporting began late in the month and was generally less bad than feared, leading to a volatile but positive month. Tech results were weakest for PC, smartphone and other consumer-driven markets. We don't have much direct consumer exposure and our stocks mainly reported solid quarters while offering cautious guidance into 2023. This was enough for the BlueBox Global Technology Fund to gain 3.7% on the month, although we remain down 37.4% this year.

Our strongest performers were Adobe (+16%), Samsung Electronics (+14%) and Amphenol (+13%); while Taiwan Semiconductor Manufacturing (-10%) and Marvell Technology (-7%) were the biggest decliners.

During the first four months of the year we reduced the fund's exposure to semiconductors, due to initial fears about a possible recession. When investors start to worry about recession risk, they tend to sell off technology in general and semiconductors in particular, so at that point we aim to trim the group, with a view to adding back to them once either (a) we are convinced that there will not be a recession (e.g. October 2018) or (b) those fears have become widely accepted and are beginning to be reflected in consensus numbers. Due to the seasonality of quarterly reporting, that turning point normally comes either in April/May or October/November.

Semiconductor indices have now been underperforming the broad market for almost a year, and although September quarter reports were very robust for almost all our chip stocks, management guidance and analyst estimates are now building in some caution and downside for 2023. That is what we have been waiting for, so over the month end we increased the semiconductor weight to around 40% (not fully reflected in the 31st October weights above). This may seem too early, as estimates are likely to continue to fall for months to come, but the industry does not wait for consensus to bottom before stocks start to recover, just as the decline began long before managements cut guidance. This point in the cycle never feels good: it is always the case that things could get even worse, and equity markets may continue to decline until the Fed stops increasing rates, maybe in February or March; but long before equities find a bottom and start to recover, the semiconductor industry will usually have led the way up. As an example, MSCI World bottomed on 9 March 2009, but the Semiconductor index had turned almost four months earlier, on 20 November 2008. Chips lead the market, and at some point one has to grit one's teeth and go back in - for us, that point was the end of October.

We may be too early making this move, but we have seen nothing to shake our confidence in the long-term earnings growth of our holdings, meaning that we expect the upside, when it comes, to be greater than the preceding downside. We know that much of that downside is now behind us, while all the recovery remains ahead. We therefore continue to be fully invested in what we believe are the best-positioned profitable enablers, which remain the main engine of profit growth globally. This gives BlueBox 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	\$393 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*	29 March 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

	C Acc. Retail	A Acc. Retail	R Acc. Retail	I Acc. Institutional
Min. Initial Investment:	\$1,000.-	\$10,000.-	\$150,000.-	\$150,000.-
Annual Management Fee:	2.2 %	1.5 %	1.0 %	1.0 %
Launch Date:	27 Nov 2020	10 Feb 2020	20 Sept 2022	5 Oct 2020
<b>USD</b>				
ISIN:	LU2092176275	LU1793345262	LU2497703376	LU1793346666
Bloomberg Ticker:	BLBGTCC LX	BLBGTAA LX	BLUBRUA LX	BLBGTII LX
<b>EUR</b>				
ISIN:	LU2092176515	LU1793345429	LU2497703533	LU1793346823
Bloomberg Ticker:	BLBGTCE LX	BLBGTAE LX	BLUBREA LX	BLBGTIE LX
<b>GBP</b>				
ISIN:	LU2092176358	LU1793345346	LU2497703459	LU1793346740
Bloomberg Ticker:	BLBGTCC LX	BLBGTAG LX	BLUBRGA LX	BLBGTIG LX

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