

# BlueBox Funds- BlueBox Islamic Global Technology Fund SP

## Direct Connection



### Fund Objective

The Fund's principle objective is to seek long term capital growth by investing exclusively in shares of Shariah-compliant 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 Islamic Technology Fund SP Performance

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since Launch	DOW JONES ISLAMIC MARKETS TECHNOLOGY INDEX	
															YTD	Since Launch
2022							4.69	-6.81	-13.81	2.35			-13.94	-13.94	-11.88	-11.88

<sup>1</sup> Performance based on Share Class A since launch on 22 July 2022 (ISIN KYG1330J1004)

<sup>2</sup> DOW JONES Islamic Markets Technology INDEX is Net Total Return, calculated since launch of BBIGT on 22 July 2022

### The Shariah Process

The Shariah-compliant version of our technology strategy uses the Dow Jones Islamic Markets World Index and the S&P Frontier BMI Shariah Index for Shariah screening. New purchases must be included in either of these indices, while stocks deleted from the indices must be sold. An exception can be made to participate in initial public offerings, but these stocks must be included promptly in one of the two indices for them to be held long-term. When back-testing this process, we identified an 89% commonality with the existing BlueBox fund over time: modelling the impact of Shariah-compliance on the fund's historic performance made little difference.

The above-mentioned indices determine the percentage of income to be purified for each stock, based on which the portfolio purification data is calculated on an annual basis. The BlueBox Islamic Global Technology Fund appoints its own Shariah Supervisory Board (Shariyah Review Bureau, Bahrain), and it will undertake regular Islamic audits.

#### Top 10 Holdings

Microsoft	6.3 %
Adobe	5.7 %
Taiwan Semiconductor	5.5 %
Lam Research	5.1 %
Applied Materials	5.0 %
ASML Holding	4.4 %
MercadoLibre	4.3 %
Alphabet	4.3 %
Tokyo Electron	4.1 %
EPAM Systems	3.8 %
<b>Total</b>	<b>48.5 %</b>

#### Top Countries

United States	70.1 %
Netherlands	6.9 %
Japan	6.4 %
Taiwan	5.5 %
Argentina	4.3 %
Ireland	2.1 %
Sweden	2.3 %
Cash & equivalents	2.4 %

#### Market Capitalisation

Mega cap (>\$300bn)	18.6 %
Large cap – upper (\$200bn - \$300bn)	0.0 %
Large cap – mid (\$100bn - \$200bn)	17.5 %
Large cap – lower (\$10bn - \$100bn)	61.5 %
Mid cap (\$1bn - \$10bn)	0.0 %
Small cap (<\$1bn)	0.0 %
Cash & equivalents	2.4 %

#### Sector Allocation

Semiconductors & semi equipment	41.1 %
Software & services	31.5 %
Hardware & components	15.4 %
Consumer discretionary	5.3 %
Communication services	4.3 %
Cash & equivalents	2.4 %

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 Islamic Global Technology Fund to gain 2.3% on the month, although we remain down 13.9% since launch.

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.

At the launch of the Islamic tech fund in July, we allocated less than our typical weight to the semiconductor industry. This was consistent with the non-Shariah BlueBox fund, for which we had reduced semiconductor exposure early in the year 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 semiconductor 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 more than 40%. 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 Islamic 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	Islamic 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

#### Key Facts

Fund Base Currency	USD
Liquidity	Daily
Fund Type	Mutual Fund
Legal Status	SPC
Domicile	Cayman Islands
Auditor	PwC
Islamic Finance Consultant	Shariah Review Bureau W.L.L.
Custodian	Northern Trust Global Services SE
Launch Date	22 July 2022

#### Share Classes

	D Acc. Retail	B Acc. Institutional	I Acc. Institutional
Min. Initial Investment:	\$100,000.-	\$1,000,000.-	\$20,000,000.-
Annual Management Fee:	2.2 %	1.7 %	1.1 %
<b>USD</b>			
ISIN:	KYG1330J1426 BLBXFD KY	KYG1330J1269 BLBXFB KY	KYG1330J1186 BLBXFI KY

PURIFICATION BLUEBOX ISLAMIC GLOBAL TECHNOLOGY FUND	
Q3 2022	
Purification per unit of the Fund	0.0328

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