



# UBAM – TECH GLOBAL LEADERS EQUITY

Quarterly Comment | Q4 2019

For Qualified Investors in Switzerland or Professional Investors or Eligible Counterparties as defined by the relevant laws.

---

## Market Comment

- ◆ The last quarter of 2019 added to gains achieved earlier in the year, with the MSCI AC World posting more than 8% in total return over the period. The biggest gains were recorded by Emerging Market equities which rose by 12%, followed by US and Japanese equities up around 8%. European and Swiss equities were each up around 5%. The MSCI AC World Information Technology Index outperformed the MSCI AC World over the year by more than 20% with a total return of 46.9% versus 26.6%. Over the last quarter of the year, MSCI AC World IT returned 14.5% in performance.
- ◆ The Fed announced unchanged policy rates in December, which is expected to be maintained throughout 2020. Along with the prospect of a truce in the US-China trade war, this has helped to boost market optimism for the end of the year. Nevertheless, US manufacturing PMI reached a new low of 47.2 for December with Boeing's decision to stop its 737 Max production weighing on confidence.
- ◆ Despite earnings season's overall results being better than feared, cyclical sectors suffered the biggest earnings downgrades while technology and healthcare sectors posted upgrades. Global equities' earnings growth was revised down from 1.5% to 0.2% for 2019 versus 9.9% for 2020. US equities are expected to deliver 1% in earnings growth for the full year 2019, while European Equities are at -1%, projected to rebound to close to 10% for 2020. In terms of valuation, the MSCI AC World continues to trade at around 16x 12 months forward PE, close to its long-term average.
- ◆ After short lived market rotations over the first nine months of the year, all sectors of MSCI AC World returned positive performances over the last three months of 2019. While Healthcare and Information Technology were top performers over Q4 (+12.6% and +13.9% respectively), Consumer Staples and Utilities were the bottom ones (+0.94% and +1.1% respectively). YTD all sectors also returned strong performances with Information Technology leading with +46.9% in return and Energy lagging with +11.6%. All subsectors of the MSCI AC World Information Technology index posted positive returns over the QTD period.

---

## Performance Review

- ◆ UBAM – Tech Global Leaders Equity returned 10.5% over the fourth quarter of 2019, versus 14.5% for its benchmark the MSCI AC World Information Technology index. YTD the fund is up 35.3% versus 46.9% for the benchmark.
- ◆ Stock selection detracted 1.2% over the quarter primarily due to the Software and Services names. Sub-sector allocation was the biggest detractor with -2.5% mainly from the underweights in Technology Hardware and Semiconductors. The currency effect also cost 34bps of performance mainly from the underweight of Emerging Market currencies which appreciated over the period.
- ◆ In terms of stock selection, the main contributors over the quarter were the absence of exposure to IBM and Oracle as well as the position in Alibaba (+35bps, +29bps and +25bps respectively). IBM dropped 7% over Q4 after reporting a fifth consecutive quarter of falling sales as the company tried to reorient traditional services to focus on its cloud division. Oracle's share price was down 3.4% over the period after posting mixed results that came in below expectations. Alibaba rallied 26% over Q4 as the company's Hong Kong listed share debuted trading and raised USD 11bn despite the on-going street protests.
- ◆ The main performance detractors over the quarter were the overweight in Wirecard, the underweight of Apple and the position in Veeva (-112bps, -82bps and -50bps respectively). Wirecard dropped -24.6% after a new Financial Times article alleged auditors were widening their investigations into the company's accounting. Apple gained 31.4% over Q4 2019 after reporting quarterly earnings above market consensus with the services division up 18% year over year, representing the main driver of sales. Veeva was down 7.9% over the quarter despite reporting solid results as its competitor Iqvia announced a deal win with AstraZeneca on its Orchestrated Customer Engagement platform in the US.

---

## Portfolio Activity

- ◆ Over the quarter the team consolidated the portfolio by exiting three positions. In October, the team exited from its position in Match Group. Over the month of November, the team decided to sell its positions in Slack Technologies and CrowdStrike.

---

## Outlook

- ◆ Despite short-lived sector rotations, equity markets ended the year on new highs, fully recovering from the Q4 2018 drawdown. The downward earnings growth trajectory did not reverse over the year as global equities ended 2019 with 0.2% earnings growth expectation versus close to 6% projected at the beginning of 2019. 2020 projections of 9% earnings growth are based however on possibly stretched rebounds particularly in the Energy and Materials sectors. While European and US PMIs do not seem to have bottomed out, consumer confidence remains resilient on stable inflation and labor conditions which could provide support for markets in 2020. Earnings expectation for the IT sector are expected to recover to more than 10% in 2020 (from -1% in 2019). With a forward PE ratio of 21x versus 16x for the MSCI AC World, the sector is expected to continue to show a superior revenue and margin growth profile.

---

## Disclaimer

**This is a marketing document and is intended for informational and/or marketing purposes only. This document is confidential and is intended only for the use of the person(s) to whom it was delivered.** This document may not be reproduced (in whole or in part) or delivered, given, sent or in any other way made accessible, to any other person without the prior written approval of Union Bancaire Privée, UBP SA or any entity of the UBP Group ("UBP"). This document reflects the opinion of UBP as of the date of issue.

This document is for distribution only to persons who are Qualified Investors in Switzerland or Professional Clients, Eligible Counterparties or equivalent category of investors as defined by the relevant laws (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. It is not intended for distribution, publication, or use, in whole or in part, in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it directed to any person or entity to which it would be unlawful to direct such a document. In particular, this document may not be distributed in the United States of America and/or to US Persons (including US citizens residing outside the United States of America).

This document has not been produced by UBP's financial analysts and is not to be considered as financial research. It is not subject to any guidelines on financial research and independence of financial analysis.

Reasonable efforts have been made to ensure that the content of this document is based on information and data obtained from reliable sources. However, UBP has not verified the information from third sources in this document and does not guarantee its accuracy or completeness. UBP accepts no liability whatsoever and makes no representation, warranty or undertaking, express or implied, for any information, projections or any of the opinions contained herein or for any errors, omissions or misstatements. The information contained herein is subject to change without prior notice. UBP gives no undertaking to update this document or to correct any inaccuracies in it which may become apparent.

This document may refer to the past performance of investment interests. **Past performance is not a guide to current or future results.** The value of investment interests can fall as well as rise. Any capital invested may be at risk and you may not get back some or all of your original capital. In addition, any performance data included in this document does not take into account fees and expenses charged on issuance and redemption of securities nor any taxes that may be levied. Changes in exchange rates may cause increases or decreases in your return.

All statements other than statements of historical fact in this document are "forward-looking statements". Forward-looking statements are not guarantees of future performance. The financial projections included in this document do not represent forecasts or budgets, but are purely illustrative examples based on a series of current expectations and assumptions which may not eventuate. The actual performance, results, financial condition and prospects of an investment interest may differ materially from those expressed or implied by the forward-looking statements in this document as the projected or targeted returns are inherently subject to significant economic, market and other uncertainties that may adversely affect performance. UBP disclaims any obligation to update any forward-looking statement, as a result of new information, future events or otherwise.

It should not be construed as advice or any form of recommendation to purchase or sell any security or funds. It does not replace a prospectus or any other legal documents that can be obtained free of charge from the registered office of a fund or from UBP. The opinions herein do not take into account individual investors' circumstances, objectives, or needs. Each investor must make his/her own independent decision regarding any securities or financial instruments mentioned herein and should independently determine the merits or suitability of any investment. In addition, the tax treatment of any investment in the fund(s) mentioned herein depends on each individual investor's circumstances. Investors are invited to read carefully the risk warnings and the regulations set out in the prospectus or other legal documents and are advised to seek professional advice from their financial, legal and tax advisors. The tax treatment of any investment in the Fund depends on your individual circumstances and may be subject to change in the future.

The document neither constitutes an offer nor a solicitation to buy, subscribe for or sell any currency, funds, product or financial instrument, make any investment, or participate in any particular trading strategy in any jurisdiction where such an offer or solicitation would not be authorised, or to any person to whom it would be unlawful to make such an offer or invitation.

Telephone calls to the telephone number stated in this presentation may be recorded. When calling this number, UBP will assume that you consent to this recording.

UBP is authorised and regulated in Switzerland by the Swiss Financial Market Supervisory Authority and is authorised in the United Kingdom by the Prudential Regulation Authority. UBP is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

Any subscriptions not based on the funds' latest prospectuses, KIID, annual or semi-annual reports or other relevant legal document shall not be acceptable. The latest prospectus, articles of association, KIID and annual and semi-annual reports of the funds presented herein (the "Funds' Legal Documents") may be obtained free of charge from Union Bancaire Privée, UBP SA, 96-98, rue du Rhône, P.O. Box 1320, 1211 Geneva 1 ("UBP"). The Funds' Legal Documents may also be obtained free of charge from UBP Asset Management (Europe) S.A., 287-289 route d'Arion, 1150 Luxembourg, Grand Duchy of Luxembourg. The Funds' Legal Documents may also be obtained free of charge from Union Bancaire Gestion Institutionnelle (France) SAS, 127, avenue des Champs-Élysées, 75008 Paris, France.