

Opportunities in... Global Technology

Why global technology?

The technology sector has been one of the key drivers of the US economy for more than two decades and the fundamental outlook for the sector remains healthy, buoyed by many of the same positive trends evident over recent years: the move to cloud-based software from on-premises software, capital spending on cloud data centres, rising electronic content in autos and industrial products, faster network speeds, e-commerce momentum continuing, and mobile apps conquering the world. Further helping matters, tax reform is enabling a broad swath of US companies to become much more aggressive in returning capital to shareholders in the form of dividends or share-repurchase programmes.

As we progress through 2020, select technology industries continue to trade at attractive valuations relative to their growth characteristics, and we are optimistic that some progress will be made on the trade front, removing a headwind for the US economy, and the technology market in particular. Profitability and cash flow metrics of our portfolio holdings are solid; at a company level, continued innovation and burgeoning demand means there continues to be plenty of room for growth around the world. Globally, internet penetration is around 50%, while e-commerce only represents 9% of total retail sales.¹ The tech sector remains rich with opportunities for true active managers with a global perspective.

As always, we continue to adhere to our disciplined investment process, which relies on deep fundamental analysis to identify those companies that we believe have the best growth prospects, trade at attractive valuations and that have the potential to deliver solid investment returns over time.

Risks we monitor

While the strong performance of the tech sector means stock valuations have risen sharply, our analysis suggests that the sector as a whole remains attractively valued relative to its growth characteristics. Many companies in the sector are direct beneficiaries of what the team believe to be secular growth trends that appear to be in the early stages.

Careful stock selection is essential. With tech comes hype, and things don't always turn out as expected. We saw that with 3D printing and wearable technology, where the excitement was overblown. In this rapidly changing sector, it is crucial to separate hype from opportunity – something that benefits experienced, active managers that have an established track record of differentiating sustainable investment opportunities from overly optimistic trends and fads.

Reasons to invest

1. Valuations in select technology and technology-related industries continue to trade at attractive valuations relative to their growth characteristics.

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2. The fast pace of technological innovation means discerning investors can take advantage of sustainable trends as they unfold.

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3. Many technology companies have healthy balance sheets and cash balances, allowing them to pursue shareholder-friendly policies such as buybacks, dividend payments and M&A activity.

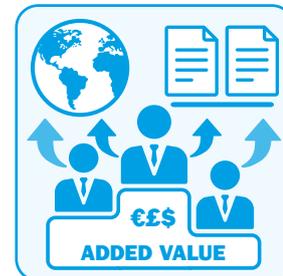
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¹ Sources: Internet World Stats and US Bureau of the Census, <https://fred.stlouisfed.org/series/ECOMPCTSA>, as at 30 September 2017.

Why consider the Threadneedle (Lux) Global Technology Fund?

Resourced for success

- Paul Wick is one of the longest tenured portfolio manager in the US technology sector and is supported by one of the largest and most experienced global technology teams in the industry. The team is able to leverage the wider resources of the Columbia Threadneedle Investments group, drawing on a range of expert knowledge and macro, top-down insights.



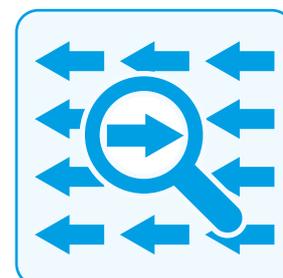
High-conviction global approach

- While most prominent tech companies are domiciled in the US, they have global operations and generate revenue from all over the world. This fund offers investors access to a concentrated 'best ideas' portfolio of technology and technology-related companies. Our approach is not benchmark-oriented: we will hold companies where the team has a high degree of conviction and insight, regardless of whether they are included in the benchmark.



Contrarian in nature

- We follow a disciplined investment process using fundamental analysis to identify companies that have the best growth prospects, are trading at attractive valuations and have the potential to deliver solid investment returns over time. Contrarian in nature, we seek to take advantage of under-researched companies that are likely to benefit from trends before they are fully appreciated by the market.



Driven by high-quality research

- Meeting companies and conducting our own fundamental research drives our decision-making and lies at the heart of our stock-picking approach. With a significant presence in California's Silicon Valley, we are at the heart of the technology industry, with direct access to major technology companies and innovative start-ups.



Targets consistent returns

- The focus on balancing growth with valuation awareness has allowed the strategy to participate in advancing markets, while historically protecting investor capital in risk averse markets.¹



Please refer to the Fund KIID for the objective and policy of this fund.

¹ Source: Columbia Threadneedle Investments, as at 30 June 2020. Past performance is not a guide to future returns.

About the portfolio manager



Paul Wick is the lead portfolio manager for the Seligman Technology Group at Columbia Threadneedle Investments. He joined the company in 1987. In 2001, he began managing a long-short investment vehicle focused on opportunities in the technology sector. He is recognised as a leading technology investor, specialising in the semiconductor and electronic capital equipment industries, as well as in the software and computer hardware industries.

“ While equity investors are looking for growth, and technology is an exciting area to achieve just that, it’s important to maintain balance and look for the most sustainable characteristics in a business. In such a fast-moving environment, investors need to focus on the strongest attributes and most promising long-term themes. ”

Key risks

Past performance is not a guide to future returns and the fund may not achieve its investment objective. Your capital is at risk. The value of investments can fall as well as rise and investors might not get back the sum originally invested. The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions. Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments. The Fund has a concentrated portfolio (holds a limited number of investments and/or has a restricted investment universe) and if one or more of these investments declines or is otherwise affected, it may have a pronounced effect on the fund’s value. The fund typically carries a risk of high volatility due to its portfolio composition or the portfolio management techniques used. This means that the fund’s value is likely to fall and rise more frequently and this could be more pronounced than with other funds. All the risks currently identified as being applicable to the Fund are set out in the “Risk Factors” section of the Prospectus. Please read the Key Investor Information Document and the Prospectus if considering investing.

To find out more visit columbiathreadneedle.com



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Valid from 07.20 | Valid to 07.21 | J30746 | 3181493