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ECONOMIC AND FUND REVIEW

Global equity markets continued to make gains in the final quarter of 2021, despite a notable pickup in volatility following news of the new Covid-19 Omicron variant. It is more contagious than previous strains and renders vaccines somewhat less effective. By the end of December, it had caused a rapid increase in case numbers, particularly in Europe and the US. Reports that the strain is milder bolstered share prices in December. However, some countries with lower vaccination rates have already resorted to new restrictions, including Germany, Austria and the Netherlands. Meanwhile, China locked down certain cities and remains particularly susceptible due to its zero Covid-19 strategy.

The other major theme of the quarter was inflation. US, UK and European consumer prices increased at their fastest rate in 30 years as energy prices, supply chain bottlenecks and pent-up consumer demand led to a dislocation between demand and supply. Central banks have begun tightening monetary policy. The US Federal Reserve (Fed) is slowing the pace of its asset purchases, while the UK raised interest rates by 0.15%. The European Central Bank (ECB) is set to remove or replace its Pandemic Emergency Purchase Programme.

Switch, which develops and operates data centres, was among the top contributors to fund performance during the quarter. The US-based company reported strong quarterly results and announced new shareholder value initiatives, including plans to restructure as a real estate investment trust.

Identity management software company SailPoint performed well following analyst upgrades and an improved price target. The company's services have been in increasing demand since the beginning of the pandemic.

US software company Splunk detracted as its CEO Doug Merritt announced that he was stepping down. The market reacted dramatically to the news, despite the fact that the company also announced good operating earnings. We maintain that the stock is a long-term structural winner in a world increasingly reliant on data processing and software security – areas where Splunk is a market leader.

Link Mobility, a provider of communications, also detracted, as it has throughout 2021. The main factors were a slower than anticipated recovery in key customer segments that were affected the pandemic. In particular, these are tourism, leisure, hospitality, airlines. This weighed on fundamental performance.

OUTLOOK

Our outlook for technology – particularly digital transformation – remains positive. Covid-19 has led to a dramatic change in consumer behaviour and corporate IT buying patterns – both of these shifts are positive for our holdings. We believe the dual speed nature of the recovery, with some technology companies taking longer to see a normalisation in buying patterns, is temporary.



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