

Somerston Technology Fund (the Fund)

Investment Letter No.6 – June 2022

Portfolio Objectives: To grow capital over the medium term by investing in a concentrated portfolio of high growth companies.

Performance: The Somerston Technology Fund fell by -33.5% in the second quarter. Our reference index fell by -32.2%.

Performance (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	6.1	3.9	4.2	4.5	7.7	-1.5	5.8	3.2	-0.1	8.5	3.8	-0.8	55.1
2018	12.3	-1.4	-4.1	1.0	8.0	-0.1	0.0	8.9	-1.8	-12.3	1.3	-7.5	1.7
2019	12.0	2.9	5.6	6.3	-8.0	8.2	4.1	-3.8	-1.8	3.1	6.1	3.8	43.6
2020	6.2	-3.8	-6.6	18.2	9.6	10.0	9.1	8.5	-6.2	-0.7	9.6	5.5	73.4
2021	-0.2	1.6	-6.5	8.8	-3.6	11.6	1.0	5.7	-7.9	6.2	-1.5	-5.0	8.5
2022	-13.8	-5.5	2.2	-20.2	-6.1	-11.2							-44.6

Sector Allocation	
Sector	% Portfolio
Information Technology	68.6%
Communication Services	16.4%
Consumer Discretionary	13.4%
Cash/Divs/Fees	1.7%

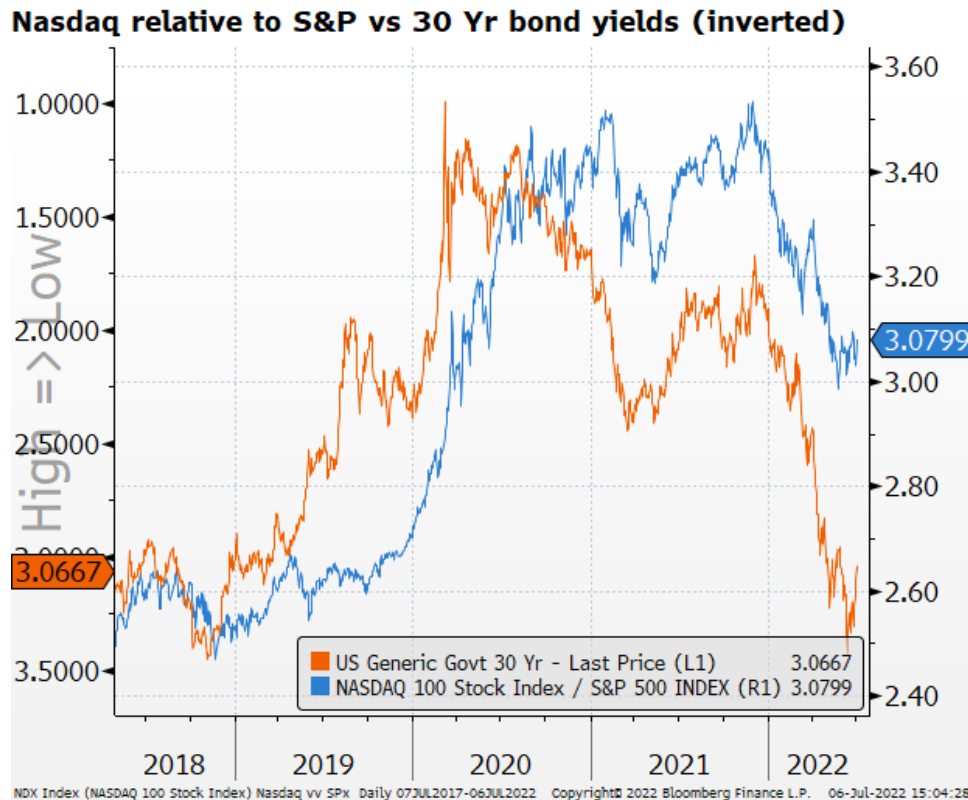
Geographical Allocation	
Country	% Portfolio
USA	84.9%
Netherlands	6.4%
Brazil	3.7%
Singapore	2.0%
Canada	1.4%
Cash/Divs/Fees	1.7%

Top Ten Holdings	
Name	% Portfolio
Microsoft Corp	13.0%
Apple Inc	11.4%
Alphabet Inc-Cl A	10.3%
Nvidia Corp	9.5%
Amazon.Com Inc	9.2%
Asml Holding Nv-Ny Reg Shs	4.0%
CrowdStrike Holdings Inc - A	3.9%
Advanced Micro Devices	3.7%
Mercadolibre Inc	3.7%
Datadog Inc - Class A	2.9%
Total	71.6%

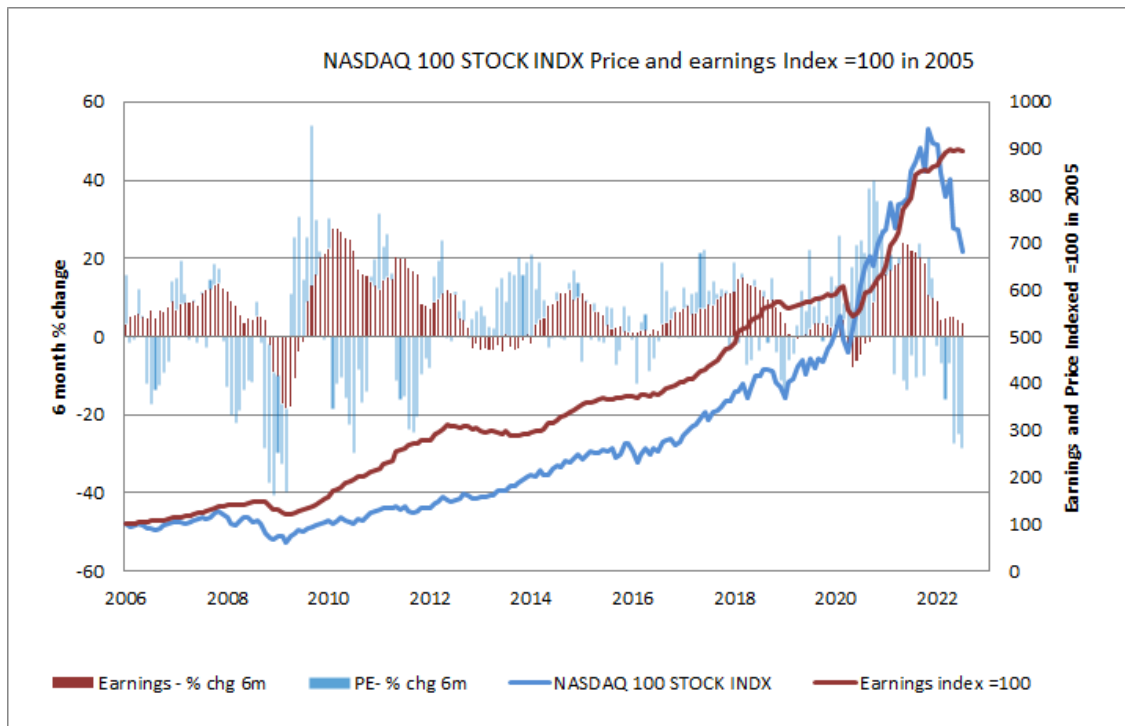
This letter shows the performance of Somerson's "Technology Equity Strategy" from 31 December 2014 to 30 November 2020 then the Somerston Technology Fund from its launch on 01 December 2020.

Commentary

We remain in a macro dominated market where the course of Inflation and Central Bank policy has more impact on a company's share price than its own growth and development. The chart below plots the Nasdaq relative to the S&P (blue) and we overlay the 30-year bond yield (inverted - red). While these two series do not track one for one, we can clearly see that interest rates and the relative performance from technology has been similar.



Wearing our macro goggles, we do think yields will fall as the growth slowdown starts to become more evident, but more importantly, Nasdaq valuations have compressed by 30% in just the last six months. We expect downward earnings revisions in the next few quarters, but the valuation compression has introduced a reasonable cushion.



Furthermore, while the commodity heavy 'value' stocks have enjoyed resurgence this year, we are seeing concern that demand destruction, induced by tightening financial conditions, may be causing this theme to fade.

I repeat what I have written several times in previous letters, the companies we hold have excellent prospects and decent financials. For those with a long-term perspective, prospective returns from these levels are greatly improved. However, even tactically, we see reason for Technology to start doing a little better. As economic growth contracts and bond yields fall, investors will look for companies that can grow irrespective of the economic cycle.

During the Quarter we introduced two new holdings: Adyen and ASML and we sold Paypal.

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