

# Allianz Technology Trust PLC\*

\*formerly RCM Technology Trust PLC



Factsheet

31 December 2014

## Fund Manager's Review



Walter Price

### Portfolio Overview

The Allianz Technology Trust NAV returned -2.23%, while the Dow Jones World Technology Index returned -1.45%. During the month, industry allocation was positive while stock selection detracted from relative returns.

At the holdings level, **Western Digital** was among the top relative contributors for the month. In early December, the company announced it resolved two non-compliance matters related to its acquisition of hard disk drive maker HGST that were raised by the Chinese trade authority (MOFCOM). The Chinese regulators were initially concerned that increased pricing power in hard disk drives could cause harm to the Chinese PC industry. These issues were blocking the approval process, but after nearly three years, the Chinese regulators are finally focused on reviewing the company's application asking for full integration with HGST. The integration of HGST is expected to generate meaningful cost synergies that may not be fully reflected in current consensus estimates. A positive ruling would likely result in significant upward estimate revisions.

Our position in semiconductor maker **Avago Technologies** also outperformed in December. The company delivered another strong quarterly earnings report and raised guidance for the first quarter of 2015. The results were driven by sales growth in wireless filters and enterprise storage, and gross margins were better than investors expected. Avago is a key beneficiary of increasing radiofrequency (RF) filter content in 3G/4G mobile devices, particularly Apple's new iPhone, and other wirelessly connected devices. Large future growth opportunities exist due to the increasing complexity in wireless frequency bands and a large population of developing market end users that still uses 2G/3G devices. We believe Avago is well-positioned with industry leading and proprietary RF filters for 3G/4G mobile phones and fiber optic solutions for data centers, along with strong free cash flow to support future growth and capital returns to shareholders.

Other top active contributors included underweighting **Apple**, as well as overweights in semiconductor maker **Freescale Semiconductor** and cyber security firm **FireEye**.

On the negative side, **Tesla Motors** was among the top relative detractors for December. The decline in shares has been largely a result of negative sentiment driven by concerns over the potential impact of lower oil prices. In particular, some investors fear that persistently low gasoline prices could hurt demand for the model 3, the company's planned mass market vehicle. However, given that the model 3 is expected to launch in 2017, it is likely that Tesla has sufficient time to improve its battery technology and range, and potentially reduce costs. Further, Tesla customers base their purchase decision on multiple factors, including performance, quality, and safety, and not solely on the price of gasoline. Looking ahead, we believe Tesla should continue to be supply constrained in the intermediate term, and we expect the demand to remain strong for the foreseeable future.

After the stock nearly tripled during 2014, Chinese online fashion retailer **Vipshop Holdings** underperformed in December. The stock price may be under pressure in the near term because of lower-than-expected Q4 revenue guidance, and soft active buyer and order growth in Q3. Despite the short term weakness, we believe the company's robust long-term growth outlook remains intact.

Other top active detractors included not holding **Oracle**, and overweights in e-commerce retailer **Alibaba** and cloud-based service provider **Veeva Systems**.

All data source Allianz Global Investors as at 31.12.14 unless otherwise stated.

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**This is no recommendation or solicitation to buy or sell any particular security. Any security mentioned above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date.**

## Performance (%)



## Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	4.9	10.8	7.1	88.9	108.6
NAV	5.4	11.0	11.6	73.2	103.3
Benchmark	7.3	15.5	22.7	65.3	84.1

## Discrete Performance (%)

From To	31.12.09 31.12.10	31.12.10 30.12.11	30.12.11 31.12.12	31.12.12 31.12.13	31.12.13 31.12.14
Share Price	21.8	-9.3	8.1	63.2	7.1
NAV	27.5	-8.0	3.9	49.5	11.6
Benchmark	16.7	-4.5	9.0	23.7	22.7

Source: Lipper, percentage growth, mid to mid, total return to 31.12.14.

Benchmark: Dow Jones World Technology Index (Sterling Adjusted).

Past performance is not a reliable indicator of future returns. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested.

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## Market Outlook

Looking forward, we continue to believe the technology sector can provide some of the best absolute and relative return opportunities in the equity markets – especially for bottom-up stock pickers. At present, we are seeing a wave of innovation in the sector that we believe has the potential to produce attractive returns for companies with best-in-class solutions.

Another key growth area in technology is network security, which is rapidly gaining more attention as the increasing sophistication of cyberattacks has triggered more spending towards providers that offer new security technologies. We believe this trend will persist for several years, and companies that continue to enhance security technology stand to benefit over time.

**Allianz**   
Global Investors

## Capital Structure

Total Assets:	£154.2m
Shares in Issue:	25,768,006 (Ordinary 25p)
Ordinary Share Price <sup>1</sup> :	576.5p
Net Asset Value (Ordinary) <sup>2</sup> :	598.5p
Premium/-Discount to NAV <sup>2</sup> :	-3.7%
NAV Frequency	Daily

1. Source: Lipper as at 31.12.14, market close mid price.

2. A trust's Net Asset Value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. An undiluted, cumulative NAV is shown.

## Key Information

Launch Date:	December 1995
Continuation Vote:	2016
AIC Sector:	Specialist Sector: Technology, Media & Telecoms
Benchmark:	Dow Jones World Technology Index (Sterling Adjusted)
Annual Management Charge:	0.8% plus £55,000 p.a. (Administration Fee)
Performance Fee: <sup>2</sup>	Yes
Ongoing Charges: <sup>1</sup>	1.32%
Year end:	30 November
Annual Financial Report:	Final posted in March, Half-yearly posted in July
AGM:	April
Price Information:	Financial Times, The Daily Telegraph, www.allianztechnologytrust.com
Board of Directors:	Robert Jeens (Chairman), John Cornish FCA (Chairman of the Audit Committee and Senior Independent Director), Paul Gaunt, Richard Holway MBE, Dr Chris Martin
Company Secretary	Peter Ingram
Investment Manager	Walter Price
Codes:	RIC: ATT.L SEDOL: 0339072

1. Source: AIC, as at the Trust's Financial Year End (30.11.2013). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses including Annual Management Fee.

2. Calculated as 12.5% of the outperformance of the NAV compared to the indexed NAV over the performance period. The fee is capped at a maximum of 2.25% of the Trust's NAV at the year-end.

## Risks & Features

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including the balance of supply and demand in the market.

Competition among technology companies may result in aggressive pricing of their products and services, which may affect the profitability of the companies in which the Trust invests. In addition, because of the rapid pace of technological development, products or services developed by these companies may become rapidly obsolete or have relatively short product cycles. This may have the effect of making the Trust's returns more volatile than the returns of a fund that does not invest in similarly related companies.

Derivatives can be used to manage the Trust efficiently.

## Sector Breakdown (%)

Technology	73.4	
Consumer Services	11.4	
Consumer Goods	5.2	
Industrials	2.8	
Utilities	2.4	
Cash	2.4	
Financials	2.0	
Telecommunications	0.4	

## Geographic Breakdown (%)

North America	76.1	
Far East & Pacific	16.3	
Europe ex UK	3.1	
Cash	2.4	
UK	2.1	

## Top Ten Holdings (%)

Alibaba	5.8	Facebook	4.1
Palo Alto Networks	5.8	Western Digital	3.7
Microsoft	5.4	Micron Technology	3.1
Apple	5.1	ServiceNow	2.7
SanDisk	4.1	Intel	2.6
<b>Total Number of Holdings</b>	<b>59</b>		

## How to Invest

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker. Shares in the Trust can be held within an ISA, JISA, SIPP and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website.

## Contact Us

If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

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