

Technology investing from the heart of the industry

# Allianz Technology Trust PLC

Factsheet

30 September 2016

## Aim

The Trust's objective is to achieve long-term capital growth by investing principally in the equity securities of quoted technology companies on a worldwide basis.

## Trust Benefits

The award-winning Allianz Technology Trust PLC offers investors access to the fast moving world of technology with the reassurance that investment decisions are made by Walter Price who has 40 years of experience of investing in technology. He is co-manager of the AllianzGI Global Technology Team which currently has \$4bn in assets under management.

## Awards & Ratings



Morningstar Rating™



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A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

## At the Heart of the Industry

Allianz Technology Trust is managed by the highly experienced AllianzGI Global Technology team based in San Francisco. The team benefits from its close proximity to Silicon Valley where many of the world's key technology companies are headquartered.

### Location of the 10 Largest Technology Companies in the US



**Total Assets** £214.1m    **Shares in Issue** 25,919,427 (Ordinary 25p)

Share Price

755.0p

Source: Lipper

NAV per Share

825.9p

Premium/-Discount

-8.6%

**Share Price** is the price of a single ordinary share, as determined by the stock market. The price shown above is the mid-market price.

**Net Asset Value (NAV) per Share** 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, cum-income NAV is shown.

**Premium/Discount.** Since investment company shares are traded on a stock market, the share price that you get may be higher or lower than the NAV. The difference is known as a discount or premium.

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All data source Allianz Global Investors as at 30.09.16 unless otherwise stated.

Allianz Global Investors GmbH, UK Branch, 199 Bishopsgate, London EC2M 3TY

## Fund Manager's Review

### Portfolio Overview

The Trust returned 3.6% in September, in line with the Dow Jones World Technology Index. During the month, stock selection contributed to relative returns while industry allocation detracted.

At the holdings level, our position in Amazon.com was among the top contributors to relative performance. The company continues to build its lead in e-commerce and cloud infrastructure. In e-commerce, we believe Amazon still has a large growth opportunity as its strong mobile positioning, infrastructure advantages, and customer satisfaction and loyalty should allow the company to continue taking market share from online and traditional retailers. In its cloud business, Amazon Web Services (AWS), management recently noted it has added over 400 new services and features this year – on top of 700 new additions last year. Customer turnover for AWS remains low, and growth continues to be a healthy mix of new customers and larger share from existing customers. Profit margins and free cash flow should also continue to improve over time as AWS grows and management reduces costs by developing greater efficiencies.

Our position in security holding Palo Alto Networks was also among the top performers. The stock initially declined after the company reported earnings in late August, as investors were concerned about declining hardware product sales. However, shares rose throughout September after investors gained a greater appreciation for the long-term benefits from growth in software subscription services in addition to product sales. The company is driving a shift to more products delivered as SaaS-like services, which should

“ In this low growth environment, investors can benefit from investing in technology companies that are delivering growth and innovation.

increase earnings visibility over time and enhance the network effect as the customer base grows. For fiscal 2017, management expects recurring revenue should grow at least 50% year over year and increase from 52% to 60% of total revenues. We expect Palo Alto should continue to win in the security market given its robust integrated security solutions and attractive business model.

Other top active contributors included an overweight position in Computer Sciences Corp., as well as not owning Oracle and Cognizant Technology Solutions.

Conversely, our underweight position in Apple (the largest holding in the benchmark) was among the largest detractors during the month. The launch of the latest iPhone has exceeded low expectations for many investors. The new features, including longer battery life, greater storage capacity, and faster processing speed have been enough to stimulate demand for the iPhone 7 and 7+. The company has also benefited from network subsidies as most US networks fully subsidized the iPhone 7 if customers traded in recent versions of the device. Surveys suggest demand has been stronger for the 7+ version, which should boost margins for Apple. Additionally, Apple should benefit from Samsung's recall of its latest smartphone due to battery explosions. Given the stronger than expected demand for the iPhone 7, the stock's attractive valuation, and expectations for a more robust product cycle next year, we recently added to our position, somewhat reducing our underweight.

Broadcom was also among the top detractors from relative returns. Broadcom reported solid earnings results, driven by its wireless segment as the company moves into high-volume shipment for the new Apple iPhone. However, shares declined due to a slight revenue shortfall in its landline business. Management attributed the bulk



### Walter Price CFA, Portfolio Manager

Allianz Technology Trust PLC is managed by Walter Price who is a Managing Director and Portfolio Manager on the AllianzGI Technology Team in San Francisco, having joined in 1974. Walter is a current Director and past president of the M.I.T. Club of Northern California. He also heads the Educational Council for M.I.T. in the Bay Area and is a past Chairman of the AIMR Committee on Corporate Reporting for the computer and electronics industries.

of the shortfall to shipment timing of its set-top box product. While Broadcom should correct the supply issue in the next quarter, investors have expressed concern about the growth trajectory of its wireline business segment. Despite the short-term weakness, we believe the landline segment, which includes components for cloud infrastructure, should diversify the business away from the more volatile wireless segment. In our view, Broadcom's landline segment has several unique product cycles that should drive revenue growth over the next few years.

Other top active detractors included overweight positions in Paycom Software, Mobileye, and Proofpoint.

### Market Outlook

As to our economic view, we think the economy will remain slow until there is some fiscal stimulus, which we believe is unlikely until 2017 at the earliest. Thus we expect a continued period of slow growth and low interest rates. In this low growth environment, investors can benefit from investing in technology companies that are delivering growth and innovation. After the sharp declines earlier this year, we believe valuations for higher growth stocks are more attractive, particularly for companies continuing to grow at double digit rates.

Despite high valuations for some cloud and internet companies, we continue to see massive addressable markets much larger than the revenue today. However, we have consolidated our exposure to these areas in select companies having the most compelling solutions and whose business models demonstrate a discernible path to deliver strong earnings and cash flow growth over the next few years.

We are also finding excellent investment opportunities among more attractively valued areas of technology. In particular, certain technology incumbents are making compelling progress on their "as-a-service" offerings. We will continue carefully balancing risks and opportunities, leveraging our industry expertise, and emphasizing individual stock selection.

Walter Price  
12 October 2016

**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 Track Record

## Five Year Performance (%)



## Risk & 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.

## Cumulative Returns (%)

|             | 3M   | 6M   | 1Y   | 3Y   | 5Y    |
|-------------|------|------|------|------|-------|
| Share Price | 21.8 | 28.6 | 34.7 | 53.8 | 133.7 |
| NAV         | 15.8 | 25.6 | 40.3 | 64.3 | 145.3 |
| Benchmark   | 17.3 | 23.8 | 45.1 | 86.9 | 147.4 |

## Discrete 12 Month Returns (%) to 30 September

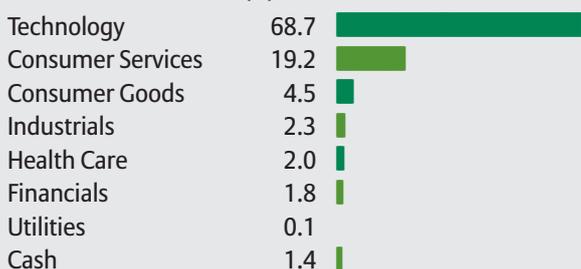
|             | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|------|------|------|------|------|
| Share Price | -1.9 | 54.9 | 9.0  | 4.8  | 34.7 |
| NAV         | 8.2  | 38.0 | 12.9 | 3.7  | 40.3 |
| Benchmark   | 20.7 | 9.6  | 24.5 | 3.5  | 45.1 |

Source: Lipper, percentage growth, mid to mid, total return to 30.09.16. Copyright 2016 © Lipper, a Thomson Reuters company. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

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.

# Portfolio Breakdown

## Sector Breakdown (%)

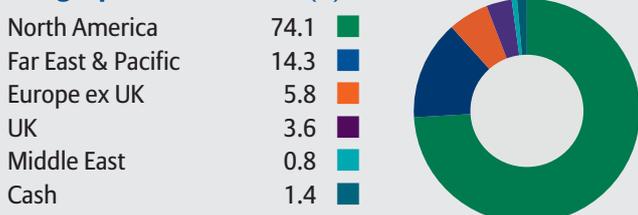


## Top Ten Holdings (%)

|                     |     |
|---------------------|-----|
| Amazon              | 7.8 |
| Microsoft           | 5.1 |
| Facebook            | 4.1 |
| Workday             | 3.5 |
| Alibaba             | 3.5 |
| Alphabet - Class A  | 3.1 |
| Applied Materials   | 3.0 |
| Samsung Electronics | 3.0 |
| Lam Research        | 3.0 |
| Apple               | 2.9 |

**Total number of holdings 65**

## Geographic Breakdown (%)



## Market Cap Breakdown (%)



## Key Information

|                              |  |
|------------------------------|--|
| Launch Date                  | December 1995  |
| AllianzGI Appointment        | April 2007   |
| Continuation Vote            | 2021 AGM   |
| 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. (Admin Fee)   |
| Performance Fee <sup>1</sup> | Yes  |
| Ongoing Charges <sup>2</sup> | 1.1%   |
| Year End                     | 30 November  |
| Annual Financial Report      | Final posted in March, Half-yearly posted in July  |
| AGM                          | April  |
| NAV Frequency                | Daily  |
| Price Information            | Financial Times, The Daily Telegraph, <a href="http://www.allianztechnologytrust.com">www.allianztechnologytrust.com</a> |
| Company Secretary            | Tracey Lago, ACIS  |
| Investment Manager           | Walter Price   |
| Codes                        | RIC: ATT.L<br>SEDOL: 0339072   |

1. 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.

2. Source: AIC, as at the Trust's Financial Year End (30.11.2015). Ongoing Charges (previously Total Expense Ratios) are published annually to show operational expenses including Annual Management Fee.

## Board of Directors

Robert Jeens (Chairman), Humphrey van der Klugt (Chairman of the Audit Committee and Senior Independent Director), Richard Holway MBE, Elisabeth Scott

## How to invest

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

## Contact us

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

0800 389 4696

[www.allianztechnologytrust.com](http://www.allianztechnologytrust.com)

E-mail: [investment-trusts@allianzgi.com](mailto:investment-trusts@allianzgi.com)

You will find much more information about Allianz Technology Trust on our website.

Please note that we can only offer information and are unable to provide investment advice. You should contact your financial adviser before making any investment decision.



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**All data source Allianz Global Investors as at 30.09.16 unless otherwise stated.**

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