Technology of the Future Fund

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MONTHLY REPORT
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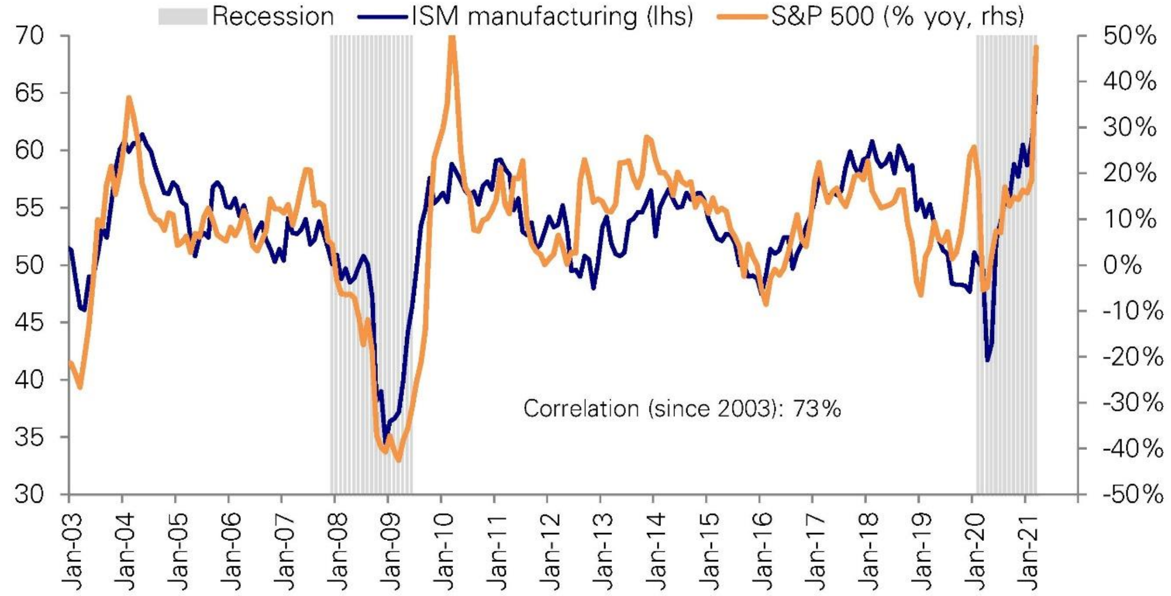
Executive Summary

The ongoing global economic reopening process continued in April amid rising vaccination rates, giving a further boost to Investor sentiment as suggested by numerous indicators demonstrating incredibly strong growth. The major equity indices climbed to all-time highs, commodities saw a big rally, and even safe-haven assets like gold and US Treasuries recovered after the volatile declines seen during the first quarter. We expect even higher volatility during the summer, but a combination of loose fiscal and monetary policy should lead to a rebound in household and corporate spending in 2H21, while robust earnings growth should support equities over the course of 2021. The US Federal Reserve communicated expectations for high real GDP growth, falling unemployment, and moderate inflation during its March and April 2021 meetings. Although interest rates are expected to remain on hold for the next three years, a tapering tantrum could be triggered by much stronger than expected inflation indicators coming in over the next few months. We affirm our "risk on" stance to equities over the course of 2021. The correction in equity markets, which started in early May proved that our defensive positioning in the 1Q21 was the right move. It is also the primary reason why the Technology of the Future Fund, with a +3.61% return in April, underperformed the major indexes and the benchmark MSCI World Index (USD), which had a return of +4.52%.

Economy and Markets

If anybody needed reminding that equities do not like higher interest rates, it was provided by the market's reaction to Janet Yellen's relatively harmless comment on Tuesday, May 4th that "it may be that interest rates will have to rise somewhat to make sure our economy does not overheat." The Nasdaq declined 1.9% on the day. Yellen was not—obviously— taking a short-term view, though whether the robo-advisors and algorithms understood this is another matter. Rather she was focusing on the medium-term outlook in terms of the potential impact on the American economy by the Biden administration's planned mega infrastructure spending. Anyhow, her comments triggered a correction in tech stocks—with the NASDAQ dropping by 10% in just over a week—that ultimately dragged other equity markets lower, as well.

But could the selloff be a sign that the pace of US growth is peaking? Few leading investment banks have been highlighting the risk of a correction in the US market when economic growth peaks in 2Q 2021. Among the few, Deutsche Bank analysts point out that equities have historically traded closely with indicators of cyclical macro growth such as the Institute of Supply Management's (ISM) manufacturing index (correlation 73%). As can be seen in the chart, ISM growth typically peaks just under a year (10-11 months) after a recession ends, right at the point we currently appear to be in. The S&P 500 declined 8.3% (median) in 37 occurrences after the growth tops. So, with the ISM falling on May 3rd from 64.7 to 60.7 (65.0 expected), it's possible we've seen the peak in the rate of change in growth that has previously heralded a correction. As such, is some of the sell-off a delayed reaction to the quite notable fall in the ISM?



Source : ISM, Haver, Deutsche Bank Asset Allocation

Inflation is the second major concern for the markets after the interest rates. The April Consumer Price Index (CPI) print came in at a much stronger-than expected +0.8% on a month-on-month basis (versus the expected +0.2%), which in turn sent the year-on-year print to +4.2%. While It's dangerous to read too much into one number, since the beginning of the year we have been confident that is not just a transitory story. As preeminent investment strategist Russel Napier has said: "Politicians have gained control of money supply and they will not give up this instrument anymore." The situation in commodities markets in April empowered our view. Prices for everything from copper to oil sky-rocketed as the largest economies rebound from the pandemic amid massive government stimulus spending. The industrial bellwether copper topped the leaderboard with a +12.1% increase, which takes the metal to its highest level in a decade. Meanwhile oil prices maintained their existing lead, with WTI showing a YTD gain of +31.0%. Bloomberg's agriculture spot index rose +13.4% for the month, which is its biggest monthly gain since July 2012, and leaves the index up +72.3% year-on-year. Finally, corn (+31.1%) saw the biggest monthly increase since June 1988. The analysts at CLSA point out that this represents the deepest backwardation in commodities markets since 2007 ("backwardation" – a situation in which the spot or cash price of a commodity is higher than the forward price). That is, the premium for commodities that can be delivered now versus later into the future is the highest it has been since 2007, signaling just how strong the world's demand for raw materials is and how tight supplies are.

Noted economist Mohamed A. El-Erian also made an interesting comment: "The Fed is pinning itself in a corner by insisting that this is transitionary. All the evidence suggests that you should have an open mind." Our "open mind" conclusions based on the April CPI number are:

- There are significant supply side constraints.
- The uncertainty is very large.
- Beyond the COVID/reopening shock, the current policy mix is conducive to higher inflation.
- We should expect a lot of volatility through 2021 based on inflation readings being transitory and as base effects work through the data, and as supply chain disruptions and commodities prices find balance with demand.

Investment Strategy and Portfolio Changes

The key theme in our investment strategy is that managing downside risks is more important than having an academically smart portfolio. This helps us keep drawdown of the fund during market declines below the declines of major indexes. Going forward we are fully aware that high inflation is bad for equities, especially for technology stocks. But moderate inflation (3-4%) is good for equities, as the companies are increasing prices. Our core assumption is that equities will be inflation resistant for one to two years. Thus, we are keeping an open mind. Our investment objective is to own the best technology companies that have sustainable competitive advantages, that we believe will become leaders in the future, and have the ability to expand their business in a challenging world of rising interest rates and inflation breaking higher. As a Technology fund we will maintain a defensive bias and forward-going focus on (1) Compounders and (2) Disruptors (companies with disruptive breakthrough technologies). We will also continue to invest time and money building our key competence in the biotech sector, where many companies are recession resistant and not dependent on the economic cycle. As the markets entered euphoria in April, we refrained from buying and stayed on the sidelines. This allowed us to pursue unique investment opportunities in May, which we will discuss in our June newsletter.

Monthly performance %

As of 30.04.2021

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-0.11%	+0.79%	-7.86%	+6.45%	+8.51%	+6.03%	-0.17%	+1.51%	-0.22%	-1.39%	+18.08%	+3.22%	+38.07%
2021	+2.05%	+0.35%	-3.43%	+3.61%	-	-	-	-	-	-	-	-	+2.46%

Technology of the Future Fund performance vs. major equity indexes

	April 2021	YTD 2021
Technology of the Future Fund (USD)	+3.61%	+2.46%
S&P 500 (USD)	+5.24%	+11.32%
NASDAQ 100 (USD)	+5.88%	+7.55%
NASDAQ Biotech (USD)	+2.97%	+2.23%
DJ Stoxx 600 (USD)	+4.33%	+7.86%
MSCI EM (USD)	+2.37%	+4.36%
Micex, Russia (USD)	+0.64%	+6.29%
Shanghai Composite (USD)	+1.36%	+0.04%
MSCI World (USD) (Fund's benchmark)	+4.52%	+9.25%

Performance contributors

April 2021

Top contributors	Return %	Contribution
Translate Bio	+40.81%	+2.26
Dicerna	+21.98%	+1.06
Saniona	+4.74%	+0.19

Bottom contributors	Return %	Contribution
Renewable Energy	-15.93%	-0.73
Invisio	-8.76%	-0.32
Intel	-9.53%	-0.11

Performance Contributors, April 2021

Shares in the US Biotech company **Translate Bio** (+40.81%), our core holding in the sector, rebounded strongly from March declines based on positive COVID-19 vaccination data. The company's COVID-19 therapeutic candidate uses a messenger RNA (mRNA) technology that instructs cells in the body to make specific coronavirus proteins that then produce an immune response. The company is investigating the same mRNA technology used by Moderna and Pfizer. Ever since the publication of Preclinical Results of COVID-19 mRNA Vaccine Candidates by Moderna and Pfizer in 4Q 2020, we have maintained the following assumptions about the COVID virus: (1) The virus behaves similarly to influenza, in that it will mutate, disappear and reappear on a likely cyclical basis. This means that we will have to learn to live with it and that vaccination against the virus will have to be done each year. (2) A COVID-19, "2.0," 2021 mutation might require a different vaccine. But with each mutation, the virus will become weaker and less severe. We were very happy with the announced preclinical results from Apr 20, 2021, which demonstrate the success of the vaccine against various mutations of the virus. Nonetheless, we expect abnormal volatility in the company's share prices to continue until the clinical studies are completed and vaccine proves to be successful. The company is a good example of a potential Biotech sector disruptor in our portfolio, as the company's platform and its technology can be used to produce drugs against many illnesses. The rise in shares of US Biotech company **Dicerna** (+21.98%), can be attributed purely to market volatility, which is normal with biotech company stocks, due to drug development being at various stages of their clinical studies. Swedish Biotech company **Saniona** (+4.74%) continued to see gains in our portfolio for the second month in a row. The company's lead product candidate, Tesomet, is in mid-stage clinical trials for hypothalamic obesity and Prader-Willi syndrome, which are rare though severe disorders characterized by uncontrollable hunger and intractable weight gain. It is our understanding that Tesomet is the only product under development that can be used against uncontrollable hunger and excess weight. This makes it a good example of a potential biotech sector disruptor within our portfolio. Based on recent weakness in the share price, we increased our position in early May. Shares of US alternative energy producer **Renewable Energy** (-15.93%) continued to decline as we continue to add to our position. We think the only reason for the decline is related to a change in investor sentiment from excessive optimism in February to recent unwarranted pessimism. We are confident that we will see 180-degree reversal in investor sentiment by the end of 2021. The company is one of our top picks in the alternative energy segment. Shares of Swedish military communication equipment producer **Invisio** (-8.76%) continued to be volatile and declined upon the publication of 1Q21 financial results. But the large miss on Invisio's Q1 earnings was driven by higher than expected depreciation. Based on new product launches and increasing military spending in Europe, combined with recovery in the US market, we remain positive on the bright growth outlook in Invisio, as the company has a large worldwide Total Addressable Market in military communication. We have used the decline to add to our position. The shares in US IT giant **Intel** (-9.53%) went down, as the company's financial updates were mixed (1Q above prior guide, but FY21 guided below Street consensus). We have sold the shares with a small profit as many aspects of Intel's newly unveiled strategy represent for us a "show-me-story" category for the next year or so as elevated spending during the restructuring will front-run still uncertain benefits. In short, we see better risk/reward opportunities elsewhere.

Portfolio Structure

The first two weeks of May prove that the defensive positioning of the portfolio in Jan-Feb 2021 for a market consolidation and return of volatility proved to be the correct move. After selling/decreasing positions in overpriced stocks in January 2021, we have been buying back and adding to some of our core holdings at levels which are 20-30 % lower than the levels at the end of January. Our hedging tactic worked out well, as we have entered the current correction with 26% cash and 8% of the fund invested into the precious metals and goldmining stocks, which were the best performers at the beginning of May. The situation in April was similar to January 2020 and January 2018, when most of our market indicators pointed to excessive optimism and euphoria in equity markets, at which time we made a conscious decision not to invest new cash. We are looking forward to summer volatility in order to add to our core holdings, but will maintain a defensive bias, as capital protection is more important in today's environment than a risky pursuit of potential excessive profits.

Top 5 holdings

Company	Portfolio weight
Translate Bio	**5.5%**
Dicerna	**4.8%**
Renewable Energy	**4.6%**
Minesto	**4.1%**
Saniona	**4.1%**

Portfolio structure