



Thematic Insights Tech Disruptors Analog Semiconductors: Key Enabler of the Electric Vehicle Revolution

JSS Sustainable Asset Management
Q4/2020

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Commentary from the Portfolio Management Team

Strong quarter concluding a successful annual performance

Studies showing positive data on the COVID-19 vaccine's efficacy, coupled with Joe Biden's victory in the US presidential elections resulted in a rise of inflationary expectations and a spike in bond yields. Such environment has been supportive for risky assets and has been favouring smaller and cheaper cyclical stocks over large growth firms. This rise in the dispersion of stock returns prompted investor to contemplate the potential end of the concentrated market leadership of mega-cap FAANG (Facebook, Apple, Amazon, Netflix, Microsoft, and Google) stocks, which accounted for nearly 50% of the MSCI World Index's return in 2020.

In such an environment, the Fund returned +17.1% (P USD acc) in Q4 2020. The portfolio benefitted from its overweight in small and mid-cap stocks, while it was negatively impacted by the overweight of the momentum factor. In terms of single stocks, beneficiaries of the rise in DRAM memory prices, such as Applied Materials, Micron and Tokyo Electron, were the key positive contributors, while Alibaba, Salesforce, and Nokia were the main detractors in terms of performance. Alibaba's situation is particularly concerning, as the company is facing increasing regulatory scrutiny following Jack Ma's October 2020 speech at the Bund Summit in Shanghai, where he openly criticized the Chinese financial system.

In 2020 the fund delivered a strong net return of +48.1% (P USD acc), outperforming the majority of Technology-focused indices. Companies driving transformational business model change, such as Zscaler (cybersecurity platform designed purely for the cloud environment), Elastic (unstructured data analytics software firm) or The Trade Desk (a company enabling a more efficient allocation of digital advertising content through its programmatic advertising software), were the major positive performance contributors.

Favourable environment for semiconductors and cyclical sectors

Focusing specifically on the Technology sector, Q4 saw several reports highlighting a tight supply of semiconductors. In particular, automotive groups such as VW or Toyota warned that bottlenecks in the supply of semiconductors will impact production volumes, since demand is currently significantly outstripping supply. Semiconductor stocks are therefore benefiting from a high demand, pricing power and higher capacity utilization. Speculation on Apple's entry into the car industry also continued, with reports suggesting that the company will target the introduction of a passenger vehicle by 2024 with self-driving features and its own battery technology. The focus of Big Tech on the car market would be disruptive for existing manufacturers, but also highlights the massive market opportunity in future mobility applications. Another key development in the Tech sector was the occurrence of several large M&A deals with NVIDIA acquiring Arm for 40bn USD, AMD acquiring Xilinx for 35bn USD, and Salesforce acquiring Slack for 27bn USD. These transactions highlight the attractiveness of the respective end-markets and constant search for diversified revenue streams by rapidly growing large Tech firms.



Tomasz Godziek
Lead Portfolio
Manager



Pierin Menzli
Portfolio Manager



Daniel Lurch
Portfolio Manager

Adding Infineon and Twilio

We continue to focus on companies that are developing unique, transformational technological solutions operating in end markets characterized by high barriers to entry.

Given the aforementioned tight supply of semiconductors we have opened a new position in Infineon, a Germany-based supplier of power chips to the automotive industry. The company is well positioned to benefit from a cyclical car volume recovery and will also gain from rising semiconductor content per vehicle as the industry moves from internal combustion engines to electric and smart mobility.

We have also initiated a position in Twilio, a leading Communications Platform as a Service (CPaaS) firm. Twilio enables developers to build flexible communication solutions and interlay messaging, video, voice, and email communications functionality into their applications on a pay-as-you-go basis. This is a rapidly growing market that has accelerated during the pandemic.

At the same time we sold ABB, given the lack of upcoming catalysts, and Xilinx, which was acquired by AMD.

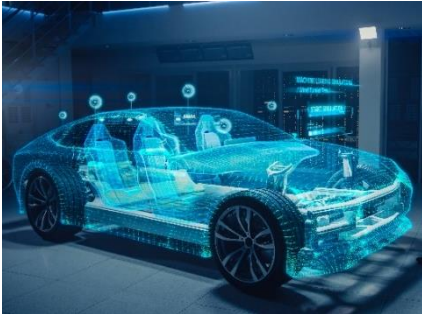
Technology will accelerate environmental innovation

Environmental themes are becoming increasingly relevant to the investment community. Reducing greenhouse gas emissions has become the priority in a global fight against climate change. Under Joe Biden's presidency, this trend will only accelerate, and technology firms are at the forefront of this effort, as they are the main enablers for innovations that will benefit the environment and society as a whole. This quarter we are focusing our thematic insight on power semiconductors that control the flow of electricity and are therefore critical to increasing energy efficiency of electronic devices and, as a result, electric vehicles. Furthermore, long-term trends that support rising power semiconductor content will go beyond smart mobility and drive sustainable power generation, low-carbon data centres, and smart cities.

Learn more about **Analog Semiconductors: Key Enabler of the Electric Vehicle Revolution** in our thematic insights

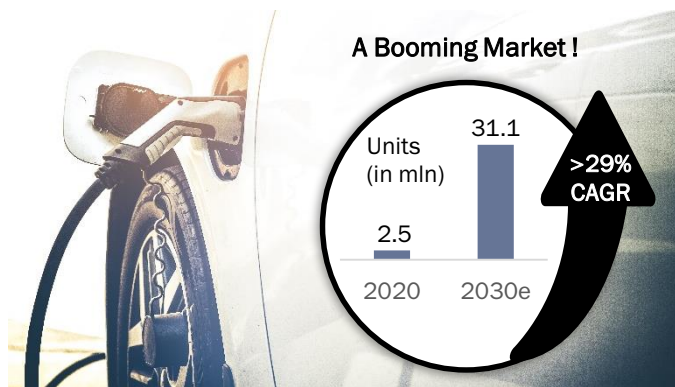


Analog Semiconductors: Key Enabler of the Electric Vehicle Revolution



Analog semiconductors will enable the electric vehicle revolution and autonomous driving, while also further disrupting the electrification of industrial applications, renewables and consumer electronics. Semiconductor companies can expect significant near-term market growth from the switch in powertrains from internal combustion engines (ICE) to battery electric vehicles (BEV). Next-generation vehicles that will permit autonomous driving will require even more advanced sensors, including LiDARs, radars, and cameras to enable advanced driver assistance systems. As a result, semiconductors will become increasingly essential, allowing high processing power of enormous amounts of data and permitting real-time decision making based on what is happening in and outside of the car.

Growing Market Share of Evs Over the Next Years...¹



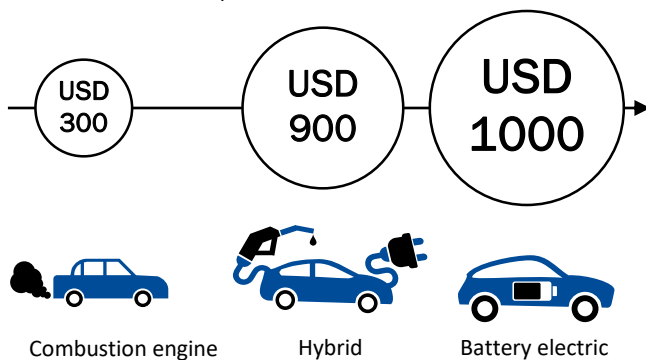
Growth drivers:

- ✓ Restrictive regulations on combustion engine vehicles
- ✓ Improving battery efficiency and driving range
- ✓ Growing charging station network
- ✓ Decreasing vehicle prices and cost of ownership

EVs: A Major Opportunity for Semiconductor Companies

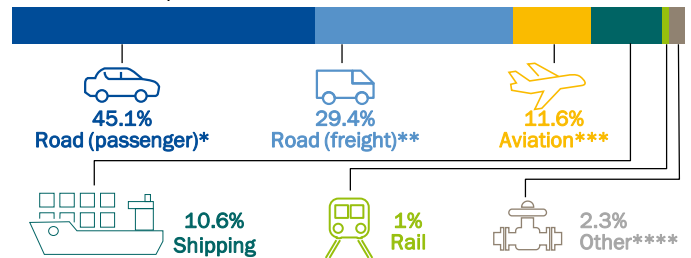
3x Electric vehicles have 3x more semiconductor content than combustion engines due to complex power electronics

Value of semiconductors³ per vehicle in USD

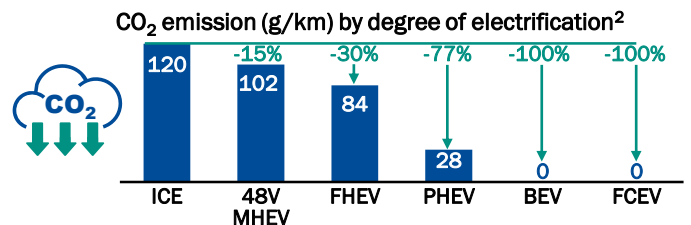


...Will Help to Achieve Global Climate Goals

74.5% of transport emissions come from road vehicles...



...making electrification indispensable to reducing CO₂ emissions

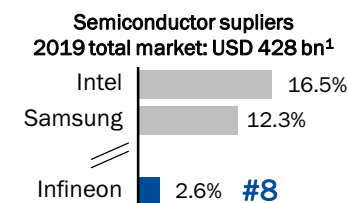
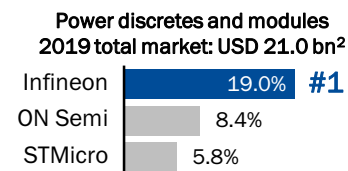


Case Study – Infineon, Enabling Clean, Safe and Smart Cars

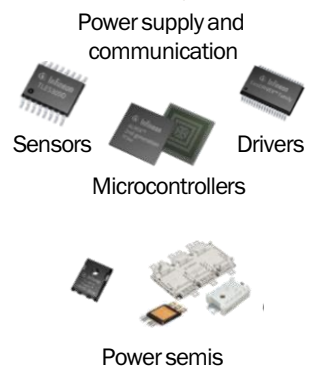
Global supplier of automotive semiconductors



Strong market positioning



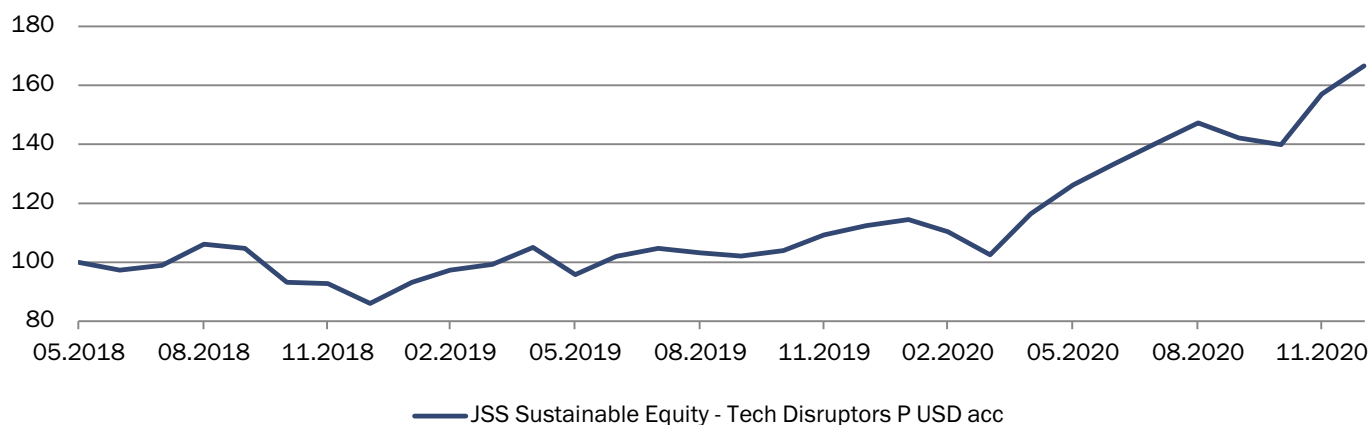
Wide portfolio offering for the control loop of an EV



Source: ¹Deloitte, Electric vehicles – Setting a course for 2030, July 2020; ²Our World in Data: Cars, planes, trains: where do CO₂ emissions from transport come from? October 2020; ³McKinsey, Mobility trends: What's ahead for automotive semiconductors, April 2017; ⁴Infineon, January 2021. The company presented is provided as an example investment and might not be part of the investment portfolio of the fund. The example is given for illustrative purposes only and does not account for individual circumstances of potential investors. Pictures from GettyImages

Performance Report

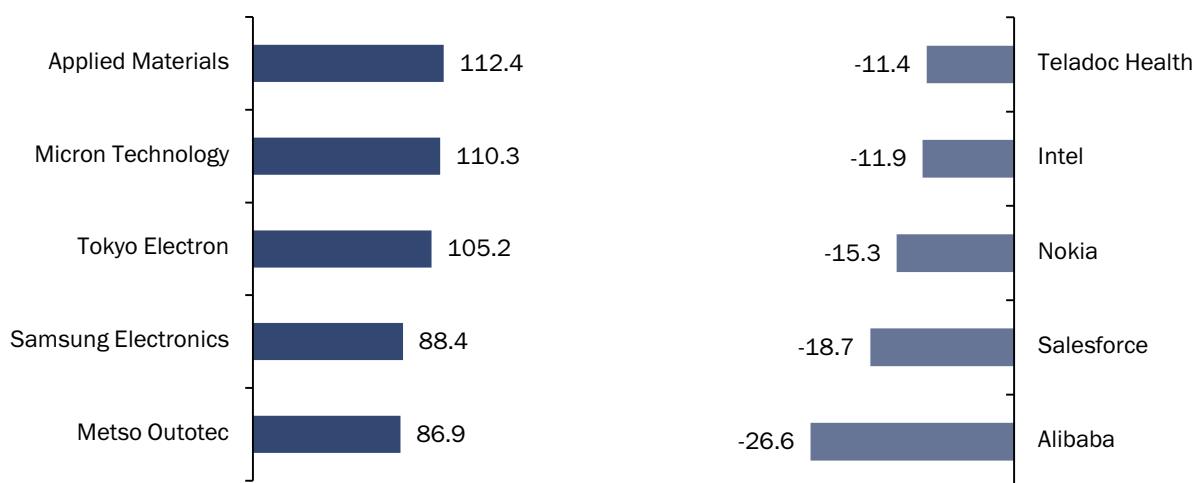
Historical net performance since inception (in USD; 31.05.2018 – 31.12.2020)



Monthly net performance since inception in % (P USD acc)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1.85%	-3.63%	-7.08%	13.55%	8.37%	5.63%	5.26%	4.93%	-3.41%	-1.64%	12.27%	6.06%	48.1%
2019	8.31%	4.40%	2.00%	5.74%	-8.74%	6.42%	2.73%	-1.49%	-1.09%	1.87%	5.12%	2.84%	30.6%
2018					0.00%	-2.68%	1.73%	7.21%	-1.32%	-10.96%	-0.55%	-7.16%	-13.9%

Top 5 and bottom 5 contributors to return (Period: 01.10.2020 – 31.12.2020, in bps)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 31.12.2020. Past performance is no indicator or guarantee for future performance.

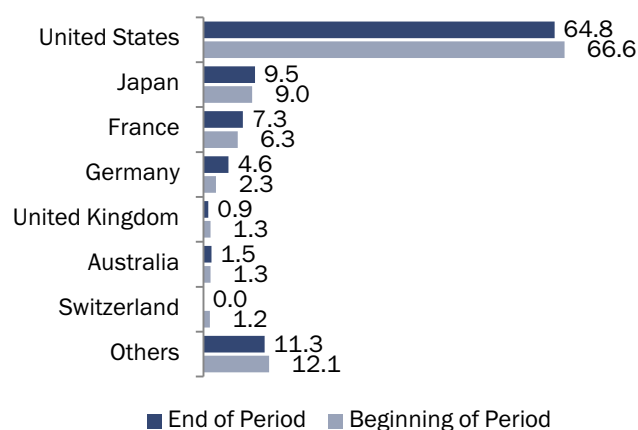
Allocations Report

Top 10 holdings (as of 31.12.2020)

Security	Country	Sector	Theme	Weight (%)
Microsoft	United States	Information Technology	Information Processing	6.5%
Alphabet	United States	Communication Services	Information Processing	3.9%
Analog Devices	United States	Information Technology	High-Tech Products	3.3%
Applied Materials	United States	Information Technology	High-Tech Products	3.1%
Worldline	France	Information Technology	Connectivity	3.0%
Tokyo Electron	Japan	Information Technology	High-Tech Products	2.9%
Synopsys	United States	Information Technology	Information Processing	2.8%
Tencent	China	Communication Services	Information Processing	2.7%
Visa	United States	Information Technology	Connectivity	2.6%
Rohm	Japan	Information Technology	High-Tech Products	2.5%
Total				33.2%

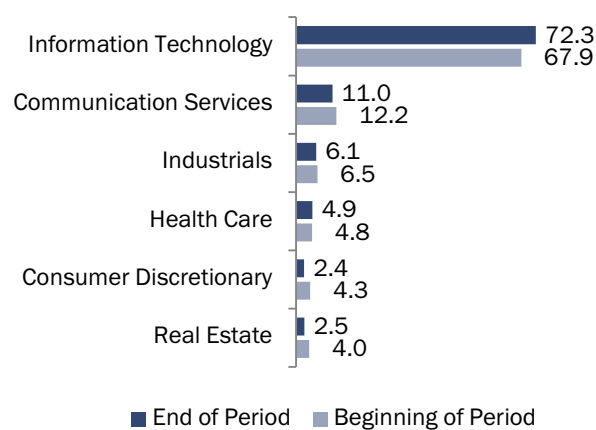
Geographical allocation in%

(Period 01.10.2020 – 31.12.2020)



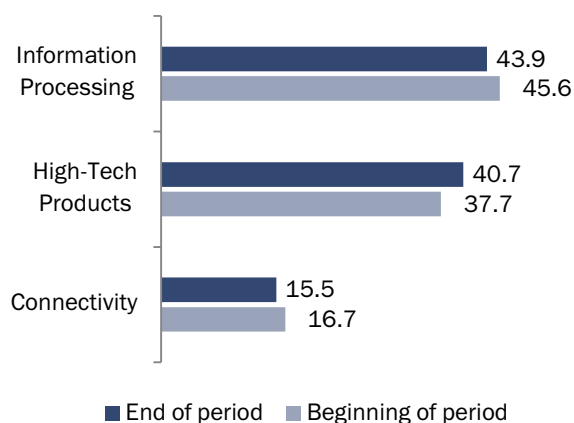
Sector allocation in%

(Period 01.10.2020 – 31.12.2020)



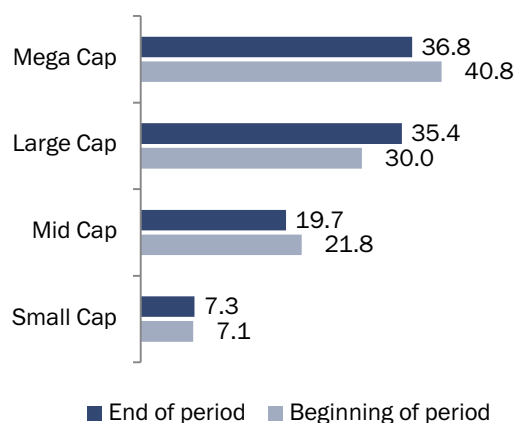
Thematic allocation in%

(Period 01.10.2020 – 31.12.2020)



Size allocation in%

(Period 01.10.2020 – 31.12.2020)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 31.12.2020. Allocations may change without notice.

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