

DNB Technology

A global long only technology, media and telecommunications equity fund

11 June 2020

Erling Haugan Kise

Portfolio Manager

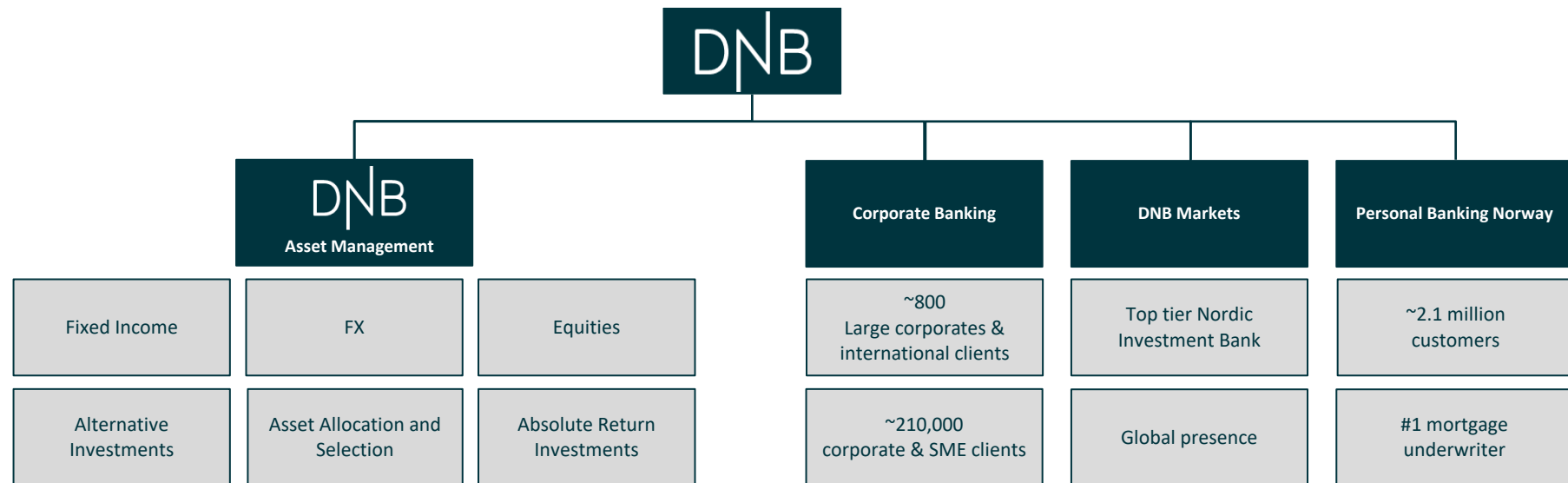
DNB Asset Management AS (Norway) / DNB Asset Management S.A. (Luxembourg)

This presentation is intended to be marketing material and dedicated to professional investors only



DNB Asset Management

An integrated part of the DNB Group



Nordic asset classes

- ✓ Nordic Equities
- ✓ Nordic High Yield
- ✓ Nordic Corporate IG
- ✓ Nordic PE and PD

Global equity sectors

- ✓ Technology
- ✓ Renewable Energy
- ✓ Healthcare
- ✓ Financials

ESG management

- ✓ DNB group-wide policy
- ✓ Environmental focus
- ✓ ESG integration in all funds
- ✓ Thematic engagement

Market cap



~€16 bn

Employees



~9,000

Ratings

Moody's

Aa2

STANDARD & POOR'S

AA-

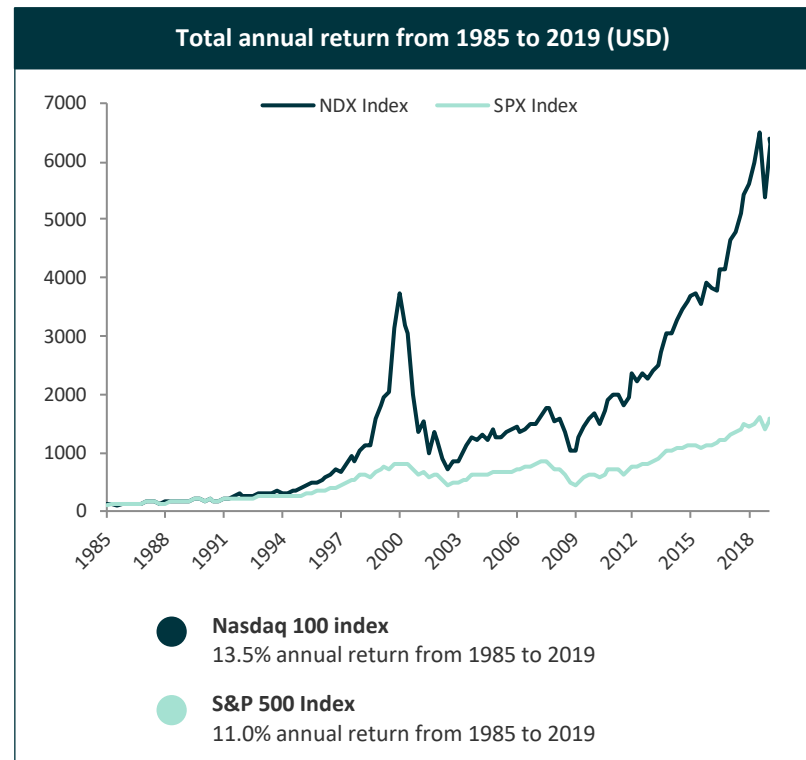
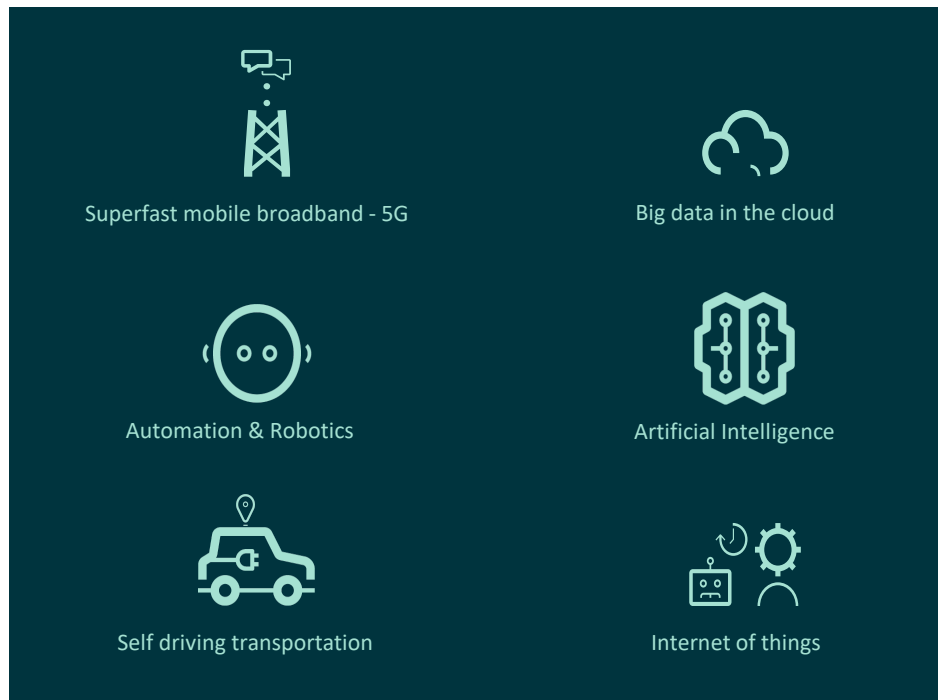


AA (low)

Source: DNB.no and Bloomberg data, as of 15 May 2020

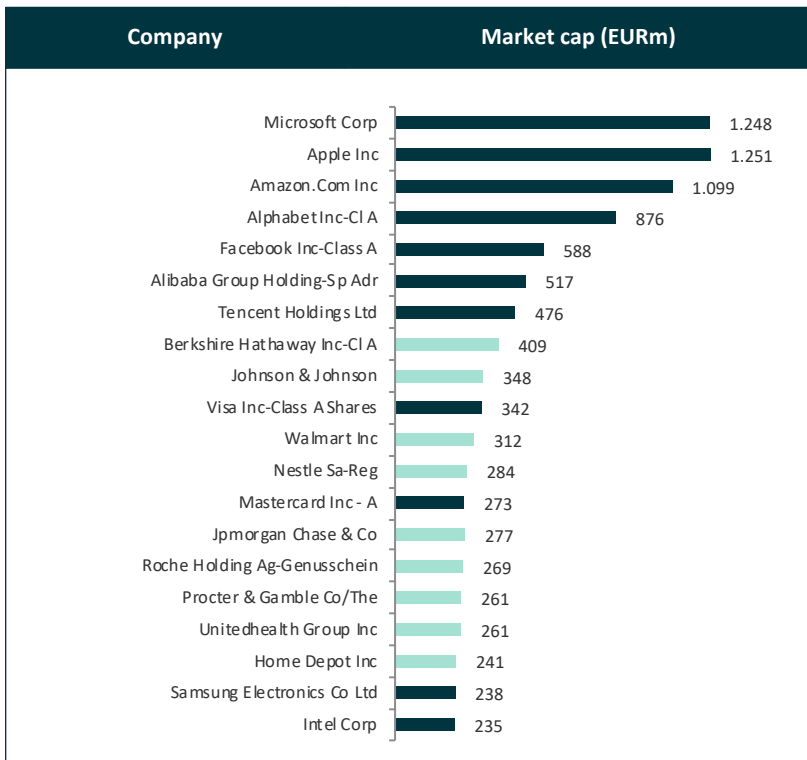
Information technology and Communication services

Tech improves productivity and is a long term stock market winner

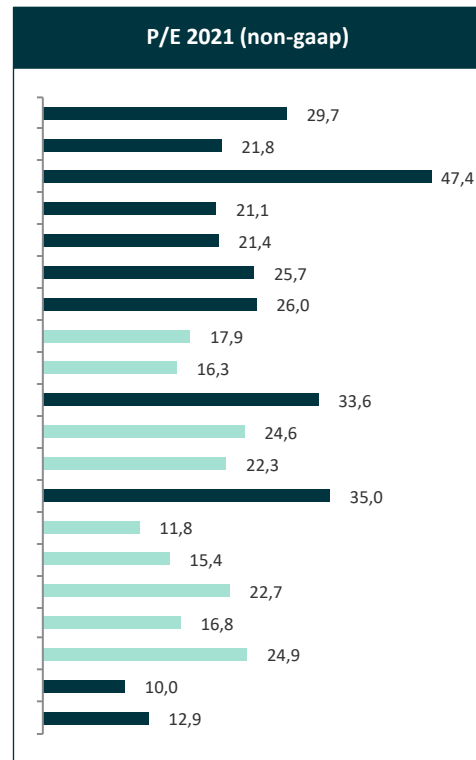
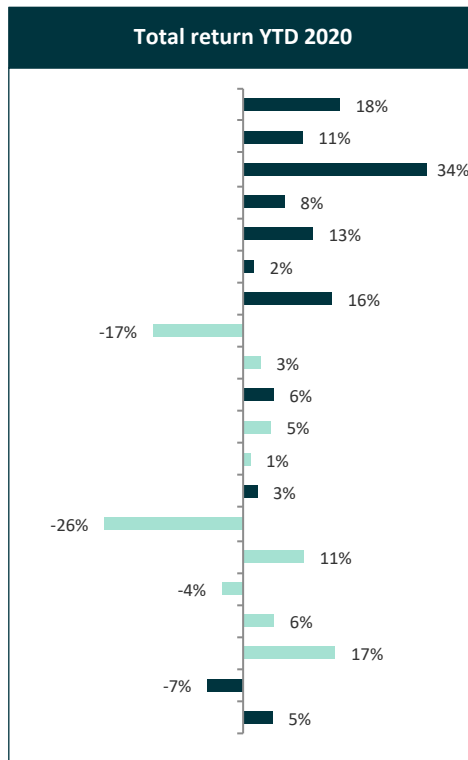


Market cap top 20

High stock price dispersion during the COVID-19 crises

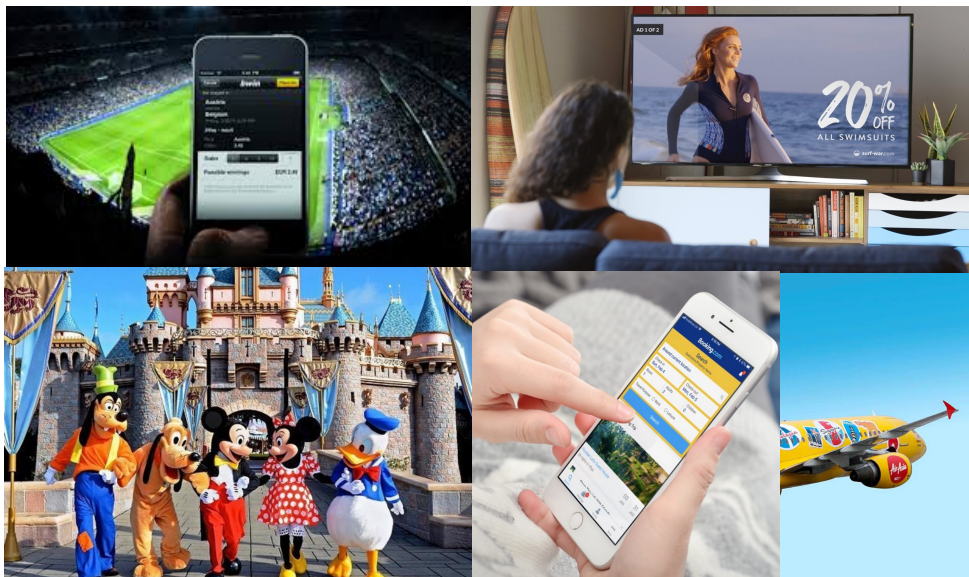


Source: Bloomberg (as at 29 May 2020). All figures in EUR



COVID-19

Negative impacts from COVID-19 crises

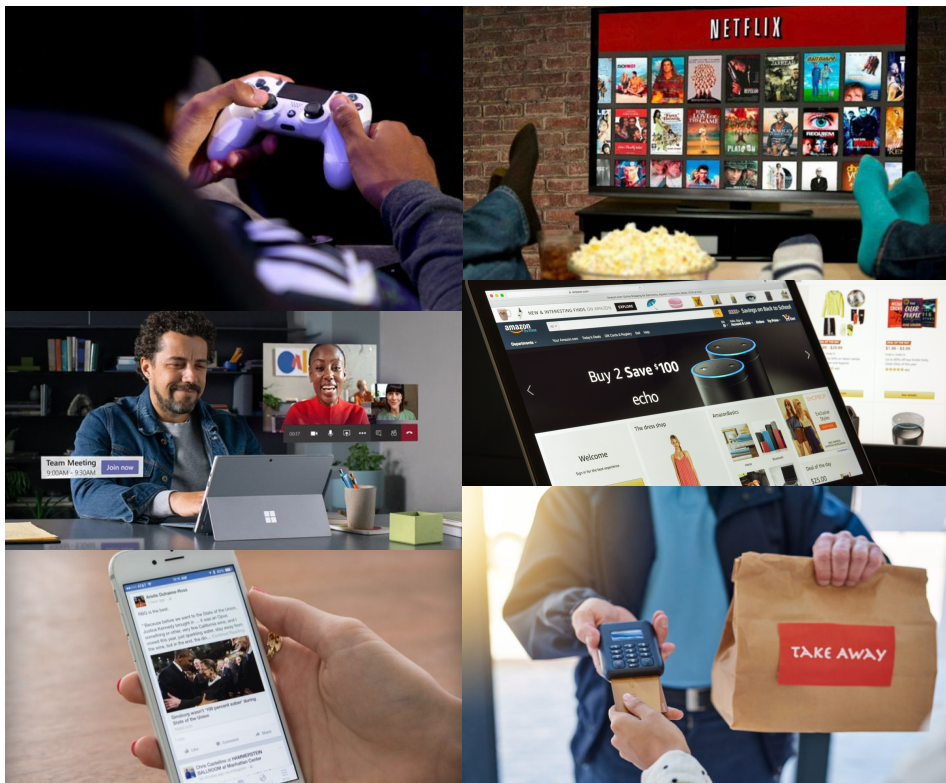


- Collapse in travel
- Sharp drop in advertising
- Closed venues (Sports, Concerts, Adventure parks)
- Online dating/live events/restaurant booking

→ General economic downturn

COVID 19

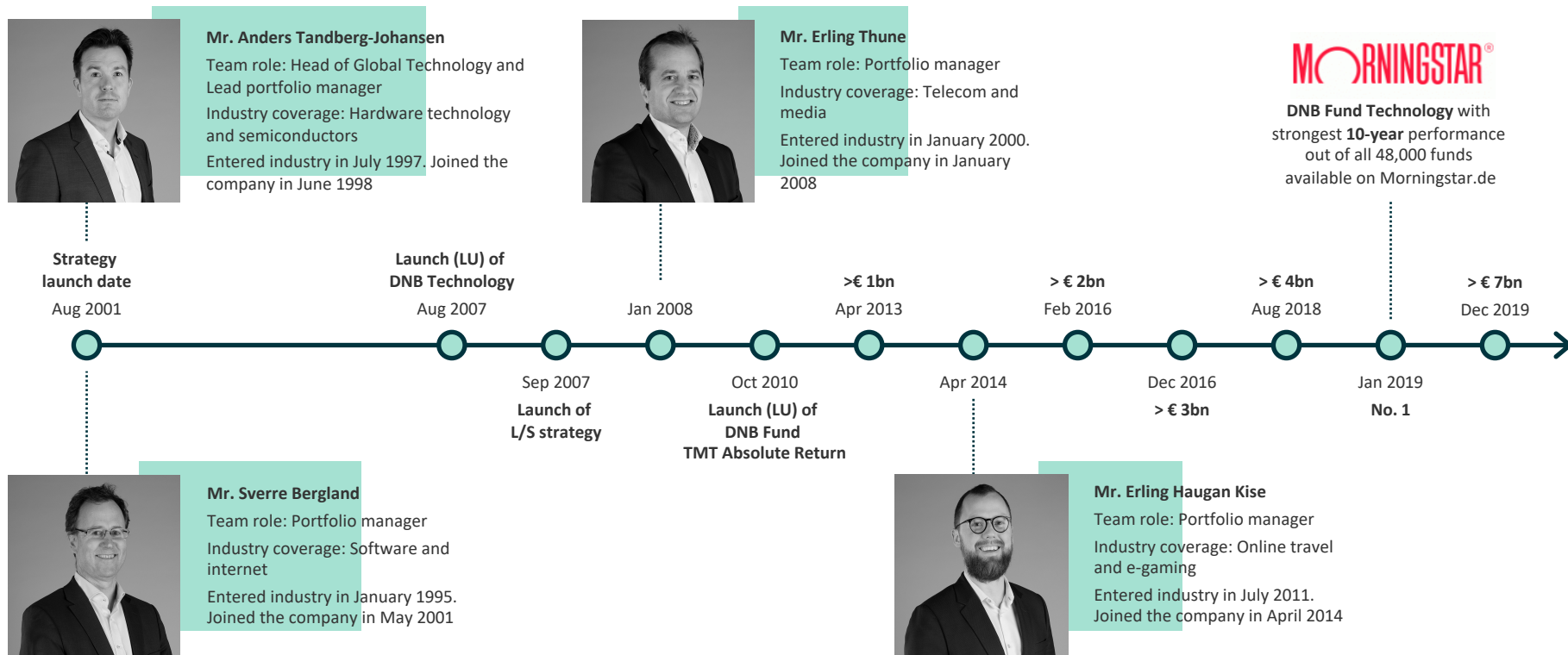
Positive for “Stay-at-home” businesses



- + Home office solutions
- + Gaming
- + Food delivery
- + E-learning
- + Streaming services
- + e-Commerce
- + Videoconferencing
- + Social Networks

DNB Asset Management's technology management team

A highly dedicated and experienced portfolio management team



Stock selection

The portfolio managers' four pillars of stock selection

- Early innings of Internet of things, big data and 5G
- Rapid migration to hybrid and private cloud
- Mature smartphone market
- Consolidation among telecom operators
- Regulation of big tech

- Price/Earnings
- Earnings estimates based on own research and expectations of future growth and margins
- EV/EBITDA, EV/EBIT, EV/Sales when relevant
- Bloomberg, CS Holt Lens and broker research

Themes

Value creation

- Mgmt. track record, remuneration, capital allocation
- Quality of Corporate Governance
- Economy of scale and network effects
- Barriers to entry – threat of substitutes
- Supplier and customer concentration
- Regulatory risk

Valuation

Momentum

- Understanding of risk/reward around events
- Analysing data points from multiple sources
- Analysing stock ownership, short interest.
- Understanding market perceptions behind current share price
- Understanding what it is that other investors are over- or underestimating

Evaluation of ESG risks and opportunities is part of our DNA

Screening and ESG integration

Monitoring and active ownership

Company screening and research

- Ensure company adherence with DNB Standard for Responsible Investments
- Identification of ESG risks and opportunities

Post investment screening and research

- Ongoing monitoring of companies, weekly alerts about changes in ESG scores to PMs.
- Continuous dialogue to ensure ESG integration
- Identification of ESG risks and opportunities

Active ownership

- Proactive and reactive dialogues with companies, as necessary. Often in collaboration with PMs.
- Company voting in line with DNB guidelines for voting.

DNB Technology has currently a strong value tilt compared to peers and benchmark (EV/EBIT & EBIT Growth)

| DNB Technology (AUM: EUR 4.0bn) | | | | Competitor A (AUM: EUR 5.2bn) | | | | Competitor B (AUM: EUR 3.9bn) | | | | Competitor C (AUM: EUR 3.1bn) | | | | Competitor D (EUR 2.9bn) | | | Competitor E (EUR 2.4bn) | | | Competitor F (EUR 2.2bn) | | | Competitor G (EUR 0.8bn) | | | Index | | |
|------------------------------------|----------|-------------|-------------|----------------------------------|----------|-------------|-------------|----------------------------------|----------|-------------|-------------|----------------------------------|----------|-------------|-------------|--------------------------|-------------|-------------|--------------------------|-------------|-------------|--------------------------|-------------|-------------|--------------------------|-------------|-------------|------------|-------------|-------------|
| Stock | Position | '22 EV/EBIT | EBIT-Growth | Stock | Position | '22 EV/EBIT | EBIT-Growth | Stock | Position | '22 EV/EBIT | EBIT-Growth | Stock | Position | '22 EV/EBIT | EBIT-Growth | Top 10 sum | '22 EV/EBIT | EBIT-Growth | Top 10 sum | '22 EV/EBIT | EBIT-Growth | Top 10 sum | '22 EV/EBIT | EBIT-Growth | Top 10 sum | '22 EV/EBIT | EBIT-Growth | Top 10 sum | '22 EV/EBIT | EBIT-Growth |
| Vodafone | 7.9 % | 14.1x | 8 % | Apple | 5.4 % | 14.7x | 7 % | Microsoft | 6.6 % | 19.4x | 11 % | Baidu | 3.9 % | 13.0x | 44 % | 39.7 % | 21.9x | 18 % | 39.7 % | 21.9x | 18 % | 26.4 % | 27.7x | 18 % | 48.6 % | 29.7x | 29 % | 46.1 % | 15.7x | 12 % |
| Facebook | 6.4 % | 13.0x | 22 % | Samsung Elec | 5.3 % | 4.1x | 13 % | Alphabet | 5.2 % | 16.7x | 14 % | Facebook | 3.7 % | 13.0x | 22 % | | | | | | | | | | | | | | | |
| Orange | 6.4 % | 10.7x | 7 % | Alphabet | 4.9 % | 16.7x | 14 % | Apple | 4.7 % | 14.7x | 7 % | Alphabet | 3.6 % | 16.7x | 14 % | | | | | | | | | | | | | | | |
| Deutsche Tele | 6.1 % | 10.9x | 18 % | Microsoft | 4.4 % | 19.4x | 11 % | Alibaba | 4.4 % | 30.0x | 11 % | AT&T | 3.3 % | 11.2x | 4 % | | | | | | | | | | | | | | | |
| Alphabet | 5.4 % | 16.7x | 14 % | KLAC | 4.4 % | 15.2x | 11 % | AMD | 3.8 % | 27.1x | 31 % | Salesforce | 3.3 % | 48.5x | 26 % | | | | | | | | | | | | | | | |
| Capgemini | 4.5 % | 8.7x | 4 % | Western Digi | 3.7 % | 7.0x | 9 % | Amazon | 3.6 % | 34.6x | 40 % | Alibaba | 3.3 % | 30.0x | 11 % | | | | | | | | | | | | | | | |
| Square Enix | 3.8 % | 8.7x | -1 % | Intel | 3.5 % | 11.4x | 8 % | Tencent | 3.3 % | 20.6x | 22 % | Samsung Elec | 3.1 % | 4.1x | 13 % | | | | | | | | | | | | | | | |
| Oracle | 3.5 % | 12.0x | 1 % | IBM | 2.8 % | 12.8x | 9 % | Intel | 2.6 % | 11.4x | 8 % | Tencent | 3.0 % | 20.6x | 22 % | | | | | | | | | | | | | | | |
| Microsoft | 3.4 % | 19.4x | 11 % | Xilinx | 2.8 % | 24.0x | 23 % | Nvidia | 2.2 % | 29.9x | 19 % | Intuit | 2.9 % | 26.0x | 18 % | | | | | | | | | | | | | | | |
| Samsung Elec | 3.2 % | 4.1x | 13 % | SAP | 2.7 % | 18.1x | 11 % | Samsung Elec | 2.0 % | 4.1x | 13 % | Microsoft | 2.9 % | 19.4x | 11 % | | | | | | | | | | | | | | | |
| Sum | 50.6 % | | | Sum | 39.9 % | | | Sum | 38.4 % | | | Sum | 33.0 % | | | | | | | | | | | | | | | | | |
| Median | | 11.4x | 10 % | Median | | 14.9x | 11 % | Median | | 20.0 | 13 % | Median | | 18.1x | 16 % | | | | | | | | | | | | | | | |

Holdings: DNB Technology as of 29.04.2020. Competitor A, B, C and D as of 31.04.2020

Holdings source: Competitor website

AUM source: Morningstar.de

Valuations: Bloomberg as of 30.04.2020. 2022 EV/EBIT based on Bloomberg estimates, prorata adjusted or 2019 stock option expense to sales ratio. Growth refers to 2022 growth in EBIT including stock based compensation. Estimates reflect 2022 calendar year. Blended estimates used for companies with non-December fiscal years

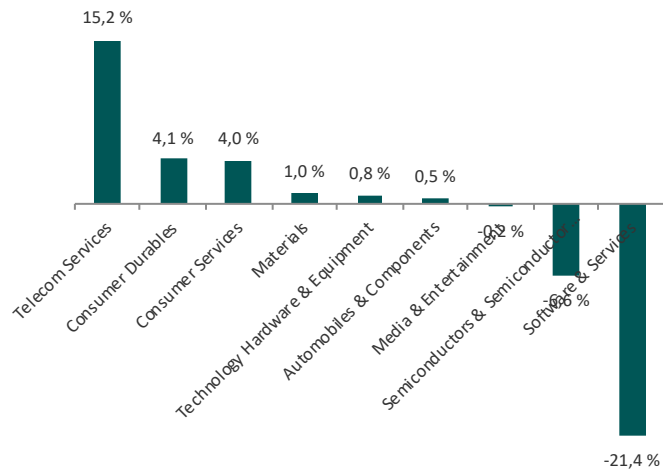
In the long run – a valuation based investment strategy has been successful

| | Style | Factor (US Tech) | YTD 2020 | | Style | Factor (US Tech) | 15 Years | |
|--------|---------------|----------------------------|----------|--------|---------------|----------------------------|----------|--------|
| Growth | Growth | 5Y Net Income CAGR | 21.16 % | Growth | Value | EBITDA/Price LTM | 111.69 % | VALUE |
| | Growth | Sales LQ Gr % (YOY) | 18.07 % | | Value | PORT US Value | 89.56 % | |
| | Revisions | 3M Sales Revision % (FY2) | 17.92 % | | Value | Sales/Price | 89.16 % | |
| | Growth | 1Y Fwd Sales Growth (FY) % | 17.00 % | | Value | EBITDA/EV (BF1Y) | 72.94 % | |
| | Momentum | 5Y Total Return | 15.10 % | | Growth | # Positive Sales Gr Qtrs | 66.59 % | |
| | Growth | # Positive Sales Gr Qtrs | 14.63 % | | Revisions | 3M Sales Revision % (FY1) | 48.84 % | |
| | Profitability | ROE (LTM-5Yr) | 13.77 % | | Revisions | 3M Sales Revision % (FY2) | 41.04 % | |
| | Work Cap | Quick Ratio | 13.61 % | | Volatility | 2Y Beta | 26.54 % | |
| | Surprises | # Pos Sales Surprises (Q) | 13.46 % | | Value | Sales/Price (FY2) | 21.57 % | |
| | Profitability | Net Profit Margin % (BF1Y) | 13.03 % | | Value | Sales/Price (FY1) | 15.82 % | |
| VALUE | Growth | Prior Sales Growth % | 12.93 % | VALUE | Leverage | PORT US Leverage | 14.23 % | Growth |
| | Work Cap | Cash to Assets | 12.06 % | | Value | EBITDA/Price (BF1Y) | 10.31 % | |
| | Revisions | 3M Sales Revision % (FY1) | 11.96 % | | Growth | Prior Sales Growth % | 9.54 % | |
| | Growth | PORT US Growth | 11.43 % | | Value | Sales/Price (BF1Y) | 6.12 % | |
| | Surprises | Sales Surprise % (Last) | 11.04 % | | Leverage | Net Debt/EBITDA LTM | 0.28 % | |
| | Volatility | 90 Day Beta | (10.27)% | | Growth | Sales LQ Gr % (YOY) | (1.49)% | |
| | Work Cap | Inventory to Sales | (10.35)% | | Value | Book Value to Price | (4.82)% | |
| | Dispersion | Rev Est Dispersion (FQ2) | (10.95)% | | Growth | 5Y Net Income CAGR | (10.01)% | |
| | Value | PORT US Value | (11.52)% | | Work Cap | Cash to Assets | (11.85)% | |
| | Volatility | 1Y Volatility | (11.61)% | | Profitability | Net Profit Margin % (BF1Y) | (17.73)% | |
| | Dispersion | Rev Est Dispersion (FY2) | (11.63)% | | Volatility | 1M Volatility | (18.56)% | |
| | Volatility | 2Y Beta | (13.69)% | | Volatility | 90 Day Beta | (20.29)% | |
| | Volatility | 1M Volatility | (14.01)% | | Leverage | Net Debt to Equity | (20.67)% | |
| | Value | EBITDA/Price LTM | (14.04)% | | Growth | PORT US Growth | (23.20)% | |
| | Volatility | 3M Implied Volatility | (15.27)% | | Growth | 1Y Fwd Sales Growth (FY) % | (26.57)% | |
| | Leverage | Net Debt to Equity | (15.36)% | | Profitability | ROE (LTM-5Yr) | (29.70)% | |
| | Value | Book Value to Price | (15.57)% | | Dispersion | Rev Est Dispersion (FY2) | (38.53)% | |
| | Value | EBITDA/EV (BF1Y) | (17.12)% | | Momentum | 5Y Total Return | (38.54)% | |
| | Leverage | PORT US Leverage | (18.22)% | | Volatility | 3M Implied Volatility | (44.16)% | |
| | Value | EBITDA/Price (BF1Y) | (21.20)% | | Work Cap | Inventory to Sales | (48.35)% | |
| | Leverage | Net Debt/EBITDA LTM | (23.31)% | | Work Cap | Quick Ratio | (51.17)% | |
| | Value | Sales/Price | (26.70)% | | Volatility | 1Y Volatility | (57.95)% | |
| | Value | Sales/Price (FY1) | (27.90)% | | Dispersion | Rev Est Dispersion (FQ2) | (74.22)% | |
| | Value | Sales/Price (FY2) | (27.97)% | | | | | |
| | Value | Sales/Price (BF1Y) | (29.60)% | | | | | |
| | | | | | | | | |

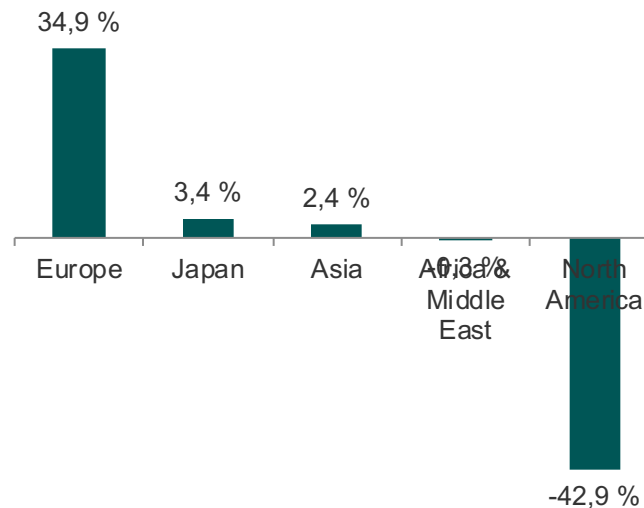
Source: Bloomberg (as at 6 April 2020).

We are underweight Software & overweight Telecom Services

Over/Underweight Industry Group



Over/Underweight Region



Source: DNB Worldport – May 2nd 2020

Portfolio holdings and portfolio bets in DNB Fund Technology

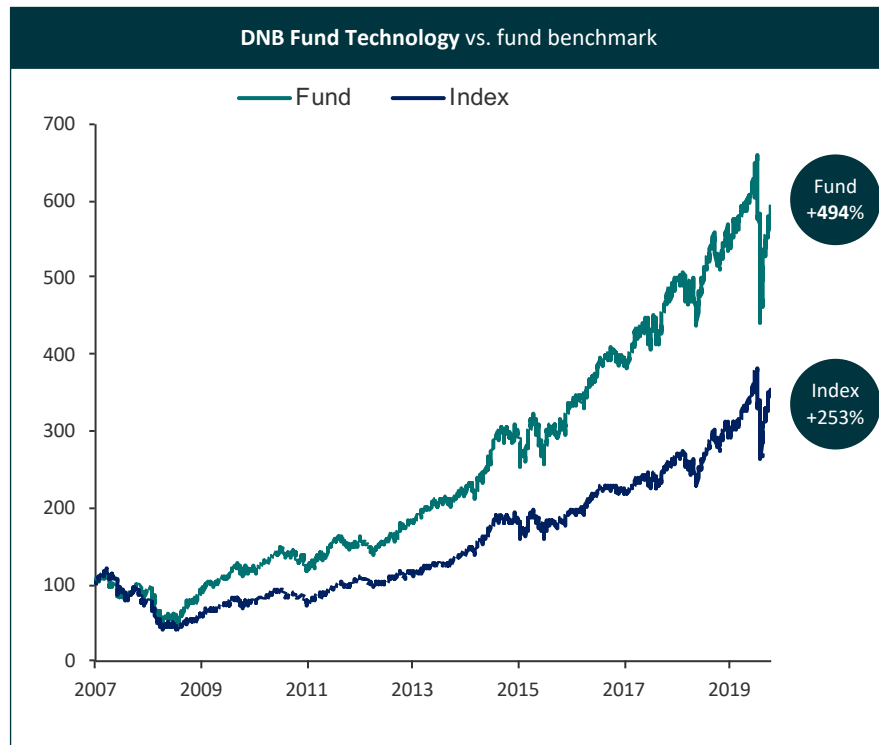
Top 10 holdings constitute ~54 % of the fund portfolio

| Top 10 holdings | Holding | Biggest overweight bets | Por. bet | Biggest underweight bets | Por. bet |
|-----------------------------------|---------|-----------------------------------|----------|--------------------------|----------|
| Vodafone Group Plc | 8.72 % | Vodafone Group Plc | 8.34 % | Apple Inc | -12.10 % |
| Facebook Inc | 7.43 % | Deutsche Telekom Ag | 6.05 % | Microsoft Corp | -7.06 % |
| Deutsche Telekom Ag | 6.51 % | Orange Sa | 6.04 % | Alphabet Inc - C | -3.75 % |
| Orange Sa | 6.25 % | Capgemini SE | 4.64 % | Visa Inc | -2.85 % |
| Alphabet Inc - A | 5.56 % | Square Enix Holdings Co Ltd | 3.91 % | Mastercard Inc | -2.32 % |
| Capgemini SE | 4.78 % | Telefonaktiebolaget Lm Ericsson B | 2.84 % | AT&T Inc | -1.94 % |
| Microsoft Corp | 4.18 % | Samsung Electronics Co Ltd GDR | 2.81 % | Walt Disney Co/The | -1.80 % |
| Square Enix Holdings Co Ltd | 3.95 % | Facebook Inc | 2.78 % | Nvidia Corp | -1.69 % |
| Oracle Corp | 3.24 % | Arrow Electronics Inc | 2.76 % | Adobe Inc | -1.57 % |
| Telefonaktiebolaget Lm Ericsson B | 3.08 % | Vishay Intertechnology Inc | 2.43 % | Netflix Inc | -1.55 % |
| | 53.69 % | | | | |

Source: DNB Asset Management AS, (as at 29 May 2020)

DNB Fund Technology

Outperformance since 2007

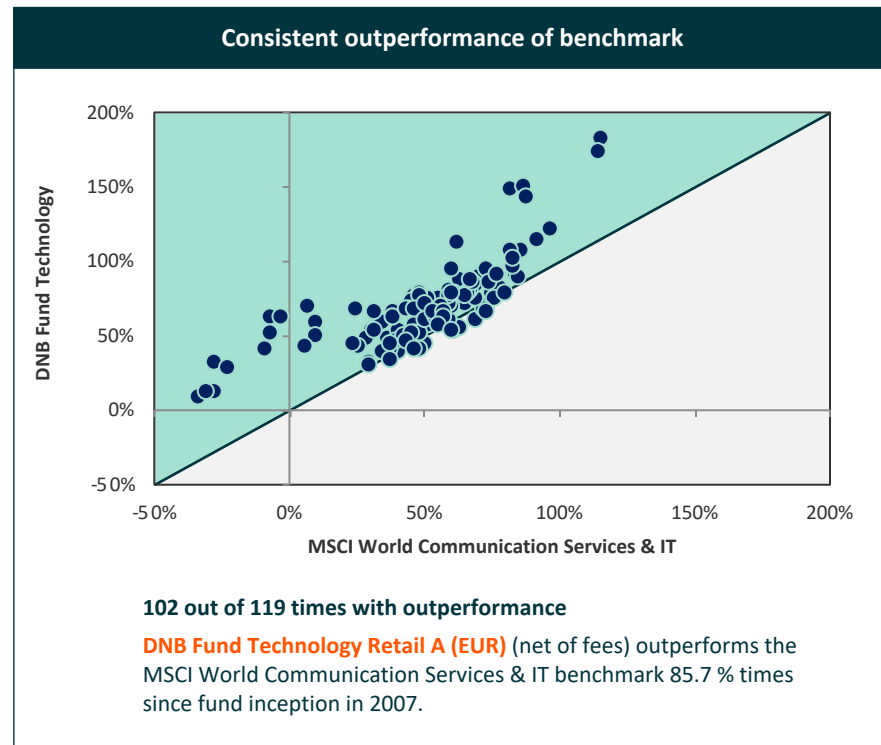


Source: DNB Asset Management AS (29 May 2020)

Fund benchmark: Inception – 29 October 2010; ABG TMT Nordic Index (TMT) | 29 Oct 2010 – 01 Jan 2019:

Custom TMT index (22% MSCI Telecom, 66% MSCI Technology, and 12% MSCI Media) | 18 Dec 2019 – present: MSCI World Communication Services and IT

The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured, you could lose some or all of your invested money



Source: DNB Asset Management (31 December 2019). Fund and index net of fees 3-year rolling monthly returns.

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