

CASTLESTONE  
MANAGEMENT



AQA  
CAPITAL



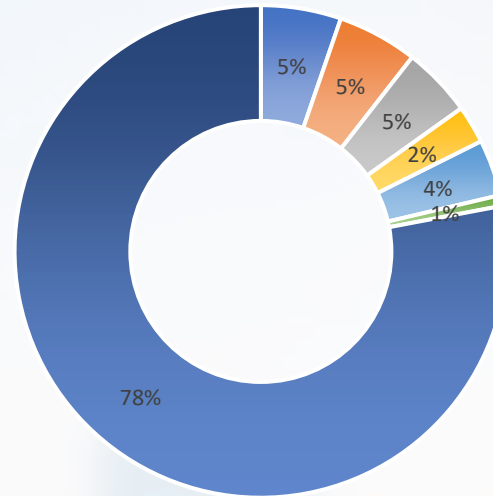
FAANG+

Castlestone FAANG+ UCITS Funds  
Q2 2020

## FAANG+ holdings in S&P 500 & MSCI EM Index

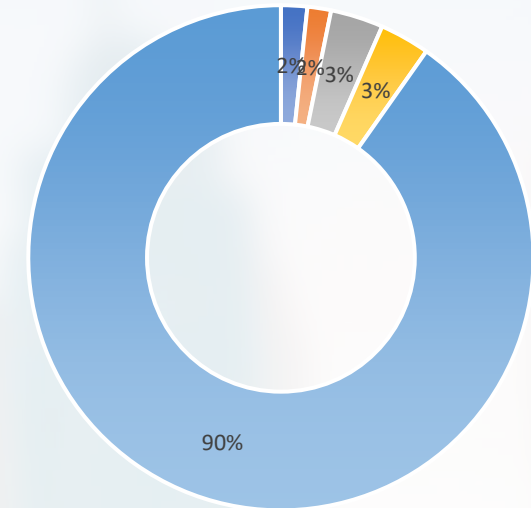
### S&P 500 Index Weighting 22%

- The popularity of Index funds and ETF's has increased in recent years.
- FAANG+ represent approximately 22% of the S&P and 10% of the MSCI Emerging Markets Index. So approximately \$22 of every \$100 dollars added to the S&P and approximately \$10 of every \$100 dollars in the MSCI EM Index, goes into FAANG+ Stocks.
- FAANG+ represent approximately 13% of world equity exposure: Of every \$100 invested into tracker global equity funds, approx. \$13 is invested into FAANG+ stocks



■ Apple 5%  
 ■ Microsoft 5%  
 ■ Amazon 5%  
 ■ Facebook 2%  
 ■ Google 4%  
 ■ Netflix 1%  
 ■ Rest of the Market 78%

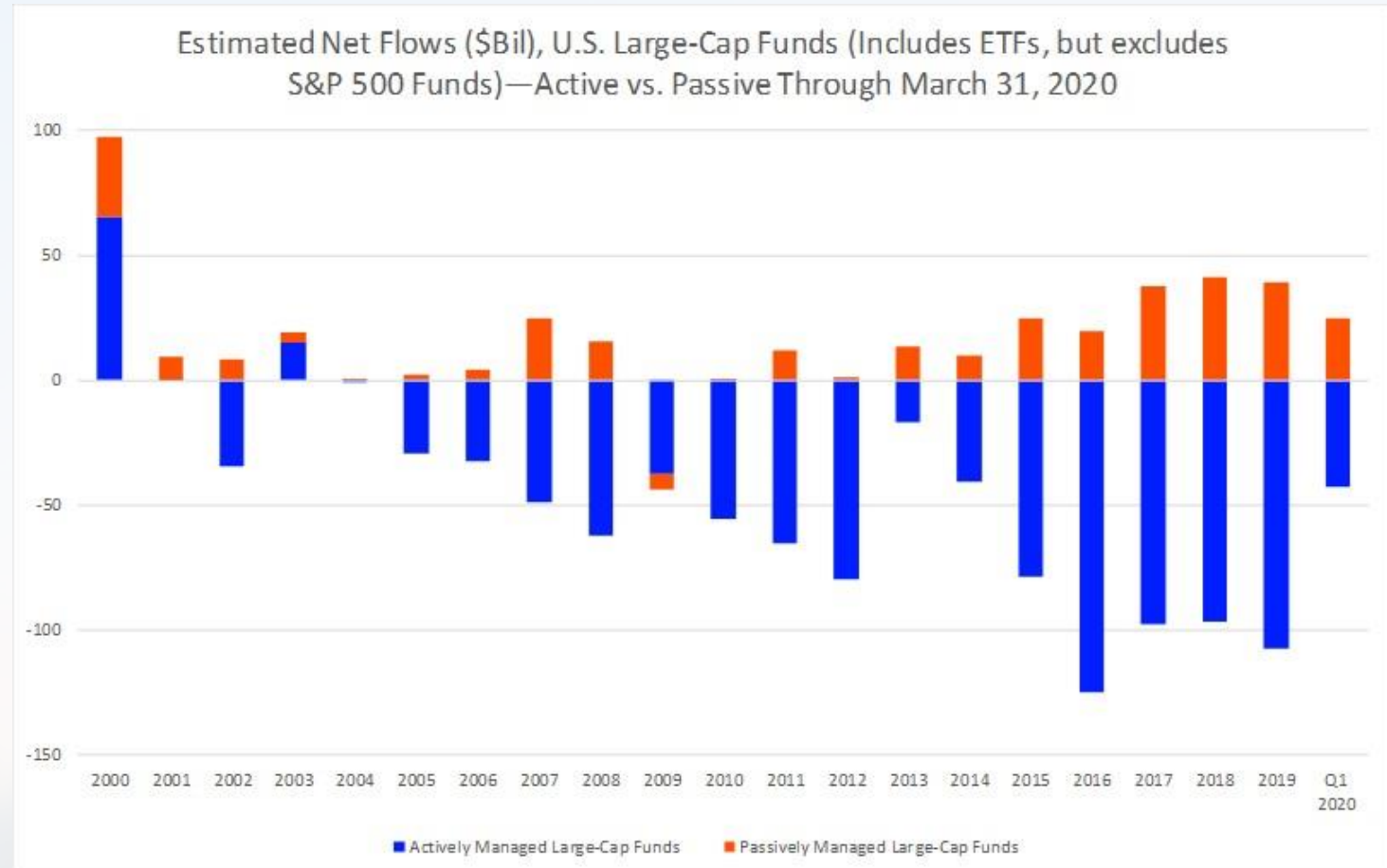
### MSCI EM Index Weighting 10%



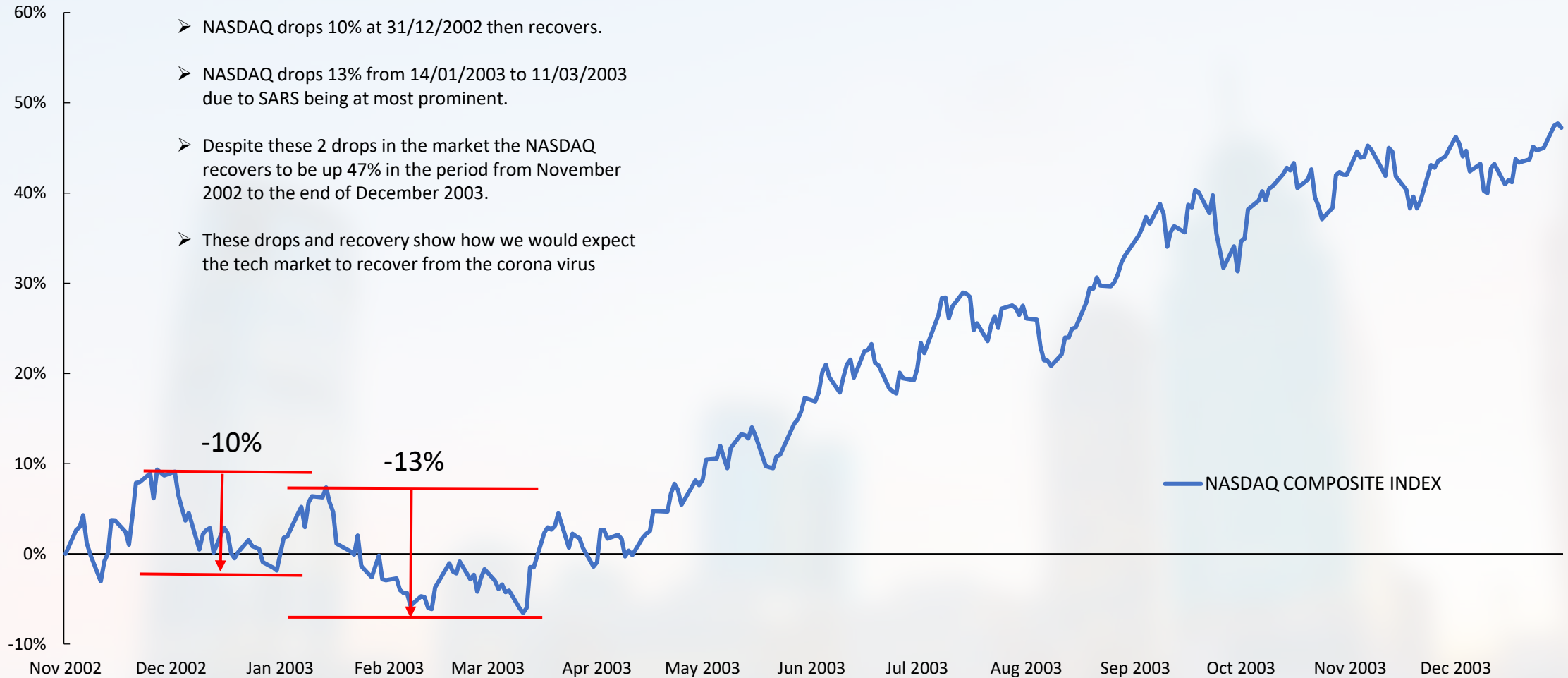
■ Taiwan 2%  
 ■ Samsung 2%  
 ■ Alibaba 3%  
 ■ Tencent 3%  
 ■ Rest of the Market 90%

## Changes in Active and Passive Managed Funds

- Passively managed funds have closed the gap and will likely surpass actively managed funds.
- Inflows/allocation to Passive & Index Funds have increased from 22% in 2006, to 47.7% in 2018
- This shift to passive management will likely add to the amount of money flowing into Index funds.



## NASDAQ SARS market reaction



Source: Data sourced from Bloomberg chart by Castlestone Management

Note: Past performance cannot be relied on as a guide to future performance.

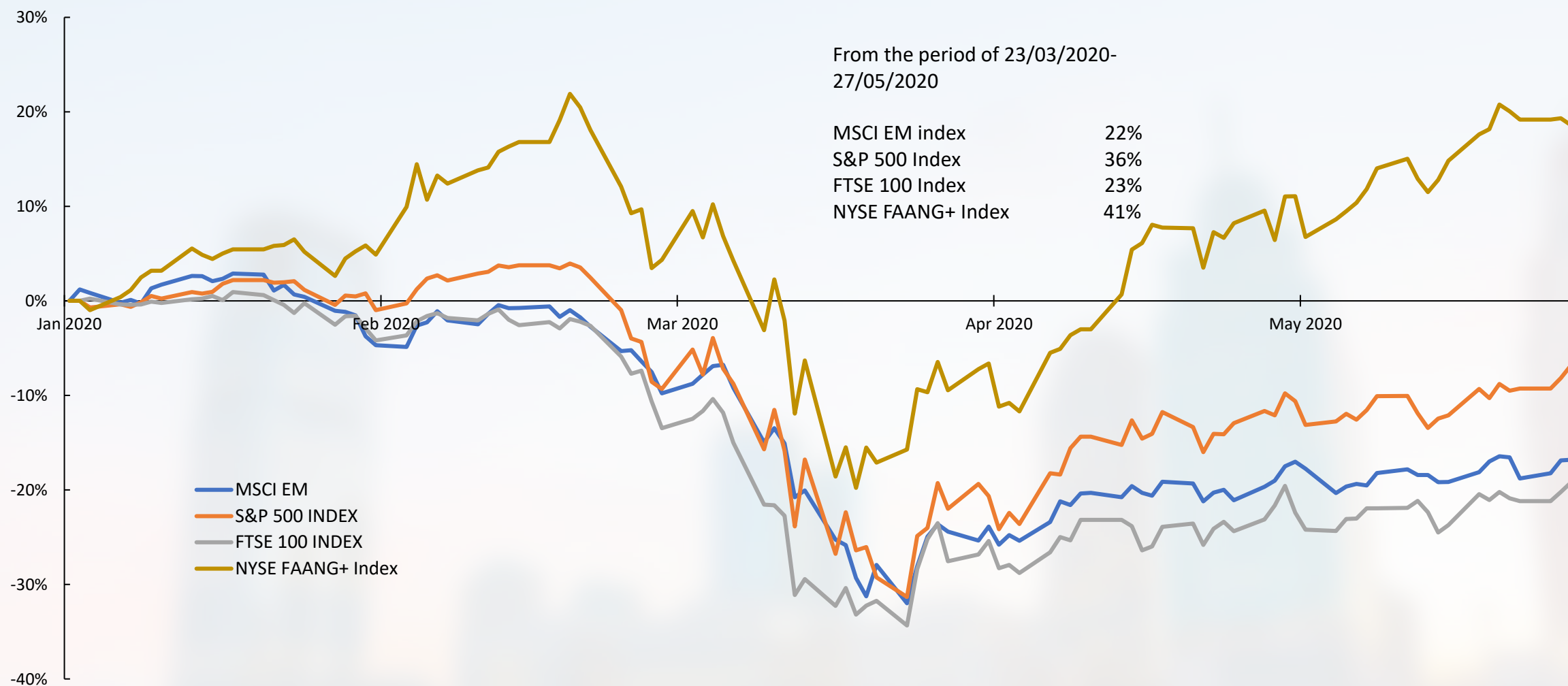


## 10 Year Treasury Rate, SARS and Coronavirus comparison

- Equity markets pulled back as the SARS virus spread (slide 4)
- Treasury yields during the 2002/2003 time frame were in the 4% range.
- Treasury yields currently are lower than 1%. (coronaviral flight to safety).
- As equity markets fall during the current coronavirus crisis investors have a far less attractive yield to shift into.
- In other words, the real return is better in equities than bonds



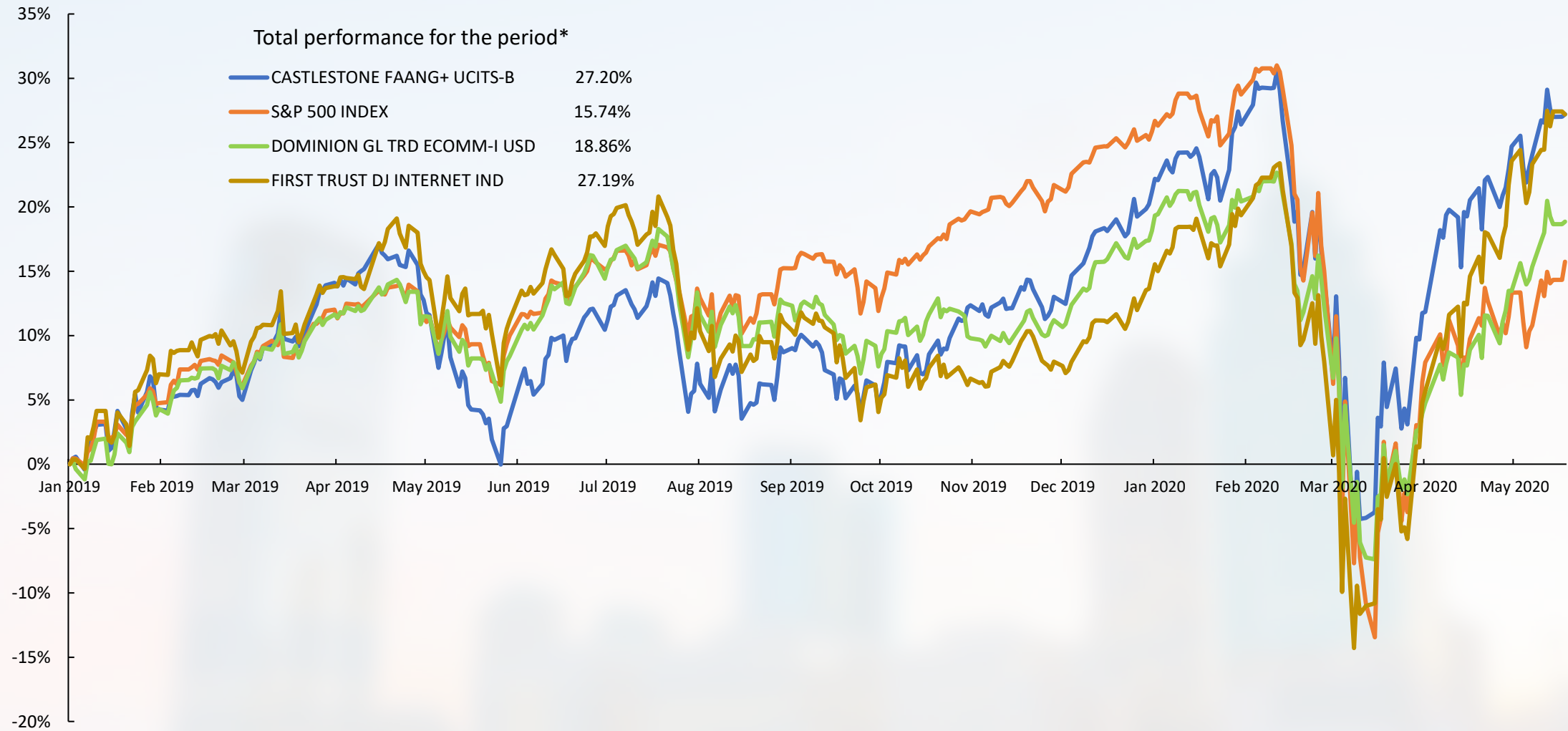
## FAANG+ Stocks Bounceback Faster



Source: Data sourced from Bloomberg 01/01/2020 to 27/05/2020\*. Chart by Castlestone Management

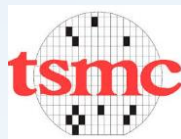
Note: Past performance cannot be relied on as a guide to future performance.

## Castlestone FAANG+ UCITs Performance Since Inception



Source: Data sourced from Bloomberg 09/01/2019 to 26/05/2020\*. Chart by Castlestone Management

Note: Past performance cannot be relied on as a guide to future performance.



#### ➤ Cloud

Microsoft and IBM are established leaders in the cloud space. During lockdown due to Covid-19 the use of technology such as Teams and Zoom have only strengthened tech companies' positions.

#### ➤ Advertising

Google is the leading search engine with a controlling position in advertising.

#### ➤ Entertainment

Netflix is changing the way people view TV and movies. With more people currently staying at home their subscriptions have rapidly increased.

#### ➤ Social Collaboration

FB and Twitter are dominant in the social media space, while there may be challengers to this in the future their presence is very important, especially with social distancing measure in place.

#### ➤ Shared Economy

Tesla is the leader in electric vehicles

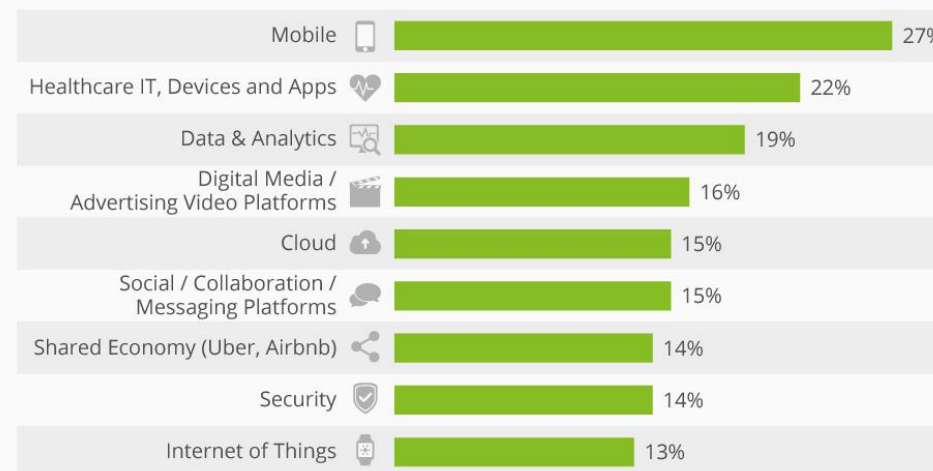
#### ➤ Internet of Things

Every company, with the exception of Mastercard, Visa and Tesla, derive an important revenue stream from the Internet.



### The Biggest Growth Drivers in the Tech Industry

Expected revenue growth drivers over the next 24 months (% of respondents)



Based on a survey of 111 tech industry executives in the United States  
Source: KPMG



facebook



NETFLIX



## May 2020 FAANG+ Portfolio

Ticker	Name	% Holdings	Dividend Net Yield	Mkt Cap Billions \$	Industry Sector	Country	Subgroup Sector	Return
AMZN US Equity	AMAZON.COM INC	7.93	0.00	\$1,202.24	Communications	US	Internet & Direct Marketing Re	0.00%
BABA US Equity	ALIBABA GROUP HOLDING-SP ADR	4.00	0.00	\$539.71	Communications	CN	Internet & Direct Marketing Re	0.00%
BIDU US Equity	BAIDU INC - SPON ADR	3.99	0.00	\$37.30	Communications	CN	Interactive Media & Services	0.00%
CSCO US Equity	CISCO SYSTEMS INC	2.02	3.13	\$194.06	Communications	US	Communications Equipment	3.13%
EBAY US Equity	EBAY INC	2.00	1.45	\$31.02	Communications	US	Internet & Direct Marketing Re	1.45%
FB US Equity	FACEBOOK INC-CLASS A	7.89	0.00	\$652.84	Communications	US	Interactive Media & Services	0.00%
JD US Equity	JD.COM INC-ADR	2.02	0.00	\$76.60	Communications	CN	Internet & Direct Marketing Re	0.00%
NFLX US Equity	NETFLIX INC	8.06	0.00	\$184.67	Communications	US	Movies & Entertainment	0.00%
SNAP US Equity	SNAP INC - A	1.99	0.00	\$24.57	Communications	US	Interactive Media & Services	0.00%
TCEHY US Equity	TENCENT HOLDINGS LTD-UNS ADR	1.98	0.29	\$511.86	Communications	CN	Interactive Media & Services	0.29%
TWTR US Equity	TWITTER INC	3.98	0.00	\$25.95	Communications	US	Interactive Media & Services	0.00%
<b>Total Communications</b>		<b>45.85</b>						
TSLA US Equity	TESLA INC	4.00	0.00	\$152.16	Consumer Discretionary	US	Automobile Manufacturers	0.00%
<b>Total Consumer Discretionary</b>		<b>4.00</b>						
MA US Equity	MASTERCARD INC - A	2.00	0.53	\$300.89	Financials	US	Data Processing & Outsourced S	0.53%
V US Equity	VISA INC-CLASS A SHARES	1.98	0.62	\$374.75	Financials	US	Data Processing & Outsourced S	0.62%
WDI GY Equity	WIRECARD AG	1.81	0.22	\$11.03	Financials	DE	Data Processing & Outsourced S	0.22%
<b>Total Financials</b>		<b>5.80</b>						
AAPL US Equity	APPLE INC	7.81	1.03	\$1,378.80	Technology	US	Technology Hardware, Storage &	1.03%
AKAM US Equity	AKAMAI TECHNOLOGIES INC	2.01	0.00	\$16.22	Technology	US	Internet Services & Infrastruc	0.00%
AVGO US Equity	BROADCOM INC	2.02	4.52	\$114.98	Technology	US	Semiconductors	4.52%
CTXS US Equity	CITRIX SYSTEMS INC	2.01	1.01	\$17.19	Technology	US	Application Software	1.01%
GOOG US Equity	ALPHABET INC-CL C	7.89	0.00	\$968.63	Technology	US	Interactive Media & Services	0.00%
IBM US Equity	INTL BUSINESS MACHINES CORP	1.99	5.19	\$111.47	Technology	US	IT Consulting & Other Services	5.19%
INTC US Equity	INTEL CORP	2.02	2.08	\$269.11	Technology	US	Semiconductors	2.08%
MSFT US Equity	MICROSOFT CORP	4.52	1.12	\$1,378.75	Technology	US	Systems Software	1.12%
NVDA US Equity	NVIDIA CORP	4.12	0.19	\$209.72	Technology	US	Semiconductors	0.19%
ORCL US Equity	ORACLE CORP	1.99	1.80	\$167.77	Technology	US	Systems Software	1.80%
SMSN LI Equity	SAMSUNG ELECTR-GDR REG S	1.97	2.85	\$241.90	Technology	KR	Technology Hardware, Storage &	2.85%
TSM US Equity	TAIWAN SEMICONDUCTOR-SP ADR	2.00	3.23	\$268.33	Technology	TW	Semiconductors	3.23%
TXN US Equity	TEXAS INSTRUMENTS INC	2.00	3.06	\$108.13	Technology	US	Semiconductors	3.06%
VRSN US Equity	VERISIGN INC	2.00	0.00	\$24.26	Technology	US	Internet Services & Infrastruc	0.00%
<b>Total Technology</b>		<b>44.35</b>						
<b>TOTAL</b>		<b>100%</b>	<b>1.07</b>					<b>1.07%</b>

Source: Data sourced from Bloomberg as of 27/05/2020. Table by Castlestone Management.

Note: Past performance cannot be relied on as a guide to future performance.



#### Fund Overview

- AQA UCITS Fund SICAV plc is licensed in Malta by the Malta Financial Services Authority ("MFSA") as an undertaking for collective investment in transferable securities (UCITS) (the "Scheme").
- FAANG+ UCITS Fund is a sub-fund within AQA UCITS Fund SICAV plc (the "Fund").
- The Scheme and the Fund are managed by AQA Capital Ltd., a Maltese UCITS Management Company licensed by the MFSA (the "Manager").
- Castlestone Management LLC provides advice in relation to the investments to be made by the Manager in respect of the Fund.

#### What is FAANG?

- Facebook, Apple, Amazon, Netflix, Google. Each of the FAANG stocks is included in the S&P 500 Index. Since the S&P 500 is a broad representation of the market, the movement of the market mirrors the movement of the index. Together, the FAANGs make up appx. 17% of the S&P, which has a total of 500 of the largest companies trading on the NYSE and NASDAQ. Adding Microsoft to the FAANGs represents appx. 22% of the S&P 500 Index.

#### What is "+"?

- The next major tech names in developed and emerging markets: Samsung, Taiwan Semiconductor, Tencent, Baidu and Alibaba etc.

#### Investment Objective

- The Fund will focus on US *and* global tech companies. The Fund will have no leverage and only hold exchange traded equities diversified under 5/10/40 rules of UCITS. The fund will also have the ability to use an option strategy targeting premium income from selling covered call options against the underlying holdings.

#### Why own FAANG+ stocks?

- FAANG+ stocks are some of the most popular and attractive stocks to own and should be considered in a portfolio due to their high growth potential. 22% of all money going into tracker funds of the S&P 500 Index, MSCI EM Index and ETF's related to them both are allocated to FAANG+ stocks.

# Disclaimer

Note: **Disclaimer: This document is intended for and directed at investment professionals and not intended for retail customers. Persons who do not have professional experience in matters relating to investment should not rely on this document.**

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