



Volume Analysis

INCREASED USE OF  
TECHNOLOGY AS  
PEOPLE WORK FROM  
HOME PERMANENTLY

GOLDEN CROSS ON THE DOW  
JONES GIVES UPSIDE OF 14%



TECHNOLOGY  
STOCKS ARE  
THEIR OWN  
ASSET CLASS.  
GOLDEN CROSS  
UPSIDE 14%.

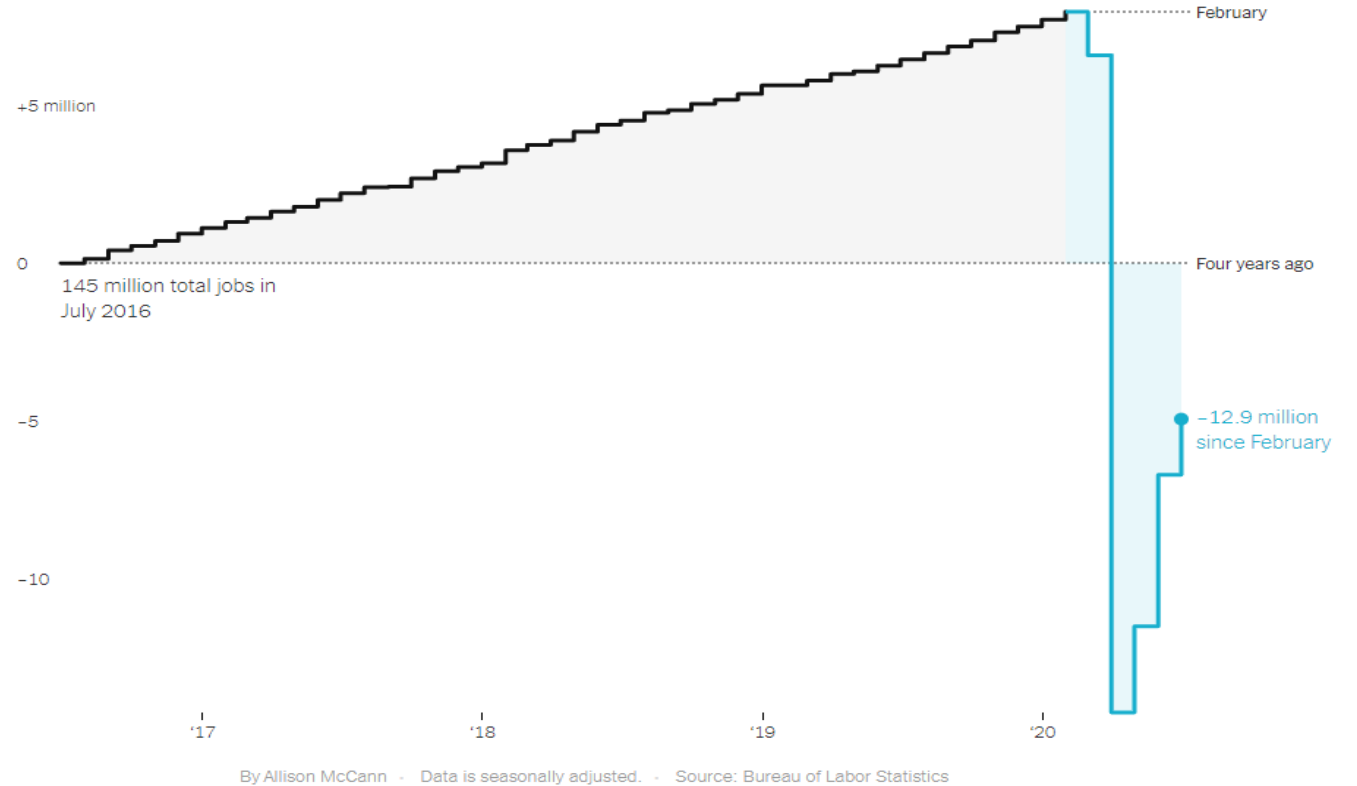
- ✓ Economic Numbers will continue to improve – it will be slower than expected and bumpy .... but it will improve! Employment rose in July 2020.
- ✓ More people will work from home – this will only increase the use of Technology. Microsoft teams is up 894%. Slack up 395%. Netflix added 10.09m subscribers.
- ✓ Technology companies have higher margins; stronger sales growth and higher EPS growth. This will continue.
- ✓ S&P 500 is not expensive. Interest rates are going to remain close to zero for many years. 10 yr Bond is 0.56% in the US.
- ✓ Dow Jones passed Golden Cross in August 2020. Upside 14%.
- ✓ Secondary Market Corporate Credit Facility will be used to support the S&P 500. It's the "Fed Put" of investments.

UNITED STATES  
ADDED 1.8  
MILLION JOBS  
IN JULY 2020  
DESPITE THE  
COVID-19  
SURGE

## US Jobs Picture Continues to Improve

### Jobs remain far below pre-pandemic levels

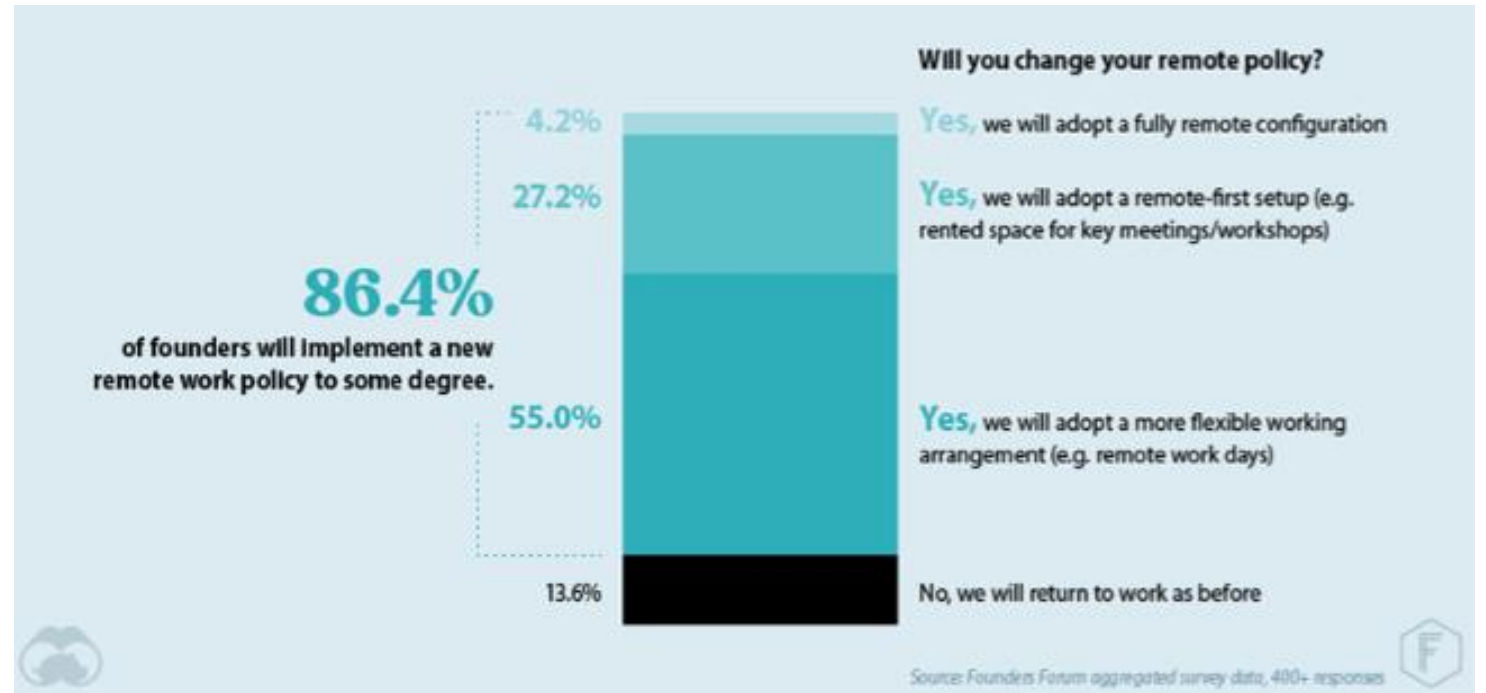
Cumulative change in jobs since July 2016



- ✓ The employment rates are continuing to recover.
- ✓ People will continue to go back to work as the country re-opens.

MORE PEOPLE  
WILL BE  
WORKING  
FROM HOME  
(INCREASED USE OF  
TECHNOLOGY)

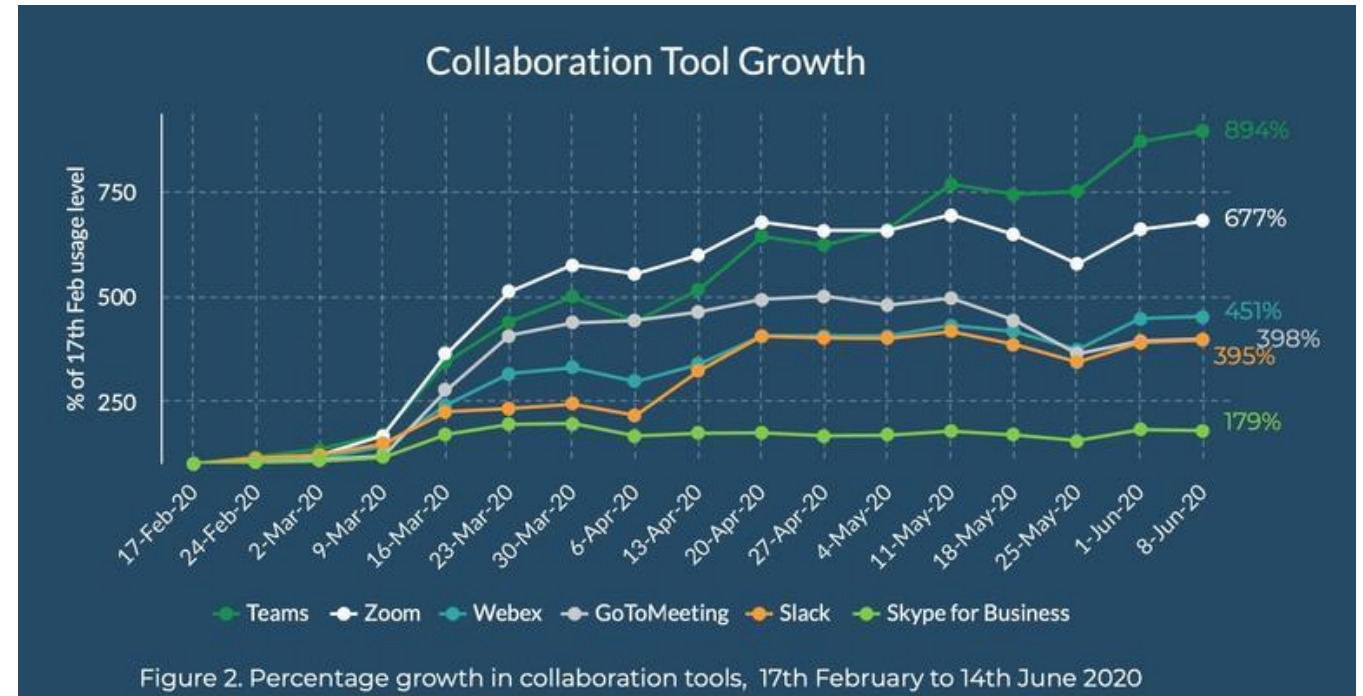
## Working From Home Has Become the New Normal



- ✓ Companies are realising the benefits of employees working from home.

GROWTH IN THE  
USE OF  
COLLABORATION  
TOOLS.  
MICROSOFT  
TEAMS UP 894%  
(TEAMS, SLACK,  
SKYPE, ZOOM)

## Technology is the Clear Winner as People Work From Home

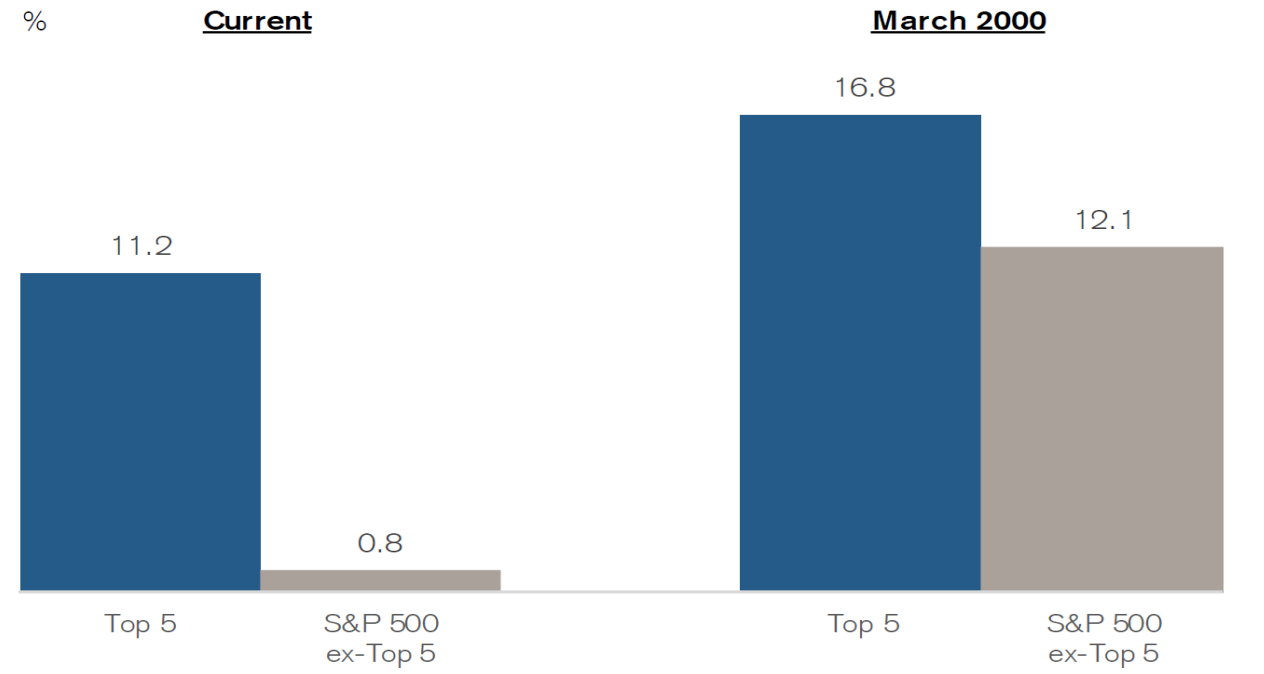


- ✓ Despite some travel restrictions being lifted the use of technology in the workplace continues to rise higher than ever.
- ✓ The necessity of having to work from home has opened company's eyes to the benefits of an increased use of technology in the work place.
- ✓ This will continue to be beneficial even as infections start to ease, and therefore we would not expect to see a decrease in technology usage.

TECHNOLOGY  
HAS SEEN  
SALES GROWTH  
AT 11.2% VS  
S&P 500 AT  
ONLY 0.8%

## Technology See Larger Increase's In Sales Growth

**Figure 2: Sales Growth (Trailing 12-Month)**



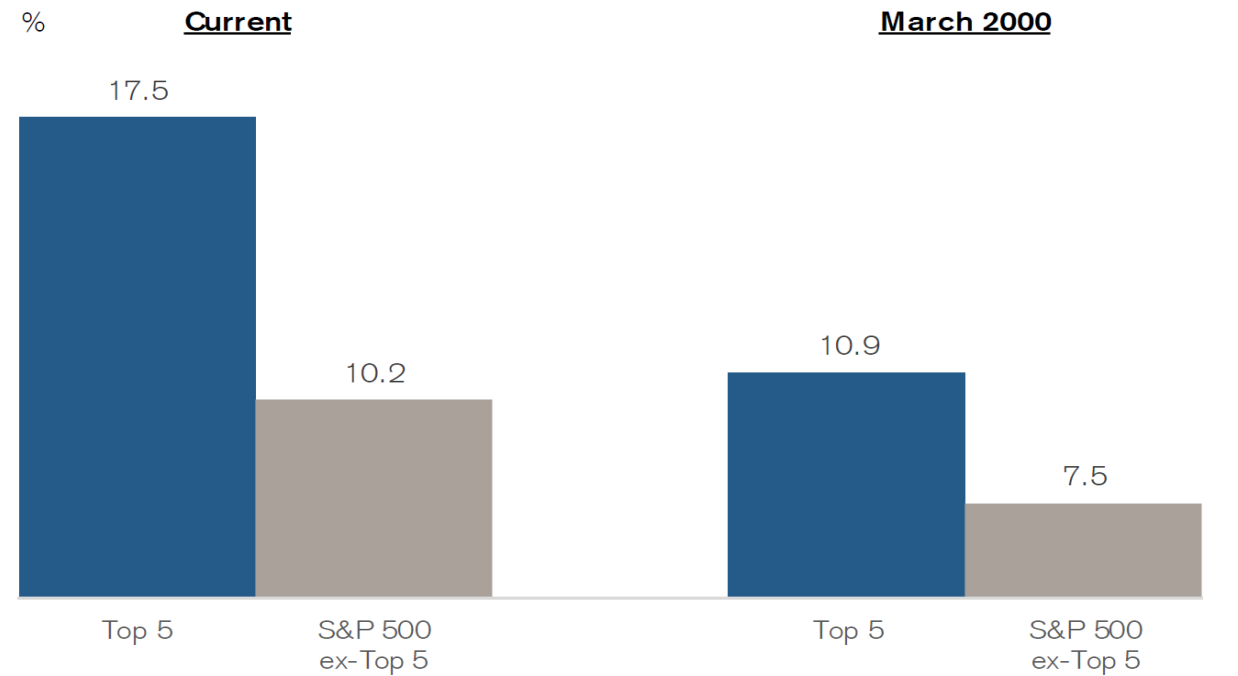
Source: Standard & Poor's, Thomson Financial, FactSet and Credit Suisse

- ✓ Technology has clearly been the least affected of all the S&P 500 sectors in terms of sales growth as we continue to stay at home for work and entertainment.
- ✓ FAANG (Top 5) stock sales are far outpacing the other 495 stocks in the S&P.

TECHNOLOGY'S  
PROFIT  
MARGINS ARE  
MUCH BETTER

## Technology Company's Boast Larger Profit Margins

Figure 4: Net Margins (Trailing 12-Month)



Source: Standard & Poor's, Thomson Financial, FactSet and Credit Suisse

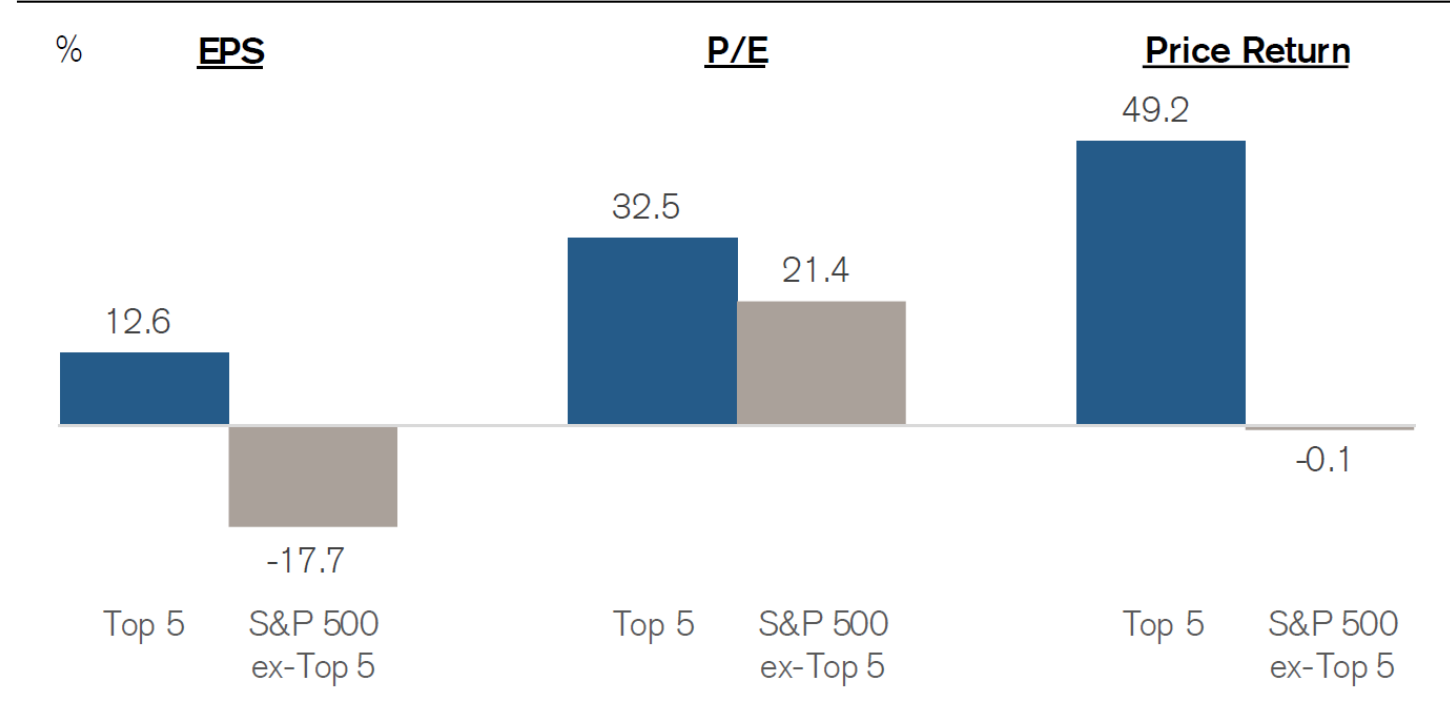
- ✓ Technology company's profit margins are higher than the remainder of the S&P 500. This will allow them to invest more of their profits into new ideas to help them grow.
- ✓ These margins have improved over the last 20 years.



TECHNOLOGY  
COMPANIES  
HAVE  
INCREASED EPS  
BY 12.6% VS.  
S&P500  
FALLING BY  
17.7%

## Technology Earnings Outpace Broader Market

**Figure 1: YoY Contribution of EPS and P/E to Returns**



Source: Standard & Poor's, Thomson Financial, FactSet and Credit Suisse

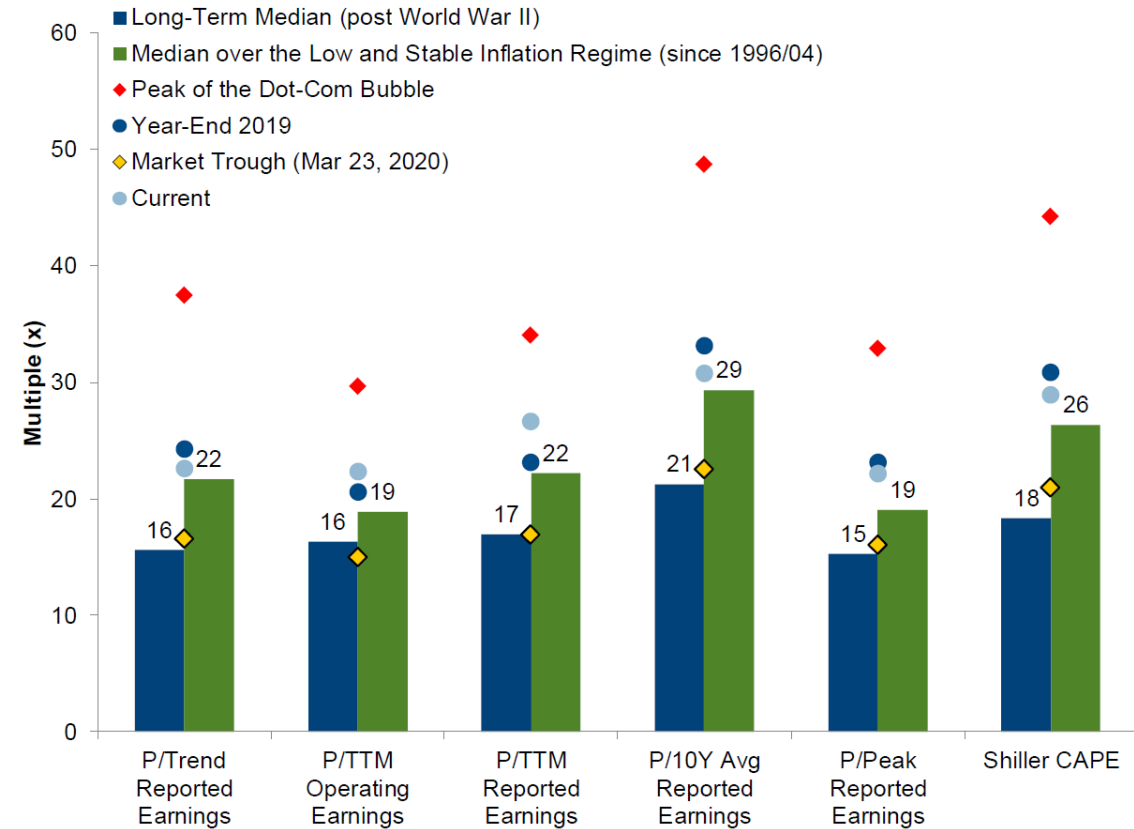
- ✓ These figures show how the technology company's Have remained very strong throughout an unprecedented period of economic activity.



# US STOCKS ARE NOT EXPENSIVE

(LONG TERM COMPARISONS ARE  
ONLY SLIGHTLY HIGHER THAN  
MEDIAN SINCE WORLD WAR 2)

## 12. S&P 500 Valuation Multiples – As of June 19, 2020



Source: Investment Strategy Group, Bloomberg, Robert Shiller.

10 YR BOND  
REMAINS LOW  
AND WILL  
REMAIN AT  
THESE LEVELS  
FOR A  
SIGNIFICANT  
PERIOD OF TIME

## Global Government Bond Rates Remain Low

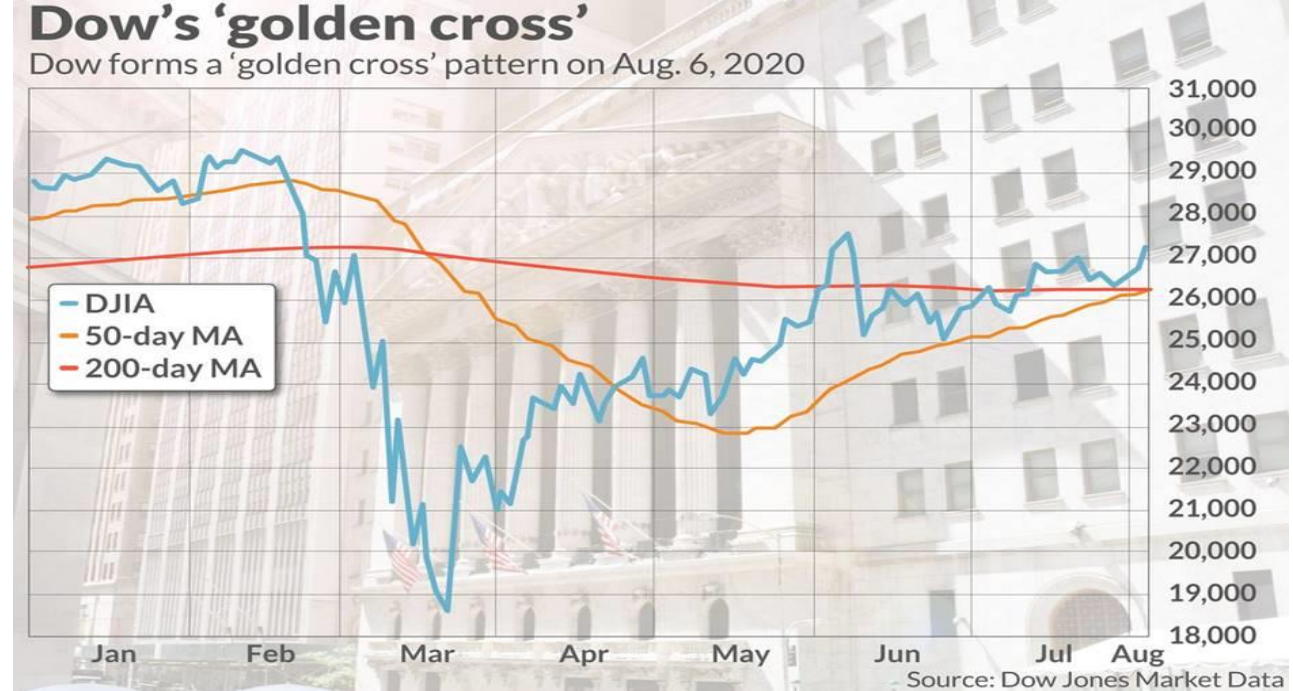
### Americas 10-Year Government Bond Yields

COUNTRY	YIELD	1 DAY	1 MONTH	1 YEAR	TIME (EDT)
United States »	0.56%	0	-9	-119	5:35 AM
Canada	0.47%	0	-7	-79	8/7/2020
Brazil	6.74%	+0	+10	-39	8/7/2020
Mexico	5.71%	0	+5	-146	8/7/2020

# GOLDEN CROSS ON AUGUST 6, 2020

(50-DAY MOVING  
AVERAGE TRADES  
ABOVE 200-DAY  
MOVING AVERAGE)

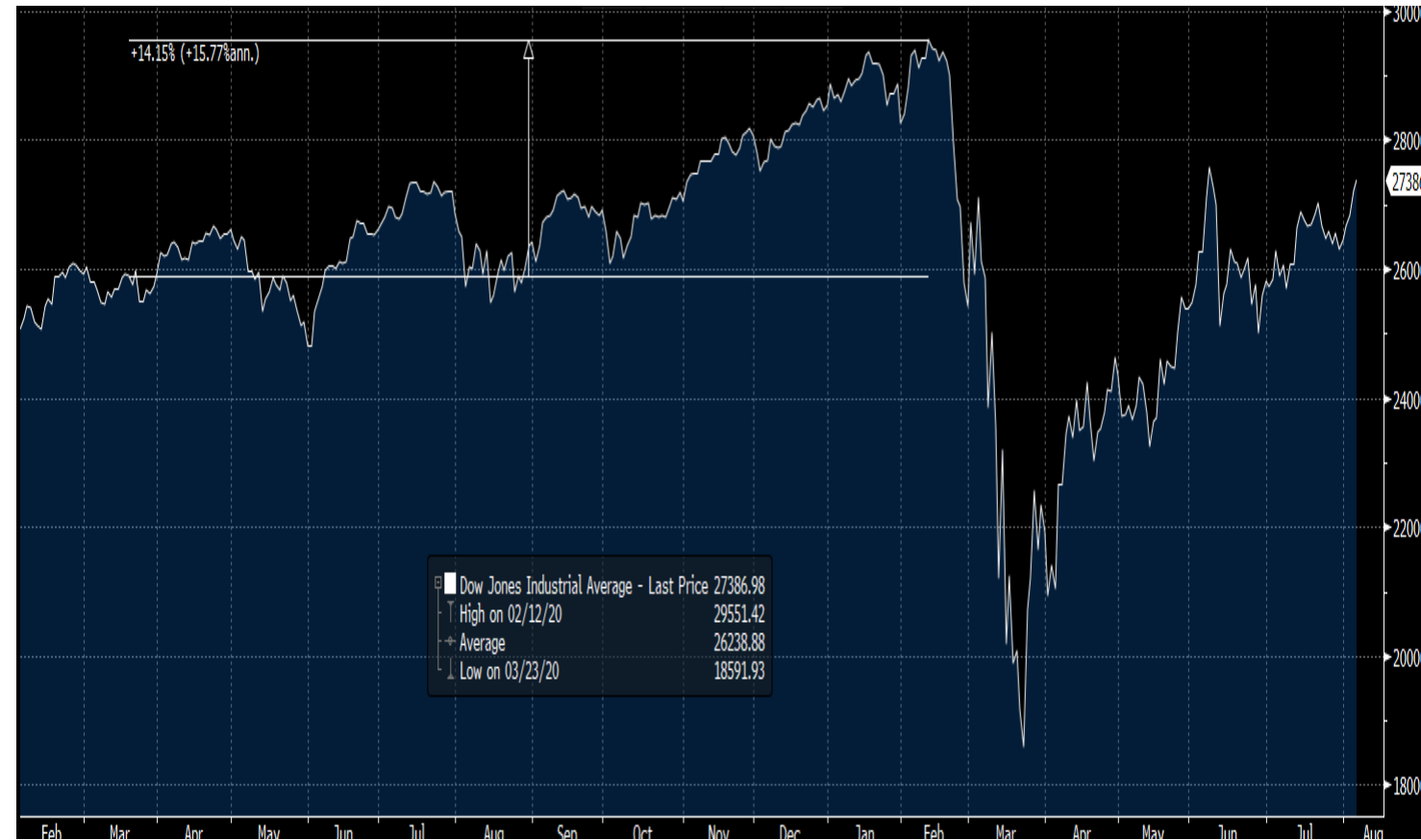
## Dow Jones Reaches 'Golden Cross' as Recovery Continues



- ✓ A 'Golden Cross' is when the 50-day moving average moves above the 200-day moving average. This is a good indicator of future positive momentum.
- ✓ The Dow Jones now follows other index's such as the S&P 500 and NASDAQ to hit their 'Golden Cross' since the March crash.

THE DOW  
JONES  
INDEX WAS  
UP 14%  
AFTER THE  
GOLDEN  
CROSS IN  
MARCH  
2019

## History Shows the Investment Potential at the “Golden Cross”



- ✓ The 'Golden Cross' is a technical chart pattern indicating the potential for a major rally.

# SECONDARY MARKET CORPORATE CREDIT FACILITY WILL SUPPORT THE S&P 500

## Stock prices are being propped up by the Federal Reserve.

Corporate revenues are sinking due to the ongoing pandemic, but the Fed is helping them stay afloat.



### The Secondary Market Corporate Credit Facility (SMCCF)

Established by the Fed on March 22, 2020, to provide billions in credit to a wide range of U.S. companies. It operates two programs:

**1**

#### Corporate bond purchase program

The SMCCF has the ability to purchase corporate bonds from an index of nearly 800 companies.

The 10 largest recipients of this program,  
by SMCCF Index weight:

**2**

#### Exchange-traded fund (ETF) purchase program

For the first time in history, the Fed is also purchasing billions in corporate bond ETFs.

SMCCF ETF Purchases by Market Value  
as of June 18, 2020:



# S&P 500 INDEX IS A MARKET CAP WEIGHTED INDEX

## **The S&P 500 is not an equally weighted index.**

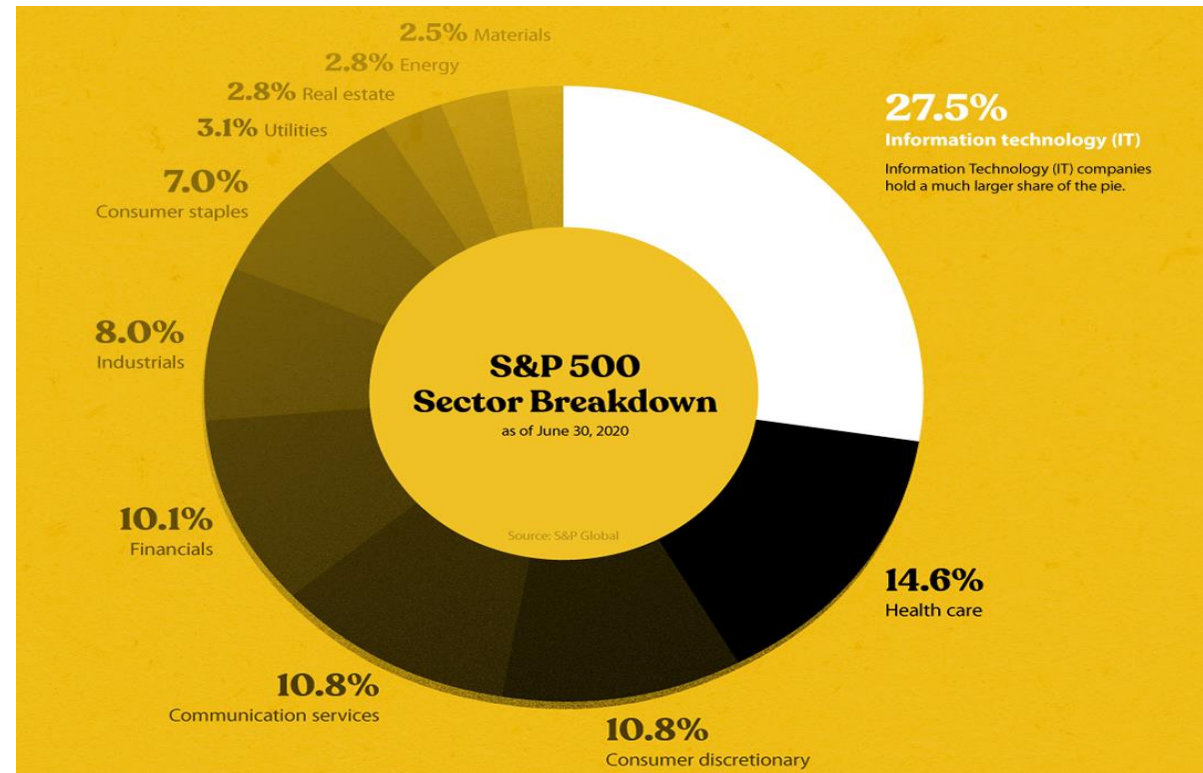
A company's weight in the S&P 500 is determined by its market capitalization.  
As a result, certain sectors can make up a larger part of the index than others.



- ✓ The weightings in the S&P 500 index are constantly moving as the market capitalization changes for each company daily.
- ✓ This means as companies grow in size (currently mainly the technology sector) they will have a larger share of the index and more impact on the performance.

# SECTOR BREAKDOWN OF THE S&P 500 INDEX

## Technology Has the Largest Weighting in the S&P 500



- ✓ Since the sector is market cap weighted Index funds must buy the tech names to keep pace with the index.
- ✓ This means that 27.5% of every dollar invested in the S&P 500 index will go into technology.
- ✓ As the market cap of technology companies increases so will this %.



# TECHNOLOGY IS ITS OWN ASSET CLASS WITHIN EQUITIES

## Tech Market Cap's Dominate the S&P 500

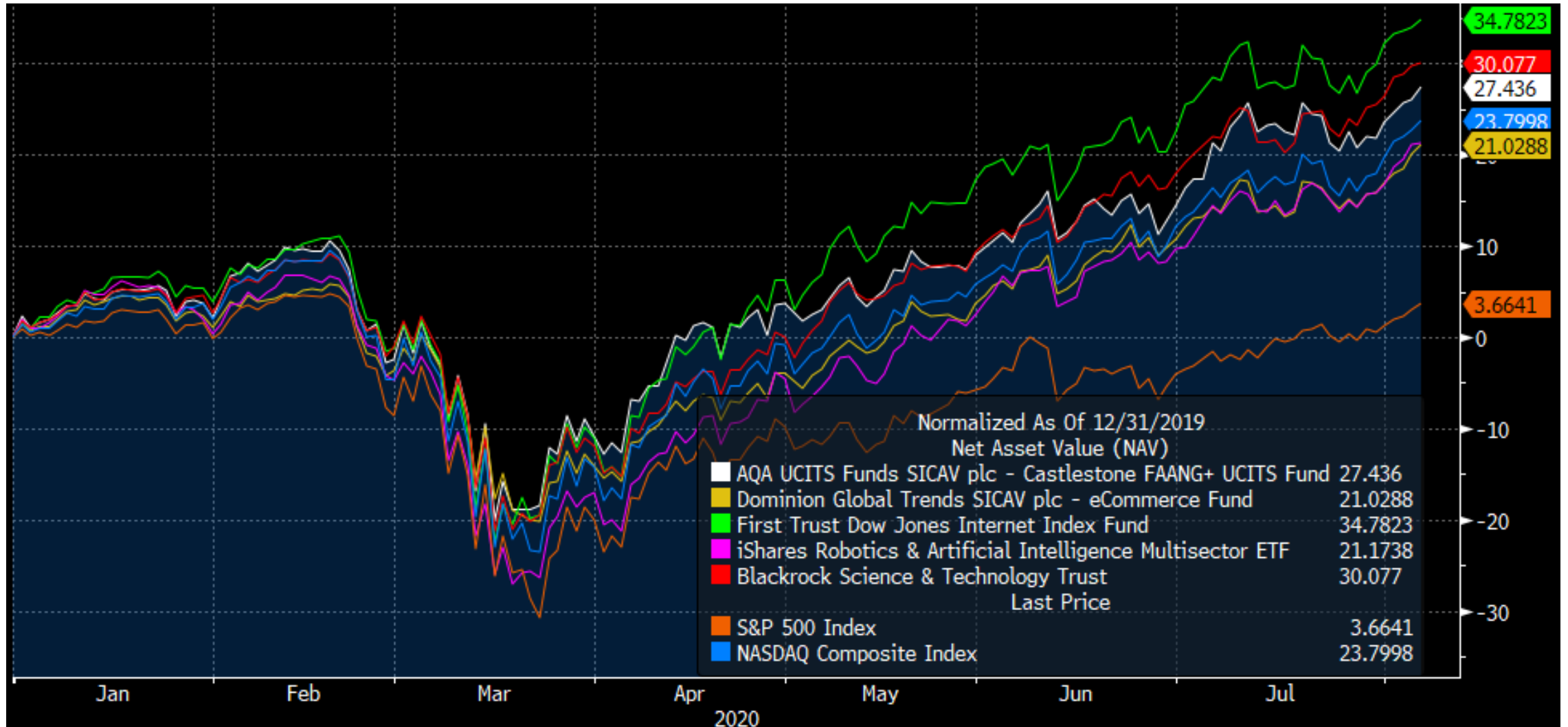
Within IT companies, a subset of stocks known as  
**FAANGM significantly outweigh their S&P 500 peers**



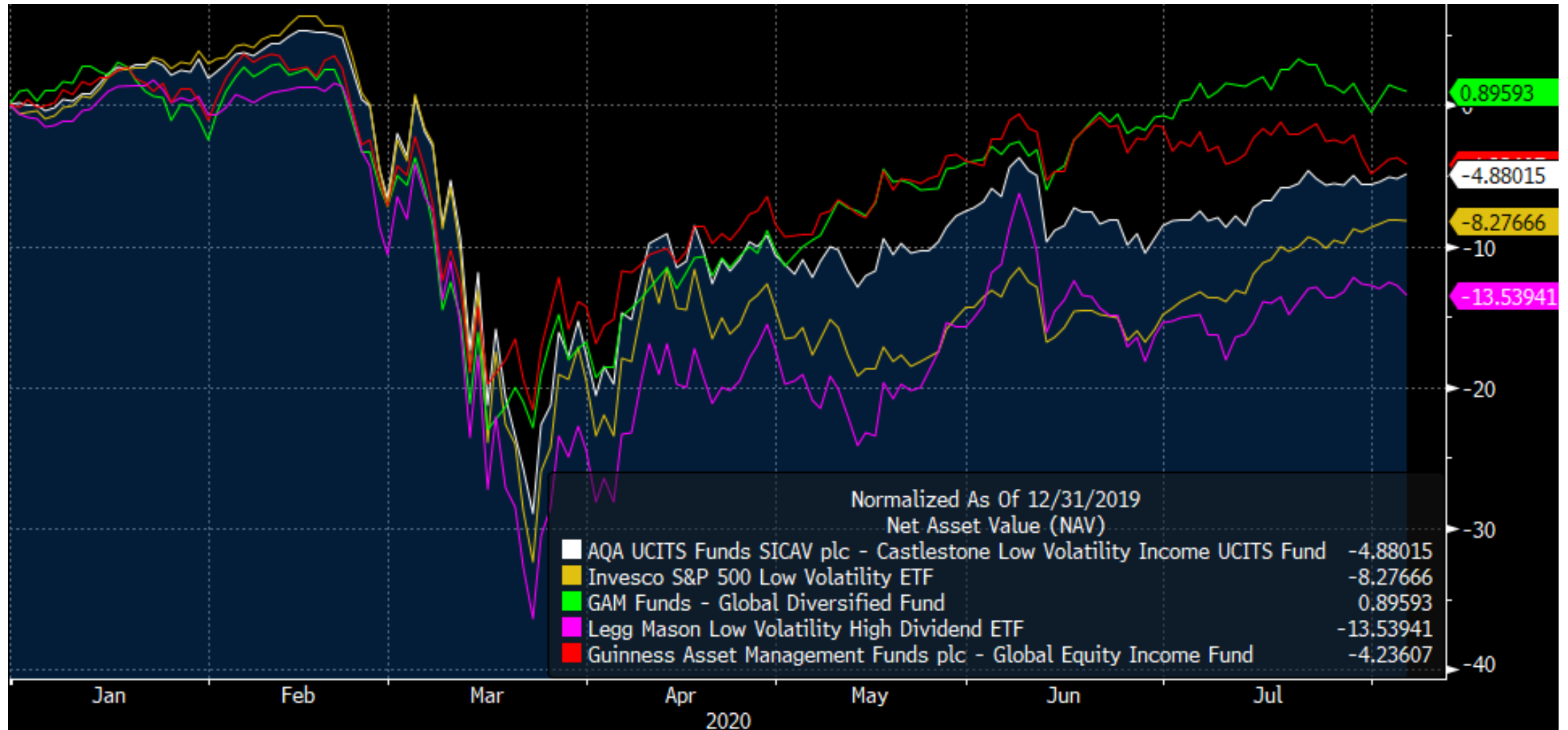
## PERFORMANCE OF FAANG+ SINCE INCEPTION



## PERFORMANCE OF FAANG+ YEAR/DATE



## PERFORMANCE OF LOW VOLATILITY INCOME FUND YTD 2020



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