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LONDON

## ***Technology companies should show resilience in the downturn, says***

### ***Walter Price manager of RCM Technology Trust***

- **High levels of cash and resilient business models likely to provide support for technology companies through the downturn.**
- **'Software as a service', global networking and business process outsourcing predicted to be key trends in the medium term**

As the global economy is faced with the prospect of an ongoing recession, **Walter Price, manager of the RCM Technology Trust**, believes the capacity of selected technology companies to improve corporate efficiency will be one factor in their ability to weather more difficult times.

**Commenting Walter Price, manager of the RCM Technology Trust, said:** "The world economy is in its worst recession in many decades, and we think the process of reducing debt levels and increasing saving by businesses and consumers particularly in the developed world will continue for a number of years. This is likely to lead to subdued growth rates in many economies even as the world emerges from recession.

"It is worth recalling that the technology sector was forced to purge itself of similar excesses between 2000 and 2004 and as a consequence many technology companies have high levels of cash and significantly more resilient business models than 5 years ago. They also offer cost savings to their customers and have been selling those benefits for the last five years. Thus, we are hopeful that these companies will do relatively well in this downturn and will respond positively when evidence of economic recovery eventually emerges."

The team at RCM have identified three key trends which they believe will continue to perform favourably through the uncertainty, including the drive for efficiency, global communication and networking, and business process outsourcing. These trends make up the main themes in the Technology Trust portfolio.

**Walter Price continues:** "The drive for efficiency is causing companies to rethink whether they should connect into 'software as a service' from such companies as Software.com or Microsoft. 'Cloud computing' companies now offer to update and maintain software applications and charge the customer a monthly fee for their applications. They also provide a development environment in which the customer can build and run their own applications. These concepts are increasingly resonating with both large and small companies. Other portfolio companies that are seeing rapid growth from so-called 'cloud computing' offerings are Google and Amazon. Both are using their low cost technology infrastructure to gain customers for their computing outsourcing services. We think that this will become a significant business for both companies, though they each remain primarily leaders in internet services for search and e-commerce, respectively.

"We expect the need to cut costs will force companies to adopt new ways of doing business that are not 'business as usual' but offer significant savings. One of these methods is by increasingly outsourcing business processes. As a result we own stocks that should benefit from this trend such as IBM, Hewlett-Packard, Accenture, Capita, and Cognizant. These companies offer consulting services to their clients in order to find better ways to run a business using

modern technologies such as virtualisation or data centre consolidation. These firms also assist their clients in the implementation of this advice with their employees performing key tasks such as claims processing, applications maintenance and development. Many of these companies have global networks in centres of technical excellence in India or Eastern Europe, but they also may do much of the work in large, more efficient data centres near the customer by using modern server and software products that use less power and labour. We think that this will be one of the first priorities as companies begin spending money again.

"Communication products that allow global networking are favoured by these trends. We therefore have holdings such as Riverbed, Cisco and Juniper. These companies are also helped because carriers are adopting the Ethernet technology for their customer networks that have been used in data centres for decades, thereby reducing costs for everyone. More realistic video conferencing is also helping to reduce travel costs and improving management efficiency as well as increasing demand for these products.

"Modern digital networks also serve the consumer and facilitate another theme in the portfolio, which is the trend toward 'smart' phones that allow mobile use of the internet in a much more seamless way. The Apple iPhone has proved to be an enormous success within the cell phone world because it offers a world class operating system on a mobile device that is linked seamlessly into Apple's internet portal, iTunes. This portal offers software updates, music and video content, as well as thousands of software 'widgets' that improve social networking, offer games downloads, or provide more efficient email or voice mail usage. The rapid increase in mobile data usage is increasing the demand for faster 3G networks and helping the likes of Qualcomm increase its royalty and chipset income from such devices. In 2009, we expect the two largest phone markets in the world, China and India, to begin to deploy this technology."

#### • **Investment remit**

RCM, the specialist global equity company of Allianz Global Investors, took over the management of the Trust in May 2007, when the portfolio was rebalanced to reflect RCM's views of markets, trends and opportunities in the technology sector. This resulted in a significantly higher weighting towards larger capitalisation securities and a reduced allocation to the UK and Europe.

The overall investment objective of the Company is to invest principally in the equity securities of quoted technology companies on a worldwide basis with the aim of achieving long-term capital growth. Investors should be aware that the companies in which this Trust invests may be highly volatile.

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**About RCM (all data source: RCM as at 30/09/08; latest available)**

RCM is a global asset manager operating from six international offices - San Francisco, London, Frankfurt, Hong Kong, Tokyo and Sydney - with assets under management of over €75 billion/\$105 billion worldwide. The firm provides a range of investment management solutions to institutions and individual clients. At RCM we believe that by generating and exploiting an information advantage, we will be able to deliver superior and consistent investment results for the benefit of our clients - a philosophy we call RCM informed. RCM is a company of Allianz Global Investors, a pre-eminent global asset management group committed to helping clients achieve sustainable success. As a company of Allianz Global Investors, RCM offers a distinctive investment philosophy and culture, while benefiting from the scale and substantial resources of our parent; including business support, industry best-practices and financial investment. This enhances our ability to attract and retain talent, and provide superior insight and investment performance.

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