# „There are so many good stories out there“

Anders Tandberg-Johansen, head of Global Technology and fund manager with DNB Asset Management, explains why successful tech investing is more about valuation, than about discovering the next technology trend.

***The correction in August unsettled investors. Why should they buy technology right now?***

One reason is the superior performance. During the last 30 years the Nasdaq index outperformed the S&P 500 on average by two percent every year. Another reason: Tech is not only PCs any more. It is everything, from cars, to homes, to phones. You have some totally new entrants in the car market, for example Google and Apple alongside Tesla. If you look at the homes, traditional home security companies are getting challenged by Google Nest. You have new players in most services, for example Uber in the taxi space or video services like Netflix. They all use datamining to create better services for users. Tech is basically eating into all industries, and will continue to do so in the future. It has only just begun. That is why you want to be invested in technology. It is a very diversified area. Over 20 percent of the world indices are TMT already, that is already bigger than the whole market cap of European stocks.

***New players are rushing into the markets and replacing the old ones. There must be victims?***

Some players will falter. Just remember the yellow pages industry. Until not so many years ago, investors failed to see that printed catalogs the disruption from Google and the sector were priced as if there would be no secular shifts over the next 10 to 15 years. With high speed broadband the same is about to happen to the traditional TV industry. The barriers to entry have come down dramatically and if you don't create your own content, you will be in trouble. Eyeballs will shift to companies like Youtube, Apple TV, Netflix. The question is not if they will be hit, it is only a question of when.

***How do you find the best investments if the technology space is so diversified and big?***

This is hard work. I have been working in this industry since 1996. I have seen a lot of business-models and a lot of companies. We simply have a long experience in this industry, and this is a good starting point, when you screen for good stocks.

***What is the biggest challenge in tech investing?***

There are so many good stories out there, so much talk. The challenge is to get stay coolheaded and not to be too impressed. If for example 95% of the stock value is coming from cash flow to be generated from year 10 and onwards, we would be skeptical. Too many things can change during that timeframe. Compared to others, we are less willing to pay for future cash flows and focus more on the valuation multiples, cash flows and growth the next couple of years. That protects the downside risks.

***But isn´t it also about recognising the potential of upcoming technologies?***

Sometimes the second-best technology is becoming market leader. So even if you recognize the better technology early, you do not necessarily know if it is going to be the market leading technology. If you look at Steve Jobs, he was not the first to present a tablet solution, but he came to the market when the time was right, touch screens and batteries were good enough. The same for us: Sometime it is all about the right timing.

***Don´t you have to be a technology nerd to be a good technology fund manager?***

If I used myself as a proxy, it would not work. I am an average adopter. I am not pushing the front limits. We focus on statistics and datapoints from the market, what is working, what is selling. One important rule in investing is: you have to adjust for your own personality. So if you are very optimistic you have to calm down, if you are very pessimistic you might want to challenge your point of view.

***As your Fund delivered impressive returns, it seems to be a good strategy?***

It has been working for us. There are many ways to get to Rome. We found our way.

***Where are the biggest opportunities in the sector?***

We are valuation-oriented and opportunistic. For example, we like Samsung. They have a very good market position and are undervalued in our opinion. Investors seem to ignore their semiconductor memory business and to rather focus on the challenged handset business.

***Does it make sense to invest in trends?***

Everybody can see the trends. Consequently, the market is pricing some of the obvious companies quite aggressively, for example some cloud computing names. There is no doubt cloud computing will be big. But as long as people are willing to pay too much for future cash flows, it is not investable for us.

***Do people invest in tech?***

Tech has been a good performer during the last years. Apple´s popularity has been one of the reasons. Our fund is well up year-to-date and had good inflows, even this year.

***Is tech more a short or a long-term investment?***

For me it is clearly long-term. It offers everything for the consumer and the enterprises space. Tech is a very open and well-diversified investment category.

***Tech is associated with risk, why is that?***

Because of the dot.com bubble. Although things have changed a lot, people still perceive the risk as high. But if you look at companies like SAP and Oracle, despite experiencing headwinds lately, their cash flows are very stable. Even the volatility is a little bit below average.

***What has changed since 2000?***

Technology stocks have about 15 percent of their market cap in net cash. That is versus 15 percent net debt in the other sectors. Plus, the sector is much more diversified with huge cash flows and proven business models.

***Rates in the US are going to rise. Which impact will that have on tech stocks?***

We are not afraid of rising short term rates, but rising long term rates would be negative for stocks in general and thus also for technology. Since technology is trading on average multiples we would expect an average reaction of technology stocks. When interest rates rise, there would be a shift towards more cyclical names. They would outperform the more stable growth names. If rates rise, people usually believe in the economy. That may help enterprise- and consumer exposed companies like Apple.

***You said, it´s time to buy technology, but why should investors buy your funds?***

Because we as a stable team have shown over time that we can achieve superior results in relation to both, our competitors and the market. It does not matter if you look back ten or five years or in the younger history, we are at the top of our peer group.

**About DNB**

DNB Asset Management S.A. is a leading Scandinavian asset management company offering products in Nordic asset categories and selected thematic areas. It is 100%-owned by DNB Holding ASA, which is listed on the Oslo stock exchange and is one of Scandinavia's most successful financial services providers. DNB has been active in Luxembourg for more than 20 years, where it offers services in the fields of private banking and asset management.

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