TECHNOLOGY – THE MAGNIFICENT SEVEN AND BEYOND

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Rathbones Group Plc

SPEAKERS

SANJIV TUMKUR
Head of Equities

Sanjiv heads up the equity research team which provides in-depth analysis of companies to help formulate Rathbones' investment views on equity markets. He is a regular contributor to Rathbones' quarterly Investment Insights and several other publications by Rathbones.

Sanjiv graduated from Oxford University with a degree in Philosophy, Politics and Economics and has passed the Institute of Investment Management and Research (IIMR) exams.

MELANIE WOTHERSPOON
Head of Professional Intermediary Business Development

Melanie joined Rathbones in 2014 after spending the previous seven years at Jupiter.

Melanie is a Chartered Accountant, has a degree in Systems and Management from City University, London and is a Chartered Member of the CISI. She is both a trustee and member of the Investment Committee for the Francis C Scott Charitable Trust that commits over £1m a year to areas of deprivation in Cumbria and North Lancashire. Melanie is also a member of the Worshipful Company of Chartered Accountants.

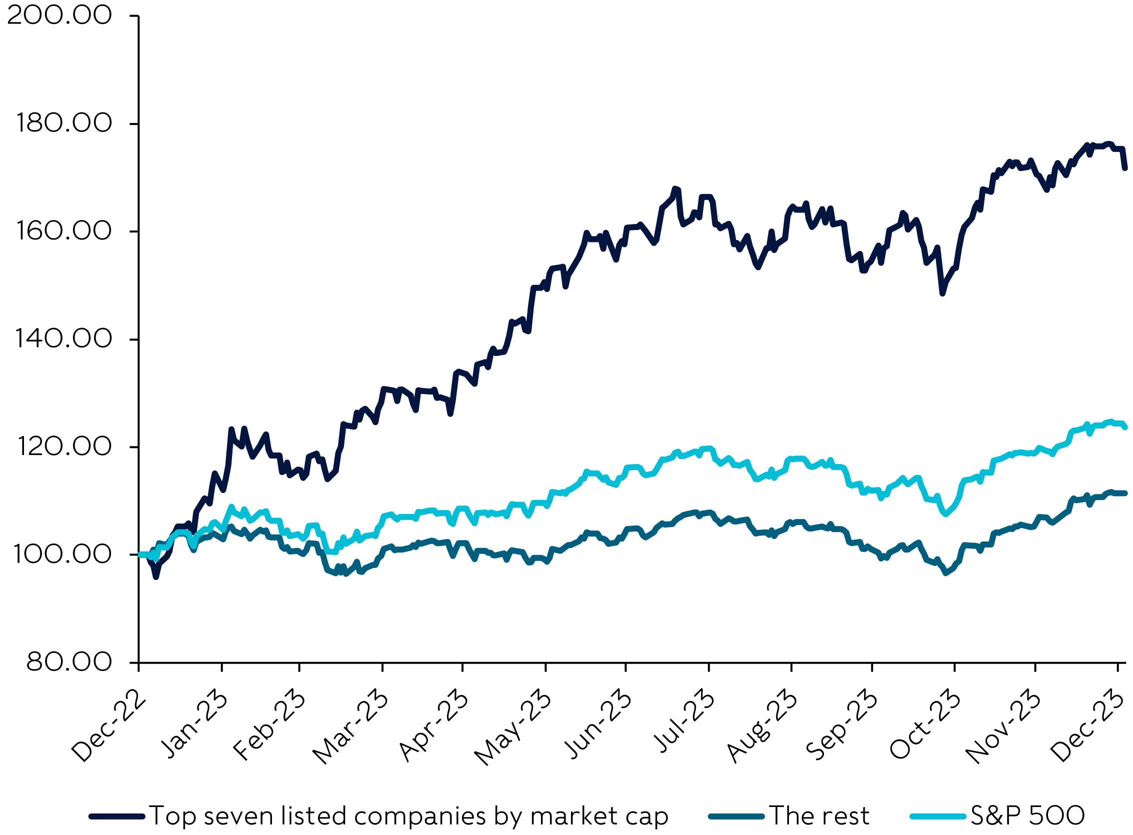
AGENDA

- The Magnificent Seven
- Performance in context
- The success of the tech sector in general
- Other considerations
- Continuing a longer-term trend
- Outlook for Magnificent Seven in 2024

THE MAGNIFICENT SEVEN

The ‘Magnificent Seven’ versus the rest of the S&P 500 in 2023

- The world’s largest seven technology companies – Microsoft, Apple, Alphabet, Amazon, Nvidia, Meta and Tesla – all saw strong performance last year – driving 60% of the 24% increase we saw in the S&P 500 in 2023.
- The remaining 493 of the S&P 500 companies only grew 9%.
- These 7 companies now represent 29% of the entire S&P 500.



PERFORMANCE IN CONTEXT

Recovering 2022 underperformance

- 2020 – 2021: Ultra low interest rates in order to stimulate economy during Covid pandemic leads to inflated fair value
- Changed consumer behaviour leads to higher growth rate which is extrapolated forward
- 2022: interest rates rebound rapidly as inflation becomes an increasing problem, slashing valuations of companies, particularly Magnificent Seven
- 2023: Valuations recover from 2022 falls as inflation is brought under control and managements pay more attention to cost efficiency and profit maximisation
- Scarcity of growth outside general tech sector

MAGNIFICENT SEVEN PERFORMANCE

Annual returns of the Magnificent Seven versus the S&P 500 since 2018

Sources: Refinifiv, Rathbones; *2018-2023 figures are as at 30-11-23

OUTLOOK FOR MAGNIFICENT SEVEN IN 2024

Performance set to diverge due to a number of factors:

BUSINESS MODELS

GROWTH DRIVERS

VARYING END MARKETS

Over the longer term, higher growth rates should drive decent performance.

OTHER CONSIDERATIONS: HOMOGENOUS GROUP OR MOTLEY CREW?

— Microsoft
— Alphabet
— Meta
— Nvidia
— Tesla
— Amazon
— Apple

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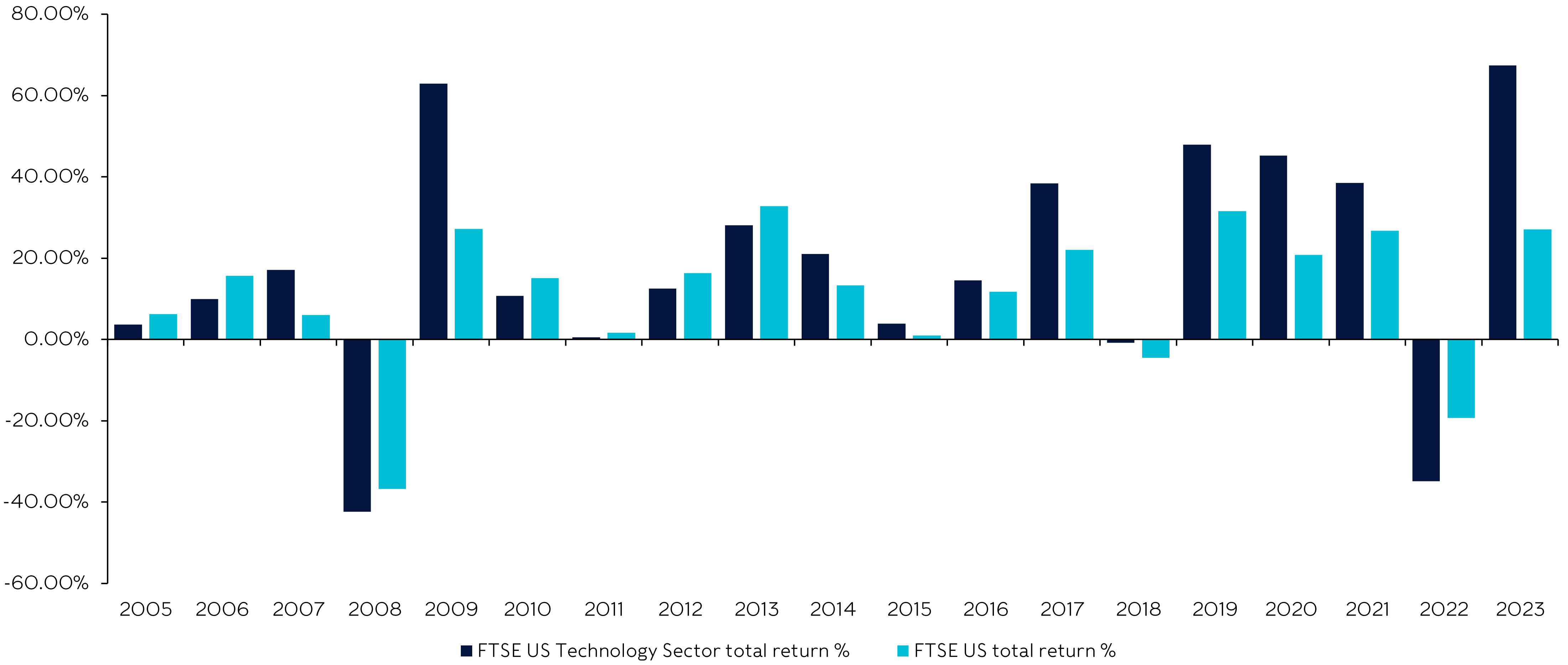
THE SUCCESS OF THE TECH SECTOR IN GENERAL

Annual returns of the US tech stocks versus the broader US market



Sources: Refinifiv, Rathbones

ADDITIONAL INFORMATION

Information valid at date of presentation.

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