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February 21, 2018

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Prosperously navigating  
**unexpected events**  
with great skill and agility

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# AGENDA

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- **BSD Global Hedge Fund's YTD performance attribution and current positioning**
- **Digital Twins sequel: Investment Ecosystem & Company Analysis**
- **Implications of Trump Tax Cuts & Regulatory Reform**
- **2018 Tech Themes & Trends**

# PERFORMANCE

## GLOBAL TECH FUND MONTHLY PERFORMANCE SINCE INCEPTION

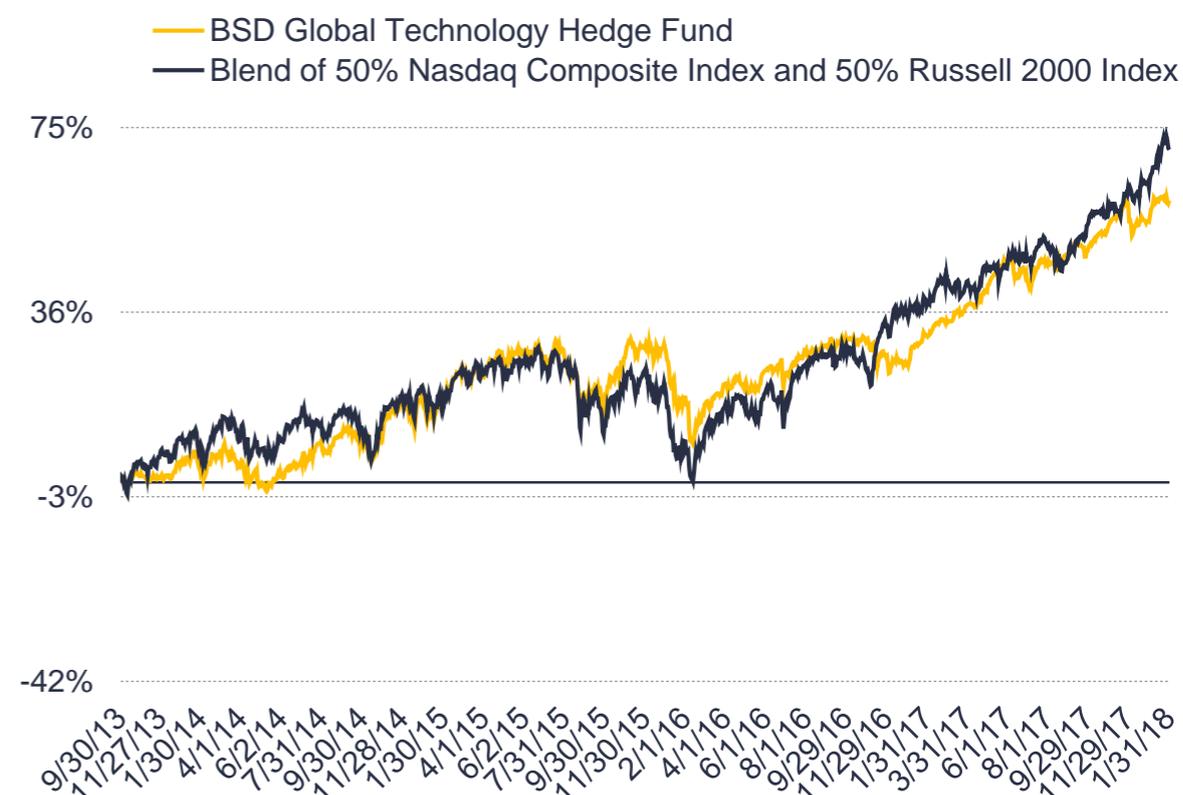
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Benchmark YTD
<b>2013</b>										1.32%	0.35%	2.82%	<b>4.55%</b>	9.60%
<b>2014</b>	-2.08%	3.63%	-2.07%	-4.39%	2.38%	2.80%	2.21%	3.53%	-1.64%	4.95%	2.89%	-1.51%	<b>10.69%</b>	8.40%
<b>2015</b>	0.53%	5.39%	-0.16%	2.98%	0.90%	-0.91%	0.43%	-6.67%	-1.48%	9.68%	0.63%	-0.76%	<b>10.16%</b>	-0.10%
<b>2016</b>	-7.41%	-2.78%	5.31%	-0.02%	2.33%	-0.29%	3.66%	0.65%	1.63%	0.38%	-3.75%	-0.71%	<b>-1.63%</b>	13.95%
<b>2017</b>	4.97%	2.14%	2.99%	2.08%	3.85%	-2.55%	2.68%	2.12%	0.51%	3.41%	0.11%	-0.20%	<b>24.49%</b>	20.55%
<b>2018</b>	2.89%												<b>2.89%</b>	4.94%

## PERFORMANCE METRICS\*

October 31, 2013 to January 31, 2018

	FUND	BENCHMARK **
Return Since Inception	<b>59.59%</b>	70.32%
YTD Return	<b>2.89%</b>	4.94%
60 Day Return	<b>2.60%</b>	7.80%
20 Day Return	<b>2.13%</b>	3.68%
Daily Standard Dev.	<b>0.71%</b>	0.92%
Sharpe Ratio	<b>0.97</b>	0.87
Sortino Ratio	<b>1.34</b>	1.23
Correlation	<b>—</b>	0.95

## FUND RETURNS



**BSD has outperformed our portfolio benchmark with lower risks through active diversification across various subsectors**

\* Management fees and expenses may be associated with investments. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. The indicated rate of return is the historical compounded total return including changes in share value and reinvestment of all dividends.  
 \*\* The benchmark is a blend of 50% Nasdaq Composite Index and 50% Russell 2000 Index. The blended index is chosen as the indices are generally followed as indicators of the performance of technology stocks and growth stocks, and our portfolio has approximately 50% of positions more correlated with the Nasdaq Composite Index, and 50% of positions more correlated with the Russell 2000 Index.

# RISK MANAGEMENT

## CASE STUDY: FEBRUARY 2018 CORRECTION



**Our prudent risk management system allows us to navigate market corrections and black swan events with lower drawdowns and higher returns**

- **Hardware**
  - Sensing & Power
  - Processing
- **Software**
  - Data management
  - CAD - Computer-Aided Design
- **End users**

## Infineon

**Leadership:** Infineon has long-standing business engagements and product development experience among global automotive OEMs and Tier 1 suppliers. Infineon automotive MCU business benefits from its extensive range and leading position of automotive products, including power discrete and sensors.

**Financials:** Infineon is the third leading provider in the nonoptical sensor market, but it's No. 2 for automotive sensors, behind Robert Bosch, with a 15.3% share. It is a major player in magnetic field sensors and position sensing.

## NXP Semiconductors

**Leadership:** Freescale merger broadened NXP's product portfolio across MCUs, microprocessing units (MPUs), automotive and communication ASSPs, discrete semiconductors and sensors. The combination of NXP's security chip and its project implementation expertise enables NXP to focus its products and strategies on enabling secure connected cars.

**Financials:** In November 2016, Qualcomm announced its intent to acquire NXP. This acquisition will provide Qualcomm with access to automotive, industrial and IoT markets.

## Texas Instruments

**Leadership:** TI is an ecosystem vendor and the largest supplier of power management chips. TI's technology focus areas include analog and embedded processing, cultivating a strong ecosystem understanding within the company. This enables a platform approach in power management development, thereby differentiating through both performance and system integration.

**Financials:** TI commands 22% market share in power management chips and is four times larger in revenue than its nearest direct competitor, Analog Devices.

## STMicroelectronics

**Leadership:** ST's main product line targeting the IoT market is the STM32 MCU. ST has won a broad range of design wins in new consumer IoT products such as wearables, fitness trackers, drones and appliances. ST has also made a significant investment in its STM32 Nucleo platform, to enable new solutions via cloud partnerships and sensors, signal conditioning, power and connectivity modules.

**Financials:** ST's recent revenue growth has mainly been driven by automotive electronics and multimarket applications, including consumer IoT applications.

## Intel

**Leadership:** 2017 saw the release of a new Xeon SP family of processors. The cloud continues to be a major driver of business with the Super 7 cloud providers (Alibaba, Amazon, Baidu, Facebook, Google, Microsoft and Tencent) consuming a significant percentage the data center group's output.

Due to an aggressive fab investment strategy and execution on 3D NAND technology, Intel's nonvolatile memory business performed well during 2017 with NAND and SSDs.

**Financials:** Intel gave a bullish forecast and blew past Wall Street expectations for the fourth quarter on the strength of data centre sales, the business it sees as key to its transformation from a PC supplier.

## Qualcomm

**Leadership:** Qualcomm's semiconductor revenue rebounded in 2017 as the company recovered share in the smartphone market at the expense of MediaTek and continued to expand into adjacent markets including automotive, networking, virtual-reality headsets, tablets and IoT endpoints.

Qualcomm had key design wins in the Samsung Galaxy S8, Samsung Galaxy Note 8, LG V30, Google Pixel 2, Xiaomi Mi 6 and many others.

**Financials:** Qualcomm is still working to close its acquisition of NXP, which was announced in October 2016. The acquisition fills key Qualcomm product gaps in automotive, IoT and security semiconductors. Additionally, in November 2017, the company received an unsolicited bid from Broadcom in a potential blockbuster deal.

## Nvidia

**Leadership:** Several major hyperscale cloud operators are integrating Nvidia GPUs into their cloud services. During 2017, Nvidia introduced the latest iteration of its high-end GPUs, the Volta V100. The company made this available in Tesla PCIe add-in cards, the DGX-1 server and a new workstation product.

Numerous OEMs and original design manufacturers also announced plans to offer Volta-based servers for the AI market.

**Financials:** Nvidia experienced 42.8% growth in 2017. For the second year running, when excluding memory vendors and M&A activity, Nvidia was the fastest-growing top-25 semiconductor vendor. The data center GPU business grew 131% over 2017. As with previous years, the gaming GPU segment was the highest-revenue segment and contributed 35.8% growth.

## Oracle

**Leadership:** Oracle's Agile has been enhanced over the years to include BOP capability. Oracle's current direction as it relates to MPM is to deliver functionality via an integrated suite of applications covering product life cycle management, manufacturing, enterprise quality management, supply chain planning and procurement — all built on a single data model.

**Financials:** Oracle's revenue for the period, which ended Nov. 30, rose 6% annually to \$9.63B, beating estimates by \$60M. Its non-GAAP earnings grew 14% to \$0.70 per share, topping expectations by \$0.02 per share.

## SAP

**Leadership:** Use of SAP's MDM can help simplify traceability of parts and process steps. The analytics and visualization enhancements align to MPM by offering improved means of communicating manufacturing performance to new product development organizations. The analytics and visualization can enable feedback loops that give product development teams better insight to design for manufacturability.

**Financials:** SAP announced 2017 results that met its twice-raised guidance but came in just shy of analyst expectations.

## Adobe

**Leadership:** In six years, Adobe has evolved from a provider of shrink-wrapped creative software tools to a global leader in cloud-based solutions for digital business. While its main enterprise business focus remains on marketing, its wider positioning as an enabler of "digital experiences" portends a broad expansion into all customer-, partner- and employee-facing operations. Adobe's business performance has been remarkably stable during its transition

**Financials:** The company's overall revenue grew 24.3% on a trailing 12-month basis, year over year. This is up from the 21.7% growth last year.

## Tableau

**Leadership:** Tableau is the market leader in the modern BI platform segment, offering a highly interactive and intuitive visual data-discovery-centric platform that enables business users to easily access, prepare and analyze their data without the need for coding. Since its inception, Tableau has been sharply focused on enhancing the analytic workflow experience for users — with ease of use being the primary goal of much of its product development efforts.

**Financials:** Shares of Tableau rose nearly 16% in after the company reported fourth-quarter earnings results that were better than Wall Street expected.

## Autodesk

**Leadership:** Autodesk retains its global presence in the architecture, building, construction, manufacturing, and media and entertainment industries. It continues to build on its manufacturing capabilities. Autodesk continues to advance the cloud as its mainstream platform to deliver engineering, design and manufacturing capabilities. This offers possibilities to give designers, engineers and factory workers easy access to product and manufacturing content on mobile devices, making collaboration and problem solving more facile.

**Financials:** Despite the disappointment in net subscriber adds, the transition story remains intact as the company continues to make inroads in its conversion initiatives.

## PTC

**Leadership:** PTC's MbM support begins with its Creo design software and the manufacturing simulation software that PTC has evolved since the 1980s. Users can generate, simulate, and continually improve NC toolpath programming. PTC partners with Virtualis for advanced visualization and immersive virtual reality experiences. Extending these visualization capabilities, PTC acquired Vuforia for augmented reality. Thingworx data can be mapped to digital twins of products, machines and factories to enhance decision-making support.

**Financials:** PTC's core software revenue rose 10% annually to \$265M. License and subscription bookings hit \$104M, with a subscription mix of 67%. Both its revenue and bookings figures exceeded the high end of its own guidance.

## Dassault Systemes

**Leadership:** Dassault Systèmes emphasizes the idea of using virtual models to design and simulate factories, factory resources and factory operations. Ideally, manufacturing engineers refine the factory models and process planning before committing capital investments to manufacturing infrastructure and production. As Dassault realizes its vision, it plans to deliver manufacturing performance analytics to continuously improve design for manufacturability and manufacturing performance.

**Financials:** Dassault Systemes, that counts Tesla and Jeff Bezos' Blue Origin among its clients, is prepared to chase deals over \$1B in augmented reality and life sciences.

## Siemens

**Leadership:** Siemens has become a full-function manufacturing automation business in hardware, digital services and software. This includes support for continuous improvements in cost and efficiency of manufacturing quality products. Siemens is progressing on tight coupling of the virtual world of PLM and the physical world of MES and automation. It is enabling feedback loops between data, information and knowledge captured in the virtual world and physical data of what happens on the plant floor and field operations to continuously improve operations and product quality.

**Financials:** Siemens posted a 14% decline in quarterly industrial profit, dragged down by continued weak demand from the power and gas sector while it ramps up investments in factory software.

## General Electric

**Leadership:** General Electric's center of gravity is the industrial space. And the core leadership of the company understands the critical nature of digital business transformation to industrial markets. Thus, the company is investing extensively in developing solutions for its customers in the space as well as educating them on the art of the possible for the industrial IoT. The company has made key acquisitions for both technology and business solutions including, Bit Stew Systems, ServiceMax, Wise.io, Meridium and Wurldtech.

**Financials:** General Electric, which is struggling to reverse steep declines in some of its units and is looking to sell \$20 billion of assets, reported an industrial margin of 11.2% for the December quarter.

## Boeing

**Leadership:** Boeing is the world's largest aerospace company. Boeing delivered a record 763 airliners in 2017 and predicts that will rise to between 810 and 815 planes this year. It has a backlog of more than 5,800 planes valued at \$488 billion, although that figure is based on list prices. The company is speeding up production of its workhorse 737 and the 787 Dreamliner to take advantage of the hot market. But it is also looking for new sources of growth.

**Financials:** During the first half of 2017, Boeing posted strong earnings and cash flow despite reporting steep revenue declines. Revenue returned to growth in the third quarter, and continued to accelerate toward the end of the year. For Q4, Boeing's revenue rose 8.9% year over year, driven by a 13% surge in commercial airplane deliveries.

- **BSD focuses** on lucrative technology themes and trends with long runways
- **BSD has identified The Digital Twins Ecosystem** having the ingredients for a central technology investment theme, and is early enough to capture the full opportunity
- **The ecosystem includes** software vendors, hardware providers and end-users that leverage digital twins to become more profitable and efficient

# IMPLICATION OF TRUMP TAX CUT & REGULATORY REFORM

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## TRUMP TAX CUT

- **Reduction from 35% to 21%**
- **Repatriation rate from 35% to 8% and 15.5%**
- **Significant Impact on Economy:**
  - Increased pay for employees
  - Increased retirement funding
  - Increase in bonuses
  - Increase in share repurchases & dividends
  - Increase in capital investments
  - Increase in earning growth and P/E multipliers

# IMPLICATIONS OF TRUMP TAX CUT & REGULATORY REFORM

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## TRUMP REGULATORY REFORM

**Roll back decades on government overreach in every area of the economy. Regulations are a stealth tax and over regulation undermines productivity and growth, and rewards governments with more money and power.**

- Drop out of Paris Climate Deal
- Shrinking EPA's budget significantly
- Opening up more land for drilling
- Shrink National Monument
- FCC repeals net neutrality rules
- For every new regulation at least 20 have to be dropped

# 2018 Tech Themes & Trends

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- **DIGITALIZATION & ELECTRIFICATION**

The automotive revenue pool will grow and diversify with new services potentially becoming a ~USD 1.5 trillion market in 2030

- **5G DEPLOYMENT**

The 5G market will grow to \$1.23 trillion by 2026, according to a new report by Ericsson announced at the Mobile World Congress

- **DIGITAL TWINS**

The digital twin market is expected to grow at a CAGR of 37.87%, to reach USD 15.66 Billion by 2023

- **AUTOMATION & ROBOTIZATION**

After growing at a compound rate of 17 per cent a year, the robot market will be worth \$135bn by 2019, according to IDC

- **OLED – Organic Light Emitting Diode**

The OLED market is expected to be valued at USD 48.81 Billion by 2023, growing at a CAGR of 15.2% between 2017 and 2023

- **GAMING**

Gaming market to grow at a CAGR of +6.2% toward 2020 to reach \$128.5 billion

- **HYPERCONVERGED INFRASTRUCTURE**

The hyper-converged infrastructure market is expected to reach USD 12.6 billion by 2022, at a CAGR of 43.59% between 2016 and 2022

BLACKSWAN  
DEXTERITAS

DEXTERITAS