

Five Tech Stocks to Know About



Technology has been the best performing sector the past 10 years¹. The outperformance is attributable to superior fundamentals. The past decade, tech has had the best earnings growth and profit margins^{2,3}. This has naturally translated into higher stock prices.

The coronavirus has been the cherry on top. Thanks to social distancing, more people are working from home, shopping online and using online entertainment. This has brought forward years of technological adoption.

The companies listed below are all found in the ETFS Morningstar Global Technology ETF (**ASX Code: TECH**).

Five Companies Fuelling the Transition



Palo Alto Networks (NYSE: PANW)

Palo Alto Networks has been dealt a win by the coronavirus, with revenue growing 25% year-over-year as of February 2021. Prior to coronavirus, companies and governments could manage cyber security more easily, with simple rules where only IP addresses within their buildings have access to their systems. Now, staff need to log in from anywhere thanks to remote work orders, making cyber security much more complicated. The group is also transitioning away from hardware and towards software.



Microsoft (NASDAQ: MSFT)

Microsoft has shed Nokia, branched out into social media with LinkedIn, adopted the subscription model, and embraced open source. The future also looks bright as Microsoft has footholds in major growth themes, like eSports and competitive video gaming, thanks to Xbox and intellectual property like Age of Empires. Thanks to Azure, Microsoft is a dominant player in cloud technology.



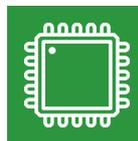
Citrix Systems (NASDAQ: CTXS)

A pioneer in virtualisation technology, a concept where you create a version of an app or desktop from one central computer or server. It is useful for businesses as it can give IT teams control over who gets to access what resources on which device. With all data stored in a central centre the risk of cyber-attack is reduced, as staff don't hold data on their personal equipment. The company missed guidance recently, leading Morningstar to judge it as oversold.



VMware (NYSE: VMW)

VMware has fallen out of favour and Morningstar believes it could be undervalued. Historically it was thought of for server virtualisation in on-premise data centres. Currently on-premise servers are in decline as enterprises move to the cloud. Morningstar thinks VMware has shifted nicely and is not being given enough credit for its transition.



Skyworks Solutions (NASDAQ: SWKS)

Semiconductors – given the enormous demand they are receiving from electric vehicles, everyone wants to own semiconductor businesses, but finding them at a reasonable price can be difficult. Skyworks Solutions, is among the best valued of the semiconductor businesses, Morningstar believes. It has “terrific” exposure to 5G smartphones, increasing content in Apple’s iPhone 12s, and strong fundamentals. Their most recent quarter exceeded expectations.

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^[1] Bloomberg 2021

^[2] <https://www.yardeni.com/pub/sp500margin.pdf>

^[3] <https://www.yardeni.com/pub/peacocksp500.pdf>

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