

MONTHLY RESEARCH WEBINAR

CHALLENGES AND OPPORTUNITIES IN THE TECHNOLOGY SELLOFF

Moderator:

Jim Kelleher, CFA

Director of Research

September 7, 2022

■ **Challenges and Opportunities in the Technology Selloff**

- Jim Kelleher, CFA, Director of Research
- Stephen Biggar, Senior Director of Product Strategy

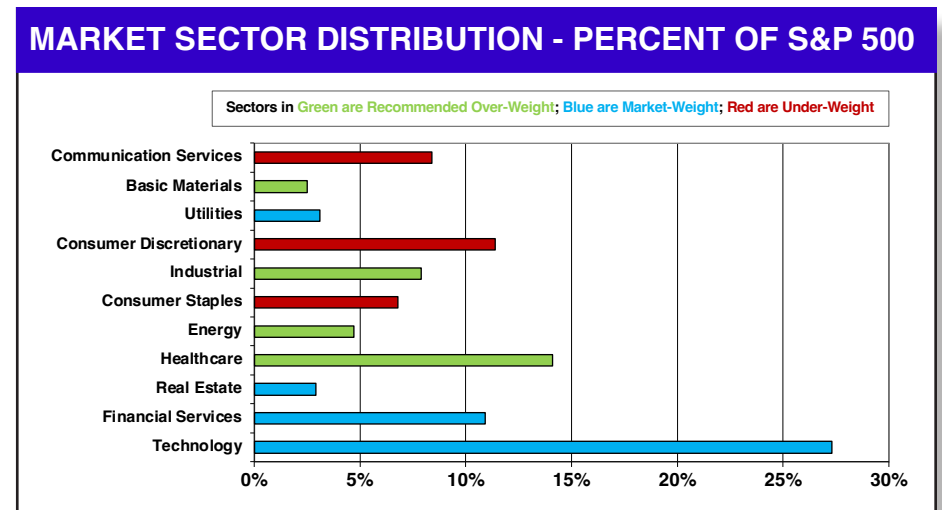
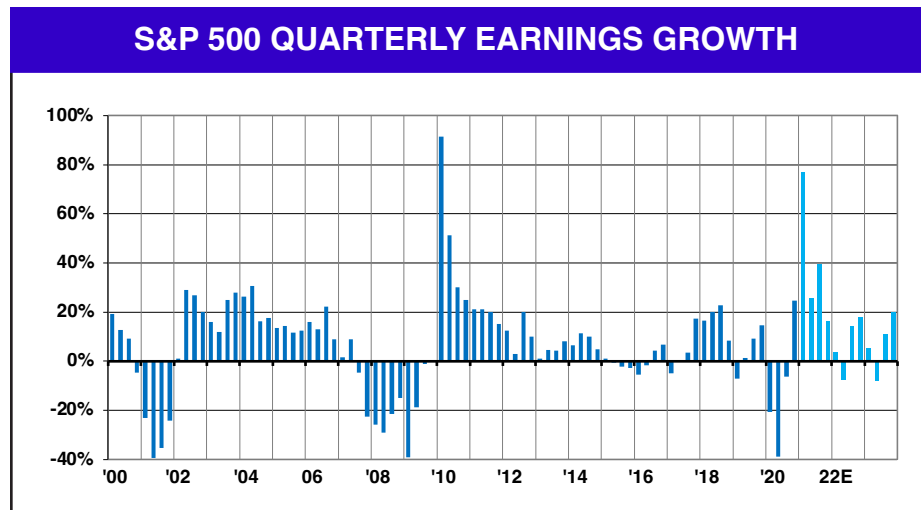
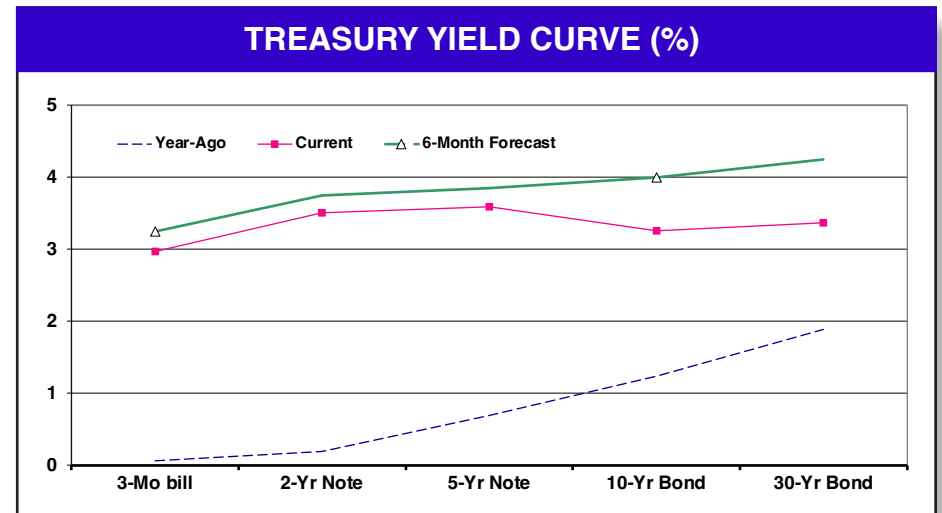
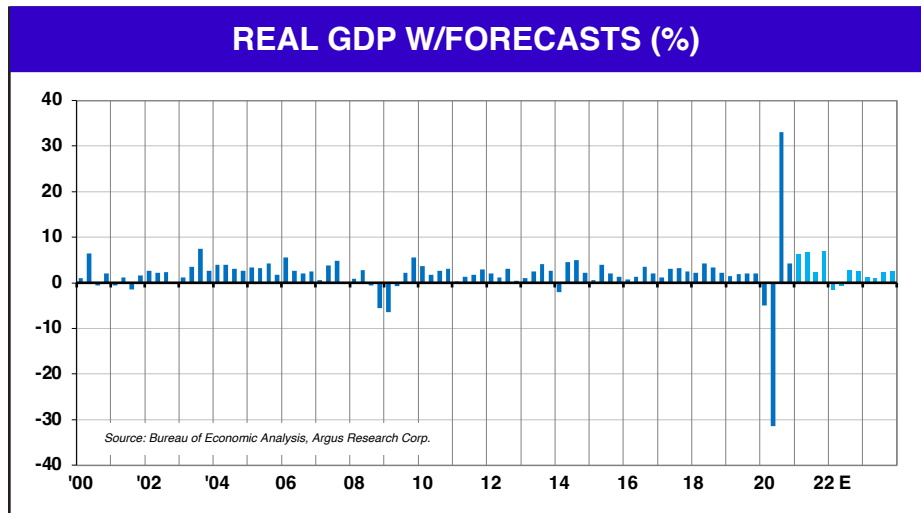
■ **Argus Quick Notes**

- Activist Stocks
- New Stocks Added to Coverage
- Global Dividend Investing
- Companies Raising Guidance
- Find these on the homepage of our website

■ **Portfolio Update: the Argus High-Yield Portfolio**

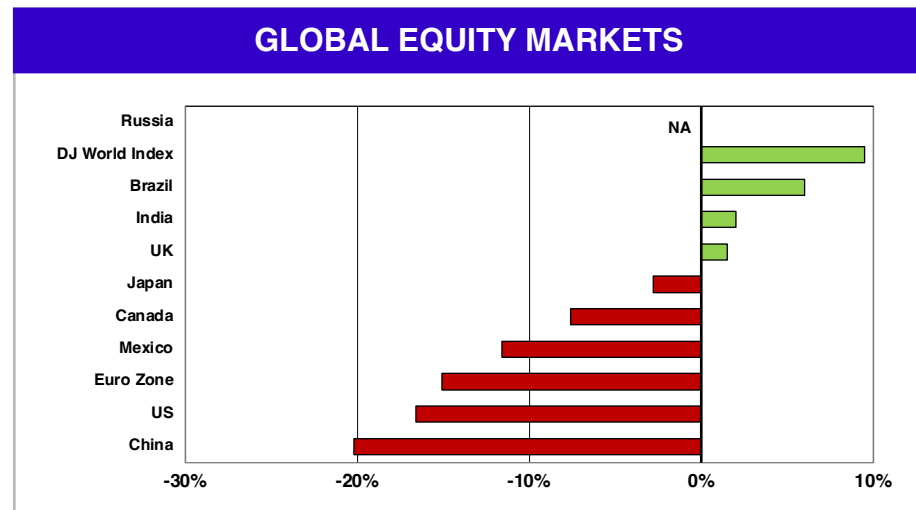
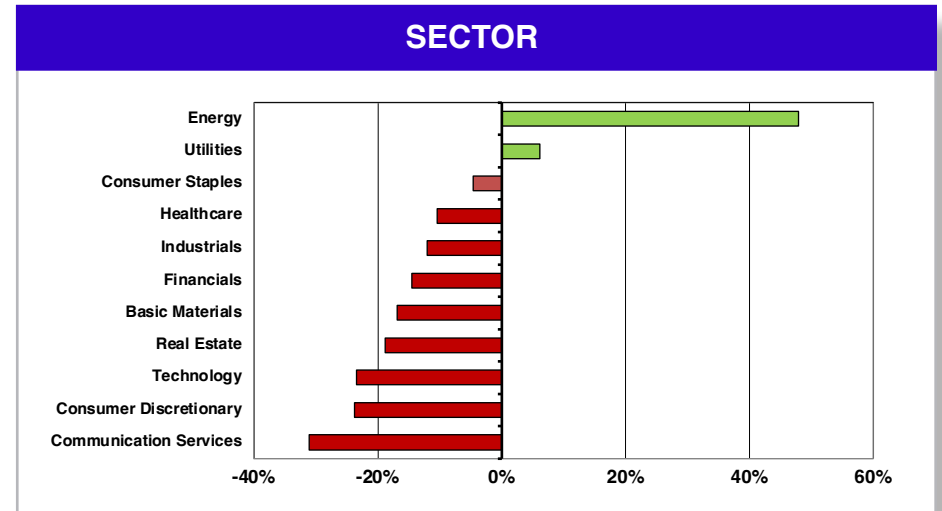
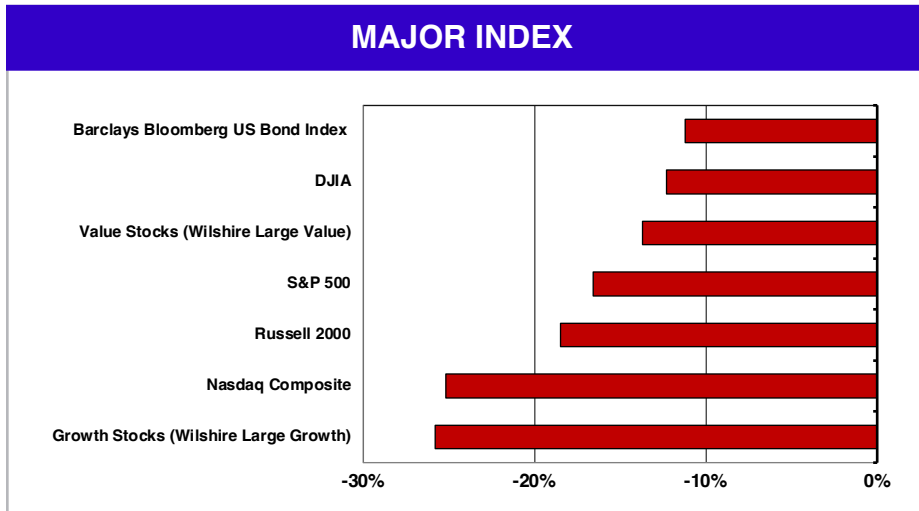
- Value Stocks including high yield are outperforming Growth in 2022
- Rising interest rates may constrain multiple expansion for growth stocks
- The Argus High-Yield Portfolio contains stocks with at least 3% yields
- Find the Argus Min-Vol Portfolio on the homepage of our website

MACRO FORECASTS



MARKET PERFORMANCE

DATA AS AUGUST 31, 2022



■ Technology from First to Worst?

- Tech sector ETF (IYW) outperformed S&P 500 from 2017 through 2021
- Five-years (IYW): up 153%, vs. S&P 500 up 113%
- Sector weight grew from 20.8% (2017) to 29.2% (2021)
 - » Unadjusted (no Comm Services) tech going from 21% of market to 34% in five years
- In 2022 to date, IYW down 29% vs. 18% benchmark decline
 - » At low point, IYW down 33% vs. 24% benchmark decline

- **Rotation away from growth, into inflation beneficiaries, cyclical**
 - Growth sectors perceived as sensitive to rising rates
 - Rising rates in and of themselves do not hurt tech companies

- **Technology sector Earnings growth slowing**
 - Tech sector delivered 40%-plus EPS growth in 2021
 - For 2022 we forecast 8%-9% EPS growth, followed by mid-teens (16%) percentage growth in 2023

- **Cyclical – edge device proliferation:**
 - Unit Decline but Higher ASPs
 - Content per device rises with 5G vs. 4G/3G
- **Demographics – Rise of the Global Middle Class**
- **Secular – Massive technological disruption**
 - Cloud data center, 5G, AI
 - IoT, automation, EV & autonomous driving
- **Growth in secular trends “smoothing” technology cycle**

■ **New Opportunity: Technology as National Security**

- Supply Chain crisis, Russia/Ukraine, Militant China have all underscored need for on-shoring electronics production
- Significant new wafer fab production planned for US in coming years

■ **New Challenge: Restrictions on China Sales**

- Worsening Chinese/US relations on trade, spying, military expansion, Taiwan
- US government orders Nvidia/AMD to stop sending AI chips to China
- US technology companies have withstood worse restrictions
- All nations are looking to bolster their supercomputing capacity

■ NVidia (NVDA)

Target Price \$225

- Data center revenue up 124% for FY21, on track for 40%-growth in FY22
- Automotive: autonomous multi-decade opportunity; 40%-plus growth in FY22
- Look for gaming to normalize in coming quarters, led by eSports
- Loss of A100/H100 sales manageable, other HPC markets opening
- Growth levers largely intact, near-term challenges
 - » Gaming, data center, pro visualization, automotive
- Trading at spring '21 levels

■ **Apple (AAPL)**

Target Price \$200

- **Supply chain impacting sales, but Apple continuing to beat consensus**
- **iPhone 14 unlikely to have wow factor, but steady growth**
- **iPhone has displaced Android as #1 in US smartphone sales**
- **China: AAPL leads in phone revenue and units, no AI risks**
- **Services, mac, wearables, iPad – multiple growth drives beyond iPhone**
- **Trading at fall '21 levels**

■ Qualcomm (QLCM)

Target Price \$205

- Snapdragon: modem, app processor, GPU, GPS, WiFi, BT, etc.
- Unparalleled IP & chipset solution for 5G, now in third generation
- QCT focused on China Android OEMs (Oppo, Vivo); not likely to lose Apple for at least 2023-24
- Addressable market rising to \$700 billion from \$100 billion
- Trading at spring '21 levels

■ **Communications Equipment**

- ANET, CSCO, VIAV, MSI

■ **Semiconductors**

- ADI, TXN, NXPI, AMD
- ASML, KLAC, AMAT

■ **Technology Hardware**

- HPQ, IBM, STX, DELL

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