



Media Release

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Increased ‘Tech’ exposure an option for uncertainty and volatility: Datt Capital

Emanuel Datt, Managing Director and Chief Investment Officer of boutique investment firm Datt Capital is recommending investors consider increasing their equities allocation to the Tech sector as a means of dealing with heightened uncertainty and the likely increase in volatility in markets over the next 12 months.

“The cocktail of Covid-19, China trade and political tensions, the Brexit imbroglio, and the US election, regardless of outcome, mean investors are facing an increasingly uncertain outlook globally despite equity markets appearing to defy both gravity and earnings outlooks,” says Datt.

“Gold has performed extremely well in the last 6 months as has silver more recently and of course resources, particularly iron ore have been strong for some time.

“We think now is the time to rebalance and Datt Capital has been taking the opportunity to de-risk our portfolio by cutting back on non-core equity positions.

“The market as a whole has risen steadily since the lows in March whilst the NASDAQ has been on an absolute tear, increasing by more than 50% since the March lows.

“The upcoming US elections in November will no doubt bring fresh volatility to markets for which we are well prepared to take advantage of.

“A number of positive catalysts remain on the near-term horizon for our core holdings. We are finding many opportunities in a variety of sectors, all with high growth potential and return profiles.

“The maturation of the Tech sector has led to increased investor appetite with many recognising the economic shift from older industries towards the new. The recent market falls and consequent bounce back demonstrated the greater than typical return profiles from tech exposure,” Datt says.

“Today, investors have a number of options to increase tech exposure. The US is the home of the global tech sector. However, there are many attractive technology opportunities listed locally on the ASX. ETFs are a great way to achieve broad exposure to tech without delving too deeply into particular companies. For instance, the BetaShares S&P/ASX Australian Technology ETF is focused solely on Australian listed tech exposures whilst a product such as ETFS Morningstar Global Tech ETF provides a broader, more global focused exposure.

“Concern has been expressed about valuations in the Tech sector. However, we believe the valuations reflect the quality of most of the large tech companies. For instance, Amazon has truly led to the democratisation of purchasing power in many countries apart from its core US market. It is very difficult to gauge the value of this via conventional and historical forms of valuation; and is a testament to its market power,” Datt notes.

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About Datt Capital

Founded in 2007, Datt Capital is a Melbourne-based Australian focused Long-only Fund Manager. Datt Capital is focused on generating alpha by structuring its portfolio in a unique and uncorrelated manner, across asset classes. Its investments consist primarily of listed equity, debt and derivatives solely in Australian markets.

The Datt Capital Absolute Return Fund aims to generate annual double-digit absolute returns over a rolling two-year period. It is benchmarked as seeking 5% above the Reserve Bank of Australia (RBA) cash rate.

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For more information please contact

Simrita Virk at Shed Connect

E: simrita.virk@shedconnect.com