

April 24, 2009

Dear clients and colleagues,

IT spending for 2009

A few days ago, Morgan Stanley released an interesting survey on the IT budget outlook. In total, 150 CIOs from Fortune 1000 companies gave their thoughts on their IT spending expectations for 2009. While this survey paints a gloomier picture than the one we faced last December, we found signs corroborating that we are invested in the right end-market categories of the sector.

Since Morgan Stanley's last survey in December 2008, companies have further reduced their 2009 IT spending estimates. The survey had originally concluded that software and storage were categories where expenses would be least likely to be cut, while services & PCs should suffer the most from a reduced IT budget. This survey provides a fair account of reality, as most of the Q1 results so far reported in this category show that several corporations are indeed feeling the impact of the current economic downturn. As customers continue to delay technology-spending decisions, most software, hardware and semiconductor businesses posted weaker results than in the previous quarter. Although destocking has stopped for some companies, meaning their inventories have returned to more reasonable levels, all warned investors that there is a clear lack of economic visibility going into the second half of 2009.

In our view, companies operating in the storage, software and infrastructure spaces (especially in China) seem to be better positioned to experience sales growth over the coming quarters. U.S. electronic health record, supply chain optimization, China's 3G infrastructure deployment are among the factors that will contribute to drive IT growth. Our portfolio is currently invested in each of these segments.

We will continue to closely monitor the IT sector, in search of solid, well managed companies that offer a top-quality product range. We believe companies that manage to reduce their operating costs to match lower revenue forecasts will fare better going forward. The worst of the global crisis might not be over, but we remain positive as there are clear indications of the order pattern stabilizing amid the IT sector.

Regards,

David Savignac
Assistant portfolio manager