



FAANG

AAA-rated PM on Faang: 'valuations for each stock remain reasonable'

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Facebook, Apple, Amazon, Netflix and Alphabet's (Faang) valuations are not concerning [David Eiswert](#) (pictured), the AAA-rated lead manager of the [T. Rowe Global Focused Growth Equity fund](#).

Eiswert, who has been rated since 2015, said: 'The team and I remain comfortable with our exposure to the Faang component of the strategy, given the individual position sizes set against the thesis that sits behind each stock. Overall, we believe the valuations for each stock remain reasonable as we look out on a one- to two-year basis.'

He also said: 'We do own and believe that Amazon and Facebook are still under-monetising their business models given recent investment programs (including investments aimed at increasing the sustainability of the businesses), which should lead to higher margins in future years.'

According to the latest factsheet available at the time of writing, which dates back to the end of July, Amazon is the strategy's largest holding at 4.1%, while Facebook is the ninth-largest at 2.2%.

The manager is also positive when it comes to Apple, the fund's fourth-largest holding at 3.2%.

'We continue to own Apple given the strong new product cycle ahead,' he said.

However, Eiswert reduced his exposure to Netflix. He said: 'Over the last few months, we have evolved the strategy in aggregate, but also on a stock-by-stock basis through the crisis and subsequently through the re-rating stage of the market rally during the summer.

'This has led to reduction in positions in many of the outright winners from the coronavirus pandemic, specifically where valuations had expanded to create risk. We would include Netflix in this group.'

Eiswert also does not believe the Faangs have been the main driver of performance. He said: 'Stock-picking success has been very broad and come largely from stocks outside of the mega-cap US Information Technology sector.'

FAANGs' valuations have sparked a debate among investment professionals. Geneva-based wealth managers Egon Vorfeld and Nigel Turner of the Forum Finance Group recently talked to *Citywire Switzerland* about the similarities they see between [the current market behaviour and the late 1990s tech bubble](#).