

# Monthly Enterprise Software Market Report

November 2022

HANetf & Purpose Investments

Purpose Enterprise Software ESG-S UCITS ETF | SOFT

SOFT

59bps

IE00BMQ8YQ50

Product Inception Date: 28/07/2021

For Professional Clients Only. Capital at risk.

All data as of 31/10/2022

This report was written by, and is the opinion of, the SOFT index providers Purpose Investments.

## Key Takeaways

- After seeing markets fall dramatically through the month of September, investors entered October with a high level of caution and expectations for further weakness. These beliefs proved accurate for the first part of the month, as the S&P 500 and many other markets fell to new lows on the year and looked to be heading down further. However, investor sentiment rebounded mid-month, allowing markets to stage an impressive recovery.<sup>1</sup>
- As we enter the last two meetings of the year for the US central bank, the FOMC is in a tricky situation as they look to signal their path forward. The aggressive rate hikes they have undertaken need time to work their way through the system and have the desired impact on inflation. In the meantime, they run the risk of breaking something or causing a financial crisis if they keep up this pace. So, it may be time for a pause to survey the results and get a better read on the economy. This thinking is one of the primary reasons for the bounce in October.
- October has been the month during which more bear markets have bottomed than any other. We have twelve examples of these occurrences for the S&P 500 since WW2. Did we just witness the thirteenth? It's probably too soon to tell, but it's been a good start so far. Volatility remains elevated, and many asset classes continue on track for one of their worst years ever. Still, the tone of the markets is beginning to change for the better, and that is starting to help optimism for 2023.

Please note that all performance figures are showing net data. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product.

## Macro Outlook

Leading into October, the year-to-date story in growth technology has been the rapid multiple compression amongst high-growth software. Back in November 2021, the median high growth software company reached a peak valuation of 35x EV/Revenue. This multiple at the beginning of October has now contracted to 8x. This is all a result of too much money "in the system" for too long. The Fed has kept interest rates low for a multi-decade period, as capital flooded around risk-assets in the market as investors piled into more speculative technology investments. This was in no way sustainable, and as the Fed now is nearing the peak of its tightening cycle, the tide has gone out. Just as the capital flooded in, we are now seeing a retreat through a risk-off tone and flight to value. Software companies now trade at **much** more sustainable multiples, and could see solid compounding growth from here.

The main focus for this month was earnings season. We had all of the megacaps print earnings, and there were misses all across the board (except for Apple). The bull case for tech companies going into earnings was that they were able to preserve operating margins, as they have more flexible cost structures, but this proved to not be the case across the board as margin pressure was everywhere. We also saw a deceleration in cloud

<sup>1</sup> <https://seekingalpha.com/news/3898201-sp-500-rallies-8-in-october-on-fed-rate-hike-slowing-hopes-quarterly-earnings>

growth amongst the majors. While technology can be resilient in recession, it is surely not recession-proof as budgeting decisions on a company-by-company level are under increased scrutiny.

That being said, we are starting to turn the tide when it comes to software. A lot of the multiple compression has already happened to such a degree where we believe the risk/return profile for certain category killers remains extremely attractive. We will get one more earnings period of slowing growth, but coming out of the other side of this sell-off we think technology companies will see outsized returns.

## Enterprise Software Performance

As of 31.10.2022

	1M	3M	6M	YTD	12M	SI
<b>Purpose Enterprise Software ESG-S UCITS ETF (Acc)</b>	5.93%	-5.68%	-13.24%	-43.08%	-51.56%	-47.06%
<i>Solactive Purpose Enterprise Software ESG Screened Index NTR</i>	6.01%	-5.51%	-13.07%	-42.85%	-51.32%	-46.70%

**Please note that all performance figures are showing net data.** Source: Bloomberg / HANetf. Data as of 31/10/2022  
Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product. When you invest in ETFs and ETCs your capital is at risk.

## Product Details

The Purpose Enterprise Software ESG-S UCITS ETF 'SOFT' seeks to provide diversified exposure to global software companies.

'SOFT' tracks the SolactivePurpose Software ESG screened Index which looks to include companies that have created substantial moats in their respective verticals through deep product market fit and R&D investments and have high recurring revenue, high gross margins, strong free cash flow, and cashed up balance sheets.

The SOFT software ETF contains an ESG screen to exclude companies with exposure to controversial weapons and fossil fuels.

Visit the [SOFT Fund Page](#) for more information.

Exchange	Ticker	RIC	SEDOL	ISIN	Valoren	WKN	CCY	Listing Date
LSE	SOFT LN	HASOFT.L	BMBTJ68	IE00BMQ8YQ50	-	-	USD	30/07/2021
LSE	SOFP LN	SOFP.L	BN4MYZ5	IE00BMQ8YQ50	-	-	GBP	30/07/2021
Borsa Italiana	SOFT IM	ESOFT.MI	BMXR6G9	IE00BMQ8YQ50	-	-	EUR	22/07/2021
Xetra	SOFT GY	SOFTG.DE	BMXR5M8	IE00BMQ8YQ50	-	A3CT5E	EUR	03/08/2021
Euronext Paris	SOFT FP	SOFP.PA	BPG9N73	IE00BMQ8YQ50	-	-	EUR	09/12/2021



## Nicholas Mersch, CFA

### Portfolio Manager, Purpose Investments

Mr. Mersch has worked in the asset management industry in several capacities over the past 10 years. Areas include private equity, infrastructure finance, venture capital and technology focused equity research. In his current capacity, he is an Associate Portfolio Manager at Purpose Investments focused on long/short equities. Mr. Mersch graduated with a Bachelor of Management and organizational studies from Western University and is a certified financial analyst (CFA) charterholder.

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  - ii. the carbon securities ETCs under the terms in the base prospectus approved by the UK Financial Conduct Authority (“FCA”) and the relevant final terms of the carbon securities (together, “FCA Carbon ETC Prospectus”); and
  - iii. the carbon securities ETCs under the terms in the base prospectus approved by the Central Bank of Ireland (“CBI”) and the final terms of the carbon securities (together, “CBI Carbon ETC Prospectus”).

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The ETF Prospectus, Metals ETC Prospectus, FCA Carbon ETC Prospectus, CBI Carbon ETC Prospectus and Cryptocurrency Prospectus can all be downloaded from [www.hanetf.com](http://www.hanetf.com).

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