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Meet Dominic Rizzo

Portfolio Manager, Global Technology Equity Strategy

April 2023

Dom earned a B.A. in economics and political science from Swarthmore College and an M.B.A. from The University of Chicago, Booth School of Business.

8 years of
Investment Experience

8 years
With T. Rowe Price

Baltimore
Office Location

2022–March 2023
Co-portfolio manager, Global Technology Equity Strategy
Global semiconductor analyst for T. Rowe Price

2018–2022
Technology analyst based in London, covering the entire European technology sector

2015–2018
Associate analyst supporting the small-cap value strategies, with a focus on the semiconductor industry

After covering both European and U.S. technology stocks from London, Dom Rizzo took over sole management of the Global Technology Equity Strategy as of April 1, 2023. He is based at the company's headquarters in Baltimore and will continue to travel widely while maintaining coverage of global semiconductor capital equipment companies. Dom brings experience in investing across all equity style categories, from growth to value and from large-cap to small-cap. The strategy seeks to provide long-term capital growth.

Tell us about the investment approach that you bring to the strategy.

I'd describe myself as a growth investor who is flexible and valuation-aware. The majority of companies in the portfolio fit in the growth bucket, and they also make up most of the tech sector. But I started my career supporting our value team, and over my career at T. Rowe Price, I've taken satisfaction in having helped place stocks in nearly all of our equity portfolios, across all asset classes—small, mid, large, growth, core, and value. The tech investment landscape is constantly changing, and I'll follow attractive opportunities wherever they pop up for the Global Technology Equity Strategy.

For example, I had the good fortune of starting my career as a semiconductor analyst at the bottom of one of the industry's seemingly inevitable cycles. Why do I say good fortune? Because the cycle turned positive in the following years—customers worked their way through overstocked inventories, the global economy accelerated a bit, and demand picked up. What had been small-cap value stocks flourished and, in many cases, became mid-cap growth stocks.

> What I really like about our approach is that we're a "go anywhere," truly global, technology equity strategy.

Please explain your stock selection process

My framework has four key parts to it:

- First, I look for what I consider "linchpin" technologies. These technologies are mission critical to the success of their customers or make their users' lives dramatically better. The technology sector—and the world—would be different if these companies did not exist. Their products and services are indispensable, whether in making or designing chips or keeping the online world and e-commerce functioning.
- Second, I seek companies that are taking share in fast-growing secular markets.
- Third, I want improving fundamentals—this could take the form of organic revenue acceleration, margin expansion, or free cash flow conversion improvement.
- Fourth, I want a reasonable valuation.

It is very difficult to discover a stock that's great on all these dimensions at once, in my view. There's no such thing as a perfect stock. We just want to make sure our big bets have as many of these characteristics as possible and avoid the stocks that screen poorly on the framework. The good thing about this framework is that it should work regardless of the economic or interest rate environment. It is flexible enough to adapt to changing economic conditions given the emphasis on improving fundamentals and reasonable valuations. In terms of a time horizon, we are looking to optimize the portfolio to outperform over 18-month rolling periods.

How does this strategy contrast with others in the market?

What I really like about our approach is that we're a "go anywhere," truly global, technology equity strategy. We will go to any country and look for opportunities in companies of all sizes and in all tech-related industries. It's important to keep in mind that many of the world's leading-edge tech companies are located outside the U.S. Many of the companies behind the production of the latest-generation semiconductors are in Asia and Europe, for example.

I believe we're uniquely positioned to do that because of our well-resourced research platform. We have analysts stationed around the globe, many of them focused on corners of the market that are not well covered. And they regularly communicate and share information and opinions. We also have great history with many of these companies. Like me, many of our sector portfolio managers used to be the analysts on these companies in their prior lives at the firm.

What do you see as the most important developments in the sector now?

Artificial intelligence is a big deal—in boardrooms and executive suites as well as in the public's imagination. That was really reinforced to me during our annual series of meetings in Silicon Valley last December. It's going to proliferate everywhere and work its way into all our activities, whether at work or at home. No one knows exactly how its going to impact every tech company, of course, but we believe it's going to benefit the companies that provide the tools to build artificial intelligence—names such as Advanced Micro Devices, NVIDIA, Taiwan Semiconductor Manufacturing, and Samsung Electronics. These are what we judge to be the indispensable, linchpin companies at the heart of our portfolio today.

More generally, I feel good about the prospects of our holdings right now. I think we're nearing the end of the inventory correction in semiconductors, for example, and their latest earnings reports show that—even in the midst of the current downturn—many of these firms have been generating solid earnings and cash flow with very reasonable valuations. Enterprise software stocks were pummeled in 2022, but I expect them to "strike back" at some point because their underlying business models have been profitable. They've been investing heavily in their future growth, but I expect some of these management teams will pull back on that and book solid profits that lure investors back.

How would you characterize valuations and recession risks?

I have no strong opinion on whether interest rates will go up or down from here. My gut is that the direction of travel is

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likely lower on interest rates, but we will see. Regardless, the hardest point of a valuation regime change is when you see the surge in interest rates. We’ve seen the two-year Treasury yield go from effectively 0% to 4%. I don’t think we replicate that magnitude and go up to 8% from here. There might be some rate pain still to come, in other words, but I don’t expect a replay of last year’s dramatic contraction in valuations. Valuations are now in a much more reasonable range.

The macro picture is clouded, to be sure, but I’m also mindful that tech companies could fare relatively well in the face of either high inflation or slow growth, or both. Tech companies have grown so much in recent years because they help consumers and businesses increase productivity and save money.

It’s certainly true that the mega-cap companies have become more exposed to slowing overall demand, which you’ve seen with social media and the slowdown in digital advertising, for example. They are also facing significant new capital expenditures to build out AI. But the mega-caps also have huge cash reserves and other resources to see them through a downturn, and they can pull a lot of levers to reduce costs. In many ways, the mega-cap companies became the mega-caps because they are the ultimate linchpins.

In terms of the impact of the collapse of Silicon Valley Bank, I think we have to think about the reverberations in both the short term and the medium term. In the short term, the venture capital community will likely pull back on their investments. Silicon Valley Bank was tightly engrained in that world. This means any public companies that sell software tools to those VC-backed startups may have a bit of a growth headwind as funding continues to dry up.

On the other hand, over the medium term, this also means that the companies that have already come public can really press their relative advantage versus the start-up community due to their self-funding. They can do this while simultaneously increasing their operating margins. It is time these public companies “strike back” and show how profitable they can be at scale.

Share a little bit about your personal interests

I’m probably most unusual—for portfolio managers, at least—in my longtime passion for martial arts. My most recent favorite is Muay Thai, which is basically a Thai form of boxing. The rest of my hobbies are more conventional. I love spending time with my family, I’m a basketball fan, and I’ll admit to a podcast addiction. I also read a lot of economic history.

That said, I’m on the road a lot, visiting companies and attending industry events—I’ve been traveling four of the last six weeks, for example. But I’m hardly complaining. I think this is the best job in the world. How many jobs allow you to witness the leading edge of innovation and meet with the entrepreneurs who are changing the world—while simultaneously striving to help our clients achieve their retirement goals and lead more comfortable lives?

The stocks mentioned above represented the following allocations in the Global Technology Equity representative portfolio as of March, 31, 2023: Taiwan Semiconductor Manufacturing Corporation, 6.5%; NVIDIA, 6.3%; Advanced Micro Devices, 4.8%; Samsung Electronics, 2.8%; SVB Financial, 0.0%.

The representative portfolio is an account we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of other accounts in the strategy. Information regarding the representative portfolio and the other accounts in the strategy is available upon request.

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and no assumptions should be made that investments in the securities identified and discussed were or will be profitable.

Risks: The following risks are materially relevant to the portfolio.

Country (China)—Chinese investments may be subject to higher levels of risks such as liquidity, currency, regulatory and legal risks due to the structure of the local market.

Currency—Currency exchange rate movements could reduce investment gains or increase investment losses.

Emerging markets—Emerging markets are less established than developed markets and therefore involve higher risks.

Issuer concentration—Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the portfolio's assets are concentrated.

Sector concentration—Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the portfolio's assets are concentrated.

Small and mid-cap—Small and mid-size company stock prices can be more volatile than stock prices of larger companies.

Stock Connect—Stock Connect is subject to higher regulatory, custody, and default risks as well as liquidity risk and quota limitations.

Style—Style risk may impact performance as different investment styles go in and out of favor depending on market conditions and investor sentiment.

Volatility—The performance of the portfolio has a risk of high volatility.

General Risks:

Capital risk—the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

ESG and Sustainability risk—may result in a material negative impact on the value of an investment and performance of the portfolio.

Counterparty risk—an entity with which the portfolio transacts may not meet its obligations to the portfolio.

Geographic concentration risk—to the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk—a portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk—investing in portfolios involves certain risks an investor would not face if investing in markets directly.

Management risk—the investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk—operational failures could lead to disruptions of portfolio operations or financial losses.

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