

## The Rise and Rise of Technology

Technology driven advances and the pace of innovation are the defining megatrend of our era. Developments in fields such as robotics and automation are changing many industries and are having an impact on the way we work and live.

ETF Securities' *Future Present* range of exchange traded funds offers simple and intelligent ways to bring your portfolio into the 21<sup>st</sup> century by capturing growth in companies at the forefront of the technology revolution.



### The rise and rise of technology

It has become something of a cliché, but technology really is changing the way we live and work. On buses and trains, for example, half of the passengers are likely glued to smartphones or tablets. Technological developments are certainly not confined to telecommunications; in fact, new technologies are heralding enormous changes in a very wide range of industries globally. And, in some cases, technological advances are creating entire new industries whose participants are enjoying stellar growth rates.

These powerful trends are interesting from an investment perspective. After all, the premise of equity investing suggests investors allocate capital towards companies that can generate and maintain strong growth rates, which are most likely to generate favourable long-term returns for shareholders. This philosophy is a hallmark of thematic investing, whereby investors seek to benefit from exposure to a particular trend or theme. Thematic funds can be additionally appealing to investors as their performance is often uncorrelated with economic cycles and other forces that drive mainstream equity and bond markets.

Accessing pioneering companies with the greatest growth potential can be easier said than done. Small and mid-cap companies at the cutting edge of innovation in emerging industry sectors are typically not well represented in traditional market cap weighted indices. Constituents of the S&P/ASX 200 Index, for example, are more mature large-cap companies, often with more modest growth rates. Accordingly, investors might be missing out on

some of the brightest current investment opportunities, even if their portfolio is heavily weighted towards equities.

Similarly, investors who focus primarily on the domestic market in Australia are not only missing out on the benefits of international diversification, but are likely to also be overweight sectors such as Financials and Materials. Significantly, they are also likely to be very underweight sectors such as Information Technology and Health Care, which are major sources of growth and innovation.

In recognition of this – and reflecting our desire to offer investors fresh, innovative and value-adding investment options from across the globe – ETF Securities has launched the *Future Present* range. This range of funds enables investors to access some of the most appealing investment niches currently available, conveniently and cost-effectively through an exchange traded fund (ETF) vehicle.

### Accessing a new world of investment opportunities

The *Future Present* range has been designed to track the growth of new and innovative sectors that have historically been challenging for investors to access. Investing in the *Future Present* range of funds enables investors to participate in the growth arising from long-term structural shifts that are underway in various industries.

The *Future Present* range was launched in 2017 with the only ETF in Australia offering exposure to the global technology sector – *ETFS Morningstar Global Technology ETF* (ASX code: **TECH**).

Technology has been a major source of global growth in recent years. Since 1995, earnings across the technology sector have increased more than 500%, nearly double the wider market. This translates into an annual compounded growth rate of 8.5% per annum compared to 5% for the market. In 2017 technology was clearly the leading performing sector, averaging a total return of close to 40% on a market capitalization-weighted basis<sup>1</sup>.

In designing **TECH**, ETF Securities partnered with Morningstar, whose expertise as a leader in equity research provides insight used to identify the leading technology companies across the globe, based on rigorous analysis of the strength and sustainability of their competitive advantages. Furthermore Morningstar's valuation models ensure that only firms trading at attractive valuations relative to peers are selected for the fund.

Whilst mega-caps such as Apple, Google, Facebook and Amazon dominate, there is innovation and value to be found across the sector. From artificial intelligence to cyber-security, e-commerce and cloud infrastructure technology firms are growing and diversifying in many different directions. As such, companies are equally weighted within the fund to capture growth in small- and mid-cap companies that emerge as leading players in their field.

The *Future Present* range has since expanded to include Australia's first robotics, automation and artificial intelligence ETF – **ETFs ROBO Global Robotics and Automation ETF** (ASX code: **ROBO**).

Companies are increasingly investing in automation as they seek to improve productivity; reducing production costs and, in turn, increasing profitability. Already generating more than \$200 billion annually, sales in the robotics and automation sectors are tipped to increase more than five-fold over the next decade<sup>2</sup>.

Currently, more than two thirds of industrial robots are employed in the automotive, electronics and metal industries<sup>3</sup>, but their use is likely to become more widespread as artificial intelligence systems develop further. Improvements in image and voice

recognition, for example, as well as increasing usability of machine vision technology will enable robots to perform ever more complex tasks, widening their application and seeing them penetrate other industries.



For **ROBO**, ETF Securities has partnered with ROBO Global, pioneers in robotics and automation investing and the developers of the benchmark industry classification system for the sector. ROBO Global's expertise lies in their ability to identify companies that are best-placed to benefit from the structural changes underway. Which have competitive advantages that are likely to persist through time? Which are most profitable and likely to generate the strongest long-term returns for shareholders?

Benefitting from ETF Securities' heritage as Australia's second oldest provider of exchange traded products, combined with the specialist expertise of our research partners, the *Future Present* range provides investors with a unique opportunity to invest in megatrends that are occurring all around us. We look forward to expanding the *Future Present* product range in 2018 and beyond.

*ETF Securities, the Intelligent Alternative*

<sup>1</sup> Source: Bloomberg data as at 11 January 2018.

<sup>2</sup> Business Insider Intelligence, Cyber Security Report, Apr 2016

<sup>3</sup> Source: International Federation of Robotics 2016

# ETF SECURITIES



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## **Future Present Product information**

**ETFS Morningstar Global Technology ETF [download factsheet](#)**

**ETFS ROBO Global Robotics and Automation ETF [download factsheet](#)**

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To find out more about ETF Securities products, visit [www.etfsecurities.com.au](http://www.etfsecurities.com.au)

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