ETFS Investment Idea

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Here's the Buzz around Megatrends

Products in Focus: The ETFS Future Present Range

- Q4 2018 saw high levels of volatility that particularly affected the tech sector and high beta areas of the market
- YTD performance in 2019 has seen a rebound of many of these stocks
- In this article we explore some of the key drivers of growth in the future
- In the long term there is a positive outlook for technology, robotics, battery tech and biotechnology

At ETF Securities, we often talk about megatrends; disruption, displacement, game-changing and revolutionary technologies. Whilst it is easy to become cynical about the overuse of these terms, it's clear that the pace of change is accelerating with no signs of slowing. Since 1956 there has been more than a trillion-fold increase in computing power where today the power of the iPhone 6 (an already outdated technology) could theoretically guide 120 million Apollo 11 rockets at once.

Taking a step back, the greatest driver of this advancement is simply the enormous expansion in computing power. We now have capabilities to capture and analyse immense quantities of data, and this knowledge is being applied to a wealth of areas, with many of these technologies previously restricted to the realms of science fiction.

The ETF Securities Future Present range gives investors a way to access disruptive technologies in a diversified manner. The range includes four funds targeting different sectors that are looking to have a greater presence in the future:

TICKER	FUND NAME	YTD PERFORMANCE (TOTAL RETURN)
TECH	ETFS Morningstar Global Technology ETF	11.96%
ROBO	ETFS ROBO Global Robotics & Automation ETF	11.05%
ACDC	ETFS Battery Tech & Lithium ETF	3.38%
CURE	ETFS S&P Biotech ETF	14.77%

Source: Bloomberg, as at 12 February 2019 (AUD, NAV, TR), total returns are net of fees. Past performance is not an indication of future performance.

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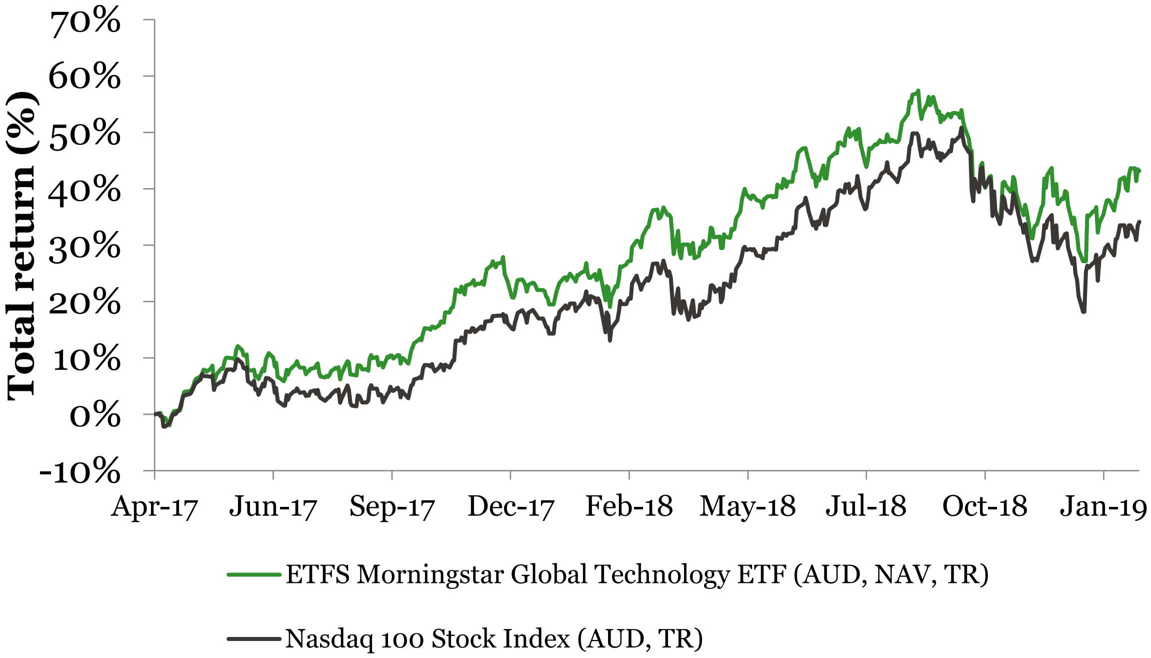
TECH: ETFS Morningstar Global Technology ETF

Once seen as a highly speculative investment, technology has now firmly cemented its place at the top of the S&P 500. It is fair to say that most people are highly dependent on leading tech firms that have become exceedingly integrated into our lives.

We wake up, check the weather on our Apple iPhone, cycle to work on that (pricey) Cannondale and track the ride on our Garmin. Once at the office, the computer is booted up and Microsoft Office provides the tools to get us through the day.

These technologies are ubiquitous and as such it is important to know the different ways of gaining exposure to the companies behind them. TECH holds a basket of 32 global technology stocks that have been identified using Morningstar's moat methodology, meaning they have a competitive advantage over other similar businesses. With Morningstar's active influence in this fund, it has outperformed the Nasdaq 100 since it was launched in April 2017.



Source: Bloomberg as at 31 January 2019. Past performance is not an indication of future performance.

ROBO: ETFS ROBO Global Robotics & Automation ETF

While the tech sector is dominating the present, it's robotics, automation and AI (RAAI) that looks set to dominate the future.

The outlook for growth in RAAI looks bright and with recent volatility providing increasingly attractive valuations in this sector, is now the time to consider to invest in this thematic?

This year industry experts are pointing to improvements in network capabilities, particularly the roll out of 5G networks, aiding growth across the board, with the upgrade from 4 or 4.5G yielding as much as 10-100 time improvements in network speeds. These enhancements are instrumental in enabling the development and implementation of other technologies. Can you imagine using Netflix in the days of dial-up internet?

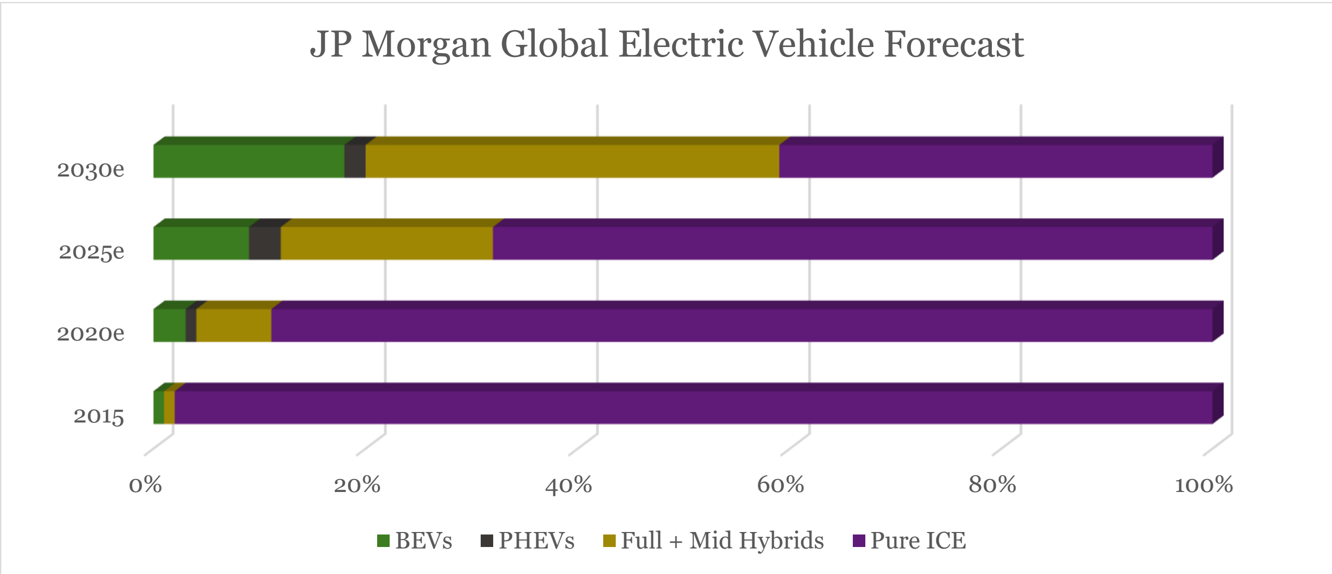
Further penetration of manufacturing robots is also expected to occur as the automation of the workforce continues. Today's China has approximately 1 robot per 100 manufacturing workers, with huge scope for growth if it's to reach ratio's in line with Germany and South Korea's 6 per 100. These robots are performing monotonous tasks with high levels of precision and increasingly lower costs than their human counterparts, meaning companies will need to keep up with the levels of automation their rivals are using to keep up with the competition.

ACDC: ETFS Battery Tech & Lithium ETF

Global climate change and the move towards renewable energy is one of the most pressing issues of today and one of the key drivers of our success in addressing this issue will be in the development of energy storage. Imagine a world where battery technology is efficient enough to fly planes and feed power stations – this is the world companies behind this technology are striving for, and we're already on our way with the explosion of electric vehicle development.

But it's not just electric vehicles making advances. In classic Musk fashion, Elon managed to make batteries the talk of the town in 2018 with his 100-day delivery of the Hornsdale Power Reserve battery in South Australia, currently the largest in the world. This drew attention for the necessity of pairing renewable energy generation with practical storage solutions.

Whilst Tesla has had the first-move advantage in the electric vehicle (EV) market, it is rapidly being chased by established car manufacturers like BMW, Volkswagen and Nissan, who have equally ambitious goals to capture the growing consumer demand for green-transport. JP Morgan project EVs and Hybrid Electric Vehicles (HEVs) will account for 30% of all vehicle sales by 2025.



Source: JP Morgan, October 2018

CURE: ETFS S&P Biotech ETF

Whilst biotechnology is arguably one of the oldest forms of technology, its prospects for future development are high. Since the first smallpox vaccine was administered in 1761, there have been huge advances in the biotechnology field. The sequencing of the first human genome in 2003 enabled a plethora of new biotech drugs to be developed.

DNA sequencing has created hope for those previously suffering incurable diseases and has provided a quality of life where it was previously lost. At the time of writing 67 of the 119 stocks in CURE are either researching or producing diagnostic tools or drugs that treat cancer. Therapies are being developed for psychological disorders, inoperable tumours, chronic pain, hereditary diseases and degenerative illnesses.

As an industry that is renowned for its volatility, biotechnology can be a particularly difficult sector to choose a winner. For the uninitiated, it is a realm full of highly specific medical jargon, tied up with regulatory barriers and inexplicable results to clinical trials. This is why CURE offers an equal weight and broad exposure to the biotech sector. And whilst it is difficult to know who will be responsible for the next breakthrough treatment, what we do know is that people will always pay for healthcare, especially as our aging population grows. This is an industry where success does not just mean more dollars in the bank, but lives saved, and families kept together.

The Future is Now

The examples above provide just a glimpse into the full scope of innovation that is captured by the ETF Securities Future Present Range. The future is now, and the way we live and work will continue to be defined by these mega trends. Accessing these sectors through a diversified, equal weight ETF allows investors to take a view on what trends will dictate the times to come.

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