Investors today are floundering in challenging financial markets. We are all buffeted by low economic growth, extreme currency movements, election fear, Brexit and market uncertainty. With the recent Bank of England interest rate drop, we can expect a low interest rate environment to be the new normal for some time to come.

Investors are also contending with low bond yields and significant uncertainty in the property markets. Finding secure and even profitable havens for our money remains a major challenge. Investors are seeking decent returns within long-term growth themes. Safe, sustainable growth driven by macro-economic trends over a longer time frame are essential. One such theme that is taking industry and society by storm is the megatrend of robotics and automation.

What many investors under appreciate is that robotics and automation is at the heart of a global trend that is disrupting the status quo now in industry and society. Take the following examples to demonstrate the enormity of this trend:

- Bank of America Merrill Lynch predicted that by 2025 the “annual creative disruption impact” from Artificial Intelligence could amount to $14-$33 trillion, including a $9 trillion reduction in employment costs thanks to AI-enabled automation of knowledge work; cost reductions of $8 trillion in manufacturing and health care; and $2 trillion in efficiency gains from the deployment of self-driving cares and drones.1

- McKinsey Global Institute estimates the potential economic impact from advanced robotics, 3D printing and autonomous or near autonomous vehicles could be as high as $6 trillion by 2025. McKinsey also noted that AI is contributing to a transformation of society “happening ten times faster and at 300 times the scale, or roughly 3,000 times the impact” of the Industrial Revolution.2

Examples of this are all around us: robot-assisted surgery, cheap and custom-fitted 3D-printed prosthetic arms for children, robot hotel porters and shop assistants, companion robots for the elderly, exoskeletons assisting mobility, warehouse automation allowing next day delivery of ecommerce goods, drones assisting farmers to boost land productivity, partial AV applications improving road safety in cars, mobile robots assisting in search, rescue or forest fire prevention, and collaborative robots working alongside humans to perform repetitive and injury-prone tasks.

The runaway for further adoption of robotics and automation across society is a multi-decade investment opportunity. This is exemplified by robotics and automation being the headline topic at DAVOS and is the core of the EU’s Horizon 2020 project. Governments, big industry and the consumer industry have all reacted and continue to drive robotics and automation forward. FIAT in Italy and Google have established an AV program, China’s Midea is buying Germany’s KUKA, Japan’s Softbank is buying mobile processor ARM Holdings and overall M&A activity is at an all-time high. Clearly, the investment for the future of robotics and automation is happening today and investors need to take note.

This continued adoption of robotics and automation across the broader and global economy creates an exciting era for consumers and a significant opportunity for investors. Some subsectors and companies will develop faster than others, driven by factors such as technology advancement, processing costs, regulations and social acceptance. While stock picking the winners is a challenge, what is certain is that the Robotics and Automation industry, when viewed across the entire ecosystem, offers an exciting and sustainable growth story.

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1 Bank of America Merrill Lynch, Robot Revolution – Global Robot & AI Primer, December 2015
2 McKinsey Global Institute, Disruptive Technologies, May 2013
ROBO Global® created the world’s first global classification system for the robotics and automation industries from its proprietary database and continues to support taking a broad and well diversified view of this opportunity. The ROBO Global Robotics and Automation UCITS Index was first to market in June 2014. With a unique coverage team comprised of industry leaders from both the academic and research world, we benchmark the entire value chain of robotics, automation, and enabling technologies across 13 subsectors and 15 geographies. The index methodology follows a modified equal weighting scheme and rebalances on a quarterly basis to respond to new entrants and maintain diversification. Including all players in a proportionate and modified equal weighted fashion ensures that we capture the overall growth trend while minimizing company-specific risk.

The index is favorably positioned to generate above market returns with the 3 year estimated EPS growth at 51.6% versus MSCI World Index at 26.2%. In addition, the robotics and automation investment theme is unlikely to be captured in traditional investment strategies with less than 2% company overlap between the index and MSCI World Index.3

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3 Bloomberg, ETF Securities, 10/08/2016

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