

# The rise of thematic ETFs

Thematic ETFs are on the ascent in a big way. Assets under management in these vehicles have trebled since 2018 and more than doubled during 2020. In the first quarter of 2021 alone, approximately 25% of new ETF launches were thematic<sup>1</sup>.

Industry definitions for thematic ETFs vary depending on the audience. But generally speaking, they are funds that seek to provide exposure to a specific theme or niche. In doing so they aim to capitalise on the performance of a secular trend or industry. Examples include artificial intelligence (AI), cyber security, smart cities, clean energy and global luxury.

The increased investor appetite for thematic investing can be attributed, substantially, to the rise of ETFs, which offer multiple benefits including cost efficiency, diversification, liquidity and transparency. Fierce competition amongst providers has resulted in lower costs and driven the development of more specialised, thematic indices. As a result, thematic ETFs offer a way for investors to capitalise on the performance of a trend or industry via a single transaction.

## Careful selection is key

Investors should be aware of the potential pitfalls of thematic investing though.

Thematic ETFs can be narrow in scope, consequently carrying a higher degree of risk. In this sense they may be best used to complement as opposed to replace core holdings.

That said, when selected carefully, the potential rewards can be significant if investing, for instance, in a long-term structural change.

## Capturing the potential of AI

Amongst the most exciting current segments of thematic investing is “disruptive technology” and within that, Artificial Intelligence. Interest in this area has surged following the Covid-19 pandemic and our increased reliance on digital solutions.

The global AI industry market size is projected to be worth nearly USD 267 billion by 2027, up from USD 27 billion in 2019<sup>2</sup>.

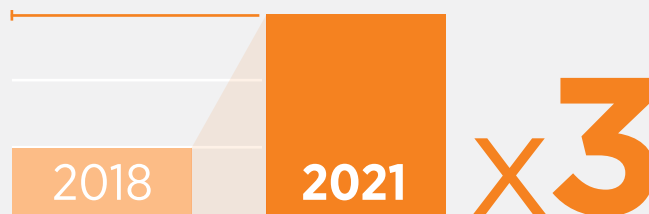
Over time, every industrial sector and most companies will incorporate AI into their businesses. According to the International Data Corporation, worldwide spending on AI is set to more than double over the next few years, rising from USD 50.1 billion in 2020 to USD 110 billion in 2024.

Machines will take over many of the tasks performed by humans today. The applications are wide-ranging and likely to be specific not only to each sector, but also to each company.

Reaping the most benefits from this “megatrend” of course involves allocating capital today.

### Thematic ETF AUM Growth

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### AMUNDI STOXX GLOBAL ARTIFICIAL INTELLIGENCE UCITS ETF

<b>Inception Date</b>	4/09/2018
<b>ISIN Code</b>	LU1861132840
<b>Bloomberg ETF Code</b>	GOAI.FP GOAI.PA
<b>ETF Base Currency</b>	EUR
<b>Ongoing charges</b>	0.35% <sup>4</sup>
<b>Coupon treatment</b>	Reinvested
<b>Legal Form</b>	Luxembourg SICAV
<b>UCITS V compliant</b>	Yes

That’s why Amundi partnered with Stoxx, a leading index provider, to launch the Amundi Stoxx Global Artificial Intelligence UCITS ETF. This ETF offers long-term growth potential through exposure to companies in developed and emerging countries, from a wide range of industries, that invest heavily in the development of new Artificial Intelligence (AI) technologies. These companies are considered to be well-positioned to benefit from the increased adoption of AI technologies.

## A reminder

Investor appetite for thematic ETFs continues to grow with around 80% of global investors saying they will increase allocations to thematic ETFs<sup>3</sup>. They can offer significant growth potential, but careful selection is key in this niche investment area. ■

### About Amundi ETF, Indexing & Smart Beta

Amundi is a recognised European leader in the ETF market and offers over 150 ETFs<sup>5</sup> across all main asset classes, geographic regions and a large number of sectors and themes. Amundi is leading the ESG transformation and its ETF, Indexing and Smart Beta platform is known for its wide range of high-quality, cost-effective ESG solutions spanning equity and fixed income and a range of levels of ESG intensity.

1 TrackInsight May 2021

2 Source: Fortune Business Insights, 2020

3 Source: Brown Brothers Harriman - 2021 Global ETF Investor Survey

4 Ongoing charges: Ongoing charges - annual, all taxes included. The ongoing charges represent the charges taken from the fund over a year. Until the fund has closed its accounts for the first time, the ongoing charges are estimated. Transaction cost and commissions may occur when trading ETFs

5 Source: Amundi ETF as of end of March 2021

#### Important Information

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