THE AUSTRALIAN

ETF technology investments give exposure to the next big boom

By **ANTHONY KEANE**, PERSONAL FINANCE WRITER
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Technology giants including Apple, Tesla and Amazon delivered stellar share price growth during the pandemic, but the future's best investments are likely to come from the next wave of tech winners.

Robotics, artificial intelligence, cybersecurity, biotechnology, cloud computing and battery technology for renewable energy are attracting intense interest, and the easiest ways for investors to grab a slice is through exchange traded funds (ETFs).

ETFs can be bought and sold on the ASX and spread investors' money across a range of companies in a sharemarket index or sector, with much lower fees than managed funds.

MANAGE RISK

Catapult Wealth director Tony Catt says owning a tech-focused ETF will generally deliver exposure to 30 or 40 of the biggest companies in a sector, globally, reducing your risk by spreading your money across different companies and different countries.

"Some of those businesses will fail, but you are not going to lose your shirt," he says.

"There will be winners in the technology sector and you will participate in that.

"Most of those good technology stocks aren't based in Australia. It's really hard to get research on them, and the cost of investing internationally can be prohibitive."

Catt says artificial intelligence and robotics have a bright future, and COVID sped up the cybersecurity growth as companies switched to cloud-based technology and employees working from home.

Investors can spread some money over two or three tech ETFs, buying in gradually to avoid peaks and troughs, Catt says.

"Be patient and don't over-think it," he says.

DIVERSIFY

Stockspot investments manager Marc Jocum says huge innovation in the ETF space has given Australian investors exposure to megatrends and specific themes — including technology.

"ETFs are only 30 years old but have been a great tool for investors to gain exposure to global share markets," he says.

“Specialised technology ETFs have been extremely popular since the COVID-19 pandemic. There’s been almost $600m of money flowing into these emerging technology products over the last year.

“However, investors need to beware. These niche thematic products have higher fees and higher volatility than broad market-focused ETFs.”

Jocum says a majority of an investor’s portfolio should focus on broader ETFs that invest across multiple sectors.

“While technology has done well in recent times, we can never predict the industries or sectors that might do well in the future,” he says.

Financial strategist Theo Marinis says ETFs are great for diversification and “diversification is the first rule of investment”.

“They’re not quite like owning your own shares, but they’re a good in-between,” he says.

“But I wouldn’t put all my money in one sector.”

• **ETFS Battery Tech & Lithium (ASX code ACDC)** holds battery technology and lithium mining companies including Tesla, Galaxy Resources and Pilbara Minerals. Fees are 0.69 per cent annually.

• **ETFS ROBO Global Robotics and Automation (ROBO)** provides exposure to more than 80 global companies, focusing on technologies including 3D printing and industrial robotics.

• **BetaShares Global Robotics and Artificial Intelligence (RBTZ)** holds 32 companies including computer chip maker NVIDIA, assembly robot producer FANUC Corp and unmanned aircraft and drone technology company AeroVironment.

• **BetaShares Global Cybersecurity (HACK)** invests in 40 cybersecurity companies and charges 0.67 per year in fees.

• **ETFS Morningstar Global Technology (TECH)** is a broader fund including companies such as Microsoft, Uber and Salesforce, and fees are 0.45 per cent.

• **BetaShares Cloud Computing (CLDD)** charges 0.67 per cent in fees and includes companies such as Xero, Dropbox and Proofpoint.

• **ETFS S&P Biotech (CURE)** invests in US biotechnology companies including Gilead Sciences, Celgene and Biogen and charges 0.45 per cent annually.

• **VanEck Vectors Video Gaming and eSports (ESPO)** exposes investors to video game developers and eSports companies including Tencent Holdings, Nintendo and NVIDIA.

Source: Stockspot, asx.com.au

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