

Longer Term Investment

The decade ahead and COVID-19: Investment ideas

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- In our report, *The decade ahead and COVID-19*, we discussed how the coronavirus pandemic has altered the path of three key areas of transformation: 1) health, from genetic therapies to food systems; 2) digital technologies and cross-sector disruption; 3) de-globalization and its effects on manufacturing and supply chains.
- In this companion piece, we highlight CIO investment recommendations that align with these areas of transformation and our longer-term investment themes (where applicable).
- For the full suite of implementation options, including diversified multi-thematic solutions, and additional single stock ideas, click on Research from the homepage of UBS Online Services, then select Investment Strategy/Thematic Investing.

At the start of 2020, we forecast a Decade of Transformation ahead. At that time, we had no idea that a global pandemic would be among the first catalysts to accelerate some of the secular shifts we anticipated over a longer-term horizon. In this report, we discuss how the outbreak has altered the path of three key areas of transformation:

1. health, from genetic therapies to food systems;
2. digital technologies and cross-sector disruption;
3. de-globalization and its effects on manufacturing and supply chains.

As we navigate the current bout of market volatility, we believe investors can benefit from positioning their portfolios for these long-term trends. We briefly discuss the relevant longer-term investment (LTI) themes and associated investment opportunities in the following pages.

Health

Genetic therapies

The rapid spread of the coronavirus has left healthcare professionals rushing to understand its traits, and advances in genetics research have hastened scientists' analysis of the new virus. Gaining a better understanding of infectious diseases and how to treat them is just the tip of the iceberg in genetic research.

Our increased understanding of our own genetic makeup is also a key driver of the development of many advanced treatments, including targeted genetic therapies. These treatments aim to cure diseases by modifying or removing faulty human genetic information, eliminating the cause of illness to restore health. This represents a paradigm shift in medical care compared to traditional drug treatment, which usually just slows disease progression or relieves symptoms.

Please see the full report *Longer Term Investments: Genetic therapies*, 31 October 2019, for more information.

ETF idea

Global X Genomics & Biotechnology ETF (GNOM)

- Seeks to track the performance of the Solactive Genomics Index
- The index includes companies with at least 50% of revenues from genomic related business operations and/or classified as biotechnology.

Food Revolution

While the exact origin of COVID-19 is unknown, it is thought to have passed from animals to humans in a food stall selling various wild animals for consumption in the Wuhan province. The rapid spread of the virus and its devastating human and economic consequences have set in motion a call for greater safety and transparency across the food supply chain. The global population is expected to grow by approximately 25% by 2050, which equates to 200,000 additional mouths to feed every day. Not only will the challenge be providing enough food, but providing food that is safe, nutritious, and in line with consumers' evolving preferences. As a result, we expect a food revolution to unfold over the next decade which will see advances in food safety, alternative proteins, food delivery and tracking systems, and food production.

Please see the full report *Longer Term Investments: Food Revolution*, 4 March 2020, for more information.

See Fig. 1 for related stock ideas over a long-term horizon.

Fig. 1: Food Revolution stock ideas

Company	Ticker	Price
AGILENT TECHNOLOGIES INC +	A	\$ 73.72
AMERICOLD REALTY TRUST	COLD	\$ 32.96
BEYOND MEAT INC +	BYND	\$ 71.10
CONAGRA BRANDS INC +	CAG	\$ 27.85
ECOLAB INC	ECL	\$ 161.69
INTL FLAVORS & FRAGRANCES	IFF	\$ 114.55
NOMAD FOODS LTD +	NOMD	\$ 16.90
TRIMBLE INC ++	TRMB	\$ 30.64
TYSON FOODS INC-CL A ++	TSN	\$ 61.23
UBER TECHNOLOGIES INC +	UBER	\$ 28.12
VALMONT INDUSTRIES INC. ++	VMI	\$ 98.94

Note: Stocks that are only covered by the UBS Investment Research are annotated as such with a "+" sign. These stocks have a 12-month rated Buy or Neutral recommendation. UBS IR is part of the UBS Investment Bank (the UBS business group that includes, among others, UBS Securities LLC). Stocks not included on a Most Preferred or Bellwether List from CIO and not covered by UBS Investment Research (IR), but with an S&P Quality Ranking of B+ or higher are annotated as such with a "++" sign. Source: Bloomberg, UBS, as of 26 March 2020

Digital Transformation

Fintech

The near-term slowdown in travel spending due to COVID-19 has weighed on fintech companies, particularly those with exposure to physical stores and cross-border transactions. However, we believe the pandemic should accelerate the shift towards fintech-based digital solutions as most consumers have started to stay home and have begun to access new digital platforms like ecommerce, video streaming, food delivery, online education, which are usually paid through fintech solutions via mobile or online payments. Against this backdrop, we continue to believe fintech as a trend should continue to deliver double-digit growth opportunities over the next few years, thus growing at least three times faster than traditional financial services.

Please see the full report *Longer Term Investments: Fintech*, 19 September 2019, for more information.

See Fig. 2 for related stock ideas over a long-term horizon.

ETF idea

Global X FinTech ETF (FINX)

- Seeks to track the performance of the Index Global FinTech Thematic Index
- Stocks listed in developed markets that derive significant revenues from the following industries are eligible for inclusion: P2P and Marketplace Lending, Mobile Payments, Crowd-funding, Blockchain and Alternative Currencies, Enterprise Solutions, and Personal Finance Software, Automated Wealth Management and Trading

e-commerce

Among stay-at-home beneficiaries, e-commerce as a trend has benefited significantly during the past few weeks amid the COVID-19 outbreak. Similar to fintech, we believe e-commerce penetration should be accelerated. Reports in multiple countries suggest COVID-19 has hurt in-store traffic, but there's also been a significant pick up in online shopping, which is forcing e-commerce platforms to recruit hundreds of thousands employees to fulfill orders. Retailers with a strong online presence are benefiting as well. Nike noted during its recent conference call that digital sales grew triple digits in China while the country was on lock-down and accelerated further even with stores reopening. Beyond the short-term tailwinds, structural drivers like population growth and urbanization trends, combined with an expanding emerging market middle class should support e-commerce, which we expect to grow 15% annually over the next 10 years.

Please see the full report *Longer Term Investments: E-commerce*, 27 February 2020, for more information.

See Fig. 3 for related stock ideas over a long-term horizon.

Fig. 2: Fintech stock ideas

Company	Ticker	Price
AMERICAN EXPRESS CO	AXP	\$ 93.29
CAPITAL ONE FINANCIAL CORP	COF	\$ 57.87
DISCOVER FINANCIAL SERVICES	DFS	\$ 41.71
FIDELITY NATIONAL INFO SERV	FIS	\$ 123.64
FISERV INC +	FISV	\$ 97.69
MASTERCARD INC - A	MA	\$ 263.18
PAYPAL HOLDINGS INC +	PYPL	\$ 100.63
SYNCHRONY FINANCIAL	SYF	\$ 19.03
VISA INC-CLASS A SHARES	V	\$ 168.88

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Fig. 3: e-commerce stock ideas

Company	Ticker	Price
AMERICAN TOWER CORP	AMT	\$ 222.20
AMAZON.COM INC	AMZN	\$ 1,955.49
APPLE INC	AAPL	\$ 258.44
EBAY INC +	EBAY	\$ 30.16
ESTEE LAUDER COMPANIES +	EL	\$ 172.98
EQUINIX INC	EQIX	\$ 587.58
FACEBOOK INC	FB	\$ 163.34
LULULEMON ATHLETICA INC	LULU	\$ 200.80
NIKE INC -CL B	NKE	\$ 84.30
PROLOGIS INC	PLD	\$ 77.69
STARBUCKS CORP	SBUX	\$ 69.90
UNITED PARCEL SERVICE-CL B	UPS	\$ 99.78
WALMART INC	WMT	\$ 109.82

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ETF ideas

ProShares Online Retail ETF (ONLN)

- Seeks to track performance of the ProShares Online Retail Index
- The index includes companies classified as online retailer, e-commerce retailer, or an internet and direct marketing retailer, according to standard industry classification systems

VanEck Vectors Video Gaming and eSports ETF (ESPO)

- Seeks to track the performance of the MVIS Global Video Gaming and eSports Index
- The index includes companies with at least 50% of their revenues from video gaming and/or eSports

Emerging Markets Internet & E-commerce ETF (EMQQ)

- Seeks to track the performance of the EMQQ Index
- The index includes companies that derive a majority of assets or revenues from internet and e-commerce activities in emerging markets

Enabling Technologies

The outbreak of the coronavirus has increased uncertainty for companies around the world, which will likely have a prolonged negative impact on IT spending, perhaps through most of 2020. This view is dependent on government and individual efforts around containment. That being said, the current pullback in valuations presents an attractive entry point to invest in certain secular growth dynamics in the technology sector. In particular, we see opportunities to invest in the shift to cloud computing and the build out of 5G networks.

We see cloud computing and 5G as part of a broader set of enabling technologies (including, digital data, AR/VR, and artificial intelligence) that will impact every industry in the global economy from healthcare to financial services.

Please see the full report, *Longer Term Investments: Enabling Technologies*, 14 January 2020, for more information.

See Fig. 4 for stock idea related to enabling technologies over a long-term horizon.

ETF ideas

Global X Cloud Computing ETF (CLOU)

- Seeks to track the performance of the Iidx Cloud Computing Index
- The index includes the top 30 companies by cloud revenues and weights them based on market cap with a single security cap of 4%.

First Trust Cloud Computing ETF (SKYY)

- Seeks to track the performance of the ISE CTA Cloud Computing Index
- The index includes companies engaged in Infrastructure-as-a-Service, Platform-as-a-Service, and Software-as-a-Service

Fig. 4: Enabling technologies stock ideas

Company	Ticker	Price
ADOBE INC	ADBE	\$ 322.67
ALPHABET INC-CL A	GOOGL	\$ 1,162.92
CISCO SYSTEMS INC	CSCO	\$ 40.58
FACEBOOK INC-CLASS A	FB	\$ 163.34
FIREEYE INC +	FEYE	\$ 11.83
FORTINET INC	FTNT	\$ 99.44
INTEL CORP	INTC	\$ 55.54
NOKIA CORP-SPON ADR +	NOK	\$ 3.15
ORACLE CORP	ORCL	\$ 50.48
PALO ALTO NETWORKS INC	PANW	\$ 168.00
ROCKWELL AUTOMATION INC	ROK	\$ 159.29
SALESFORCE.COM INC	CRM	\$ 154.73
SAP SE-SPONSORED ADR +	SAP	\$ 115.25
SIEMENS AG-SPONS ADR +	SIEGY	\$ 42.35
SPLUNK INC	SPLK	\$ 129.14
ERICSSON (LM) TEL-SP ADR +	ERIC	\$ 7.60

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First Trust Indxx NextG ETF (NXTG)

- Seeks to track the performance of the Indxx 5G & NextG Thematic Index
- It targets companies that have devoted, or committed to devote, material resources to the research, development and application of 5G and next generation digital cellular technologies.

With respect to 5G opportunities over the medium-term, we prefer the infrastructure companies over smart phone makers because we believe that will start to benefit from 5G build-outs sooner. We also believe that smartphone demand will likely suffer in the wake of the coronavirus.

See Fig. 5 for stock list over the next 12-18 months.

Security and safety

Since the lockdown of whole economies to stop the COVID-19 outbreak, the importance of home office and remote control has significantly increased. Now that companies have gained some experience with such a situation and proved that technology is working, there is a good chance that to some degree, home office will not disappear again after the crisis. In our view, the cloud, Internet of Things (IoT) and Industrial Internet of Things (IIoT) will be game-changers in terms of connected machines worldwide. This will create a big technology challenge for society and companies alike. It will become more complicated to protect the devices of individuals and companies from attack. The number of connected devices that companies have to control is soaring. Cybersecurity experts believe a significant increase in attacks that involve IoT devices is likely. Cybersecurity companies helping to prevent such attacks should benefit from this trend.

Please see the full report *Longer Term Investments: Security and safety*, 15 January 2020, for more information.

ETF idea

First Trust Nasdaq Cybersecurity ETF (CIBR)

- Seeks to track the performance of the Nasdaq CTA Cybersecurity Index
- The index includes companies that are classified as a cybersecurity company as determined by the Consumer Technology Association (CTA)

Fig. 5: 5G infrastructure stock ideas

Company	Ticker	Price
ERICSSON (LM) TEL-SP ADR +	ERIC	\$7.60
NOKIA CORP-SPON ADR +	NOK	\$3.15
CISCO SYSTEMS INC	CSCO	\$40.58
JUNIPER NETWORKS INC	JNPR	\$20.41
INTEL CORP	INTC	\$55.54
AMERICAN TOWER CORP	AMT	\$222.20
CROWN CASTLE INTL CORP	CCI	\$142.47
SBA COMMUNICATIONS CORP	SBAC	\$264.49

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De-globalization and the manufacturing sector

Automation and robotics

After the fallout from COVID-19 on deliveries of important goods, there seems to be a rethinking happening among companies and governments about the global manufacturing footprint to diversify their supply chains or even bring supply chains closer to home. The recent developments will most likely accelerate the diversification trend that has already started during the trade tensions. Over the long term we expect to see more automation and less human interaction in modern factories. Factory automation equipment, robots, and automation software will play an important role to achieve a higher level of automation. Digital tools will also be used in the manufacturing process and we believe the Industrial Internet of Things (IIoT) will be a key enabler and accelerate this change to digital manufacturing. This change in technology will not only be limited to the factories but also change the service industry.

Please see the full report *Longer Term Investments: Automation and Robotics*, 26 February 2020, for more information.

ETF idea

Robo Global Robotics and Automation Index ETF (ROBO)

- Seeks to track the performance of the ROBO Global Robotics and Automation Index
- The index includes companies that are involved in robotics- and/or automation-related products and/or services as determined by the index provider

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Standardized Performance

All performance figures on the following pages were obtained from Morningstar Direct, and are current as of the most recent quarter end. You may obtain a prospectus and performance data for the ETFs current to the most recent month end by clicking on the links below. Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted.

Issuer	Web-site
Exchange Traded Concepts (for EMQQ)	https://emqqetf.com/fund-documents/
Exchange Traded Concepts (for ROBO)	https://roboglobaletf.com/robo#docs
First Trust (for CIBR)	https://www.ftportfolios.com/Retail/Etf/EtfSummary.aspx?Ticker=CIBR
First Trust (for NXTG)	https://www.ftportfolios.com/retail/etf/etfsummary.aspx?Ticker=NXTG
First Trust (for SKYY)	https://www.ftportfolios.com/retail/etf/etfsummary.aspx?Ticker=skyy
Global X	https://www.globaletf.com/
ProShares	https://www.proshares.com/resources/prospectus_reports.html
Van Eck	https://www.vanek.com/library/equity-etfs-literature/

ETF market price and NAV total returns in % as of 31 December 2019

Issuer	Ticker	1-year		3-year		5-year		10-year		Since inception		Inception date
		Price	NAV	Price	NAV	Price	NAV	Price	NAV	Price	NAV	
First Trust	NXTG	29.58	28.68	11.14	11.39	8.82	8.99	-	-	8.20	8.24	2/17/11
ProShares	ONLN	19.93	20.11	-	-	-	-	-	-	-6.67	-6.33	7/13/18
Global X	GNOM	-	-	-	-	-	-	-	-	2.12	2.67	4/5/19
Global X	FINX	37.52	37.14	27.66	28.07	-	-	-	-	24.11	23.78	9/12/16
VanEck	ESPO	42.34	41.56	-	-	-	-	-	-	19.86	19.00	10/16/18
Exchange Traded Concepts	EMQQ	33.86	32.70	16.49	16.24	9.92	9.90	-	-	6.79	6.73	11/12/14
Global X	CLOU	-	-	-	-	-	-	-	-	6.71	6.49	4/12/19
First Trust	SKYY	25.25	25.78	21.26	21.26	16.84	16.85	-	-	14.09	14.09	7/6/11
Exchange Traded Concepts	ROBO	29.51	29.51	13.91	14.12	10.60	10.61	-	-	8.79	9.08	10/22/13
First Trust	CIBR	28.52	28.21	15.66	15.64	-	-	-	-	9.95	10.21	7/7/15

Appendix

Statement of Risk

Equities - Stock market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables.

Exchange Traded Funds (ETFs) - For purposes of this report, ETFs include index-linked funds regulated under the Investment Company Act of 1940 that trade on US securities exchanges under exemptive relief from the Securities and Exchange Commission. The shares of all of the ETF issuers discussed in this Report are listed on U.S. securities exchanges. The ETFs are either open-end, registered investment companies (including UITs) operating under an exemptive order from the SEC, or collective investment vehicles, formed as grantor trusts, limited partnerships or similar structures that offer pass-through tax treatment to investors. The different structures provide different rights for investors. For example, ETFs registered under the Investment Company Act of 1940 must stand ready at all times to redeem shares (albeit only in creation unit size) whereas those ETFs that are not subject to registration under the Investment Company Act of 1940 may suspend redemptions at any time. We refer to ETFs registered with the SEC under the Investment Company Act of 1940 as "40 Act ETFs" and to nonregistered ETFs as "33 Act ETFs." Most of the ETFs discussed in this Report track an index of financial instruments or provide exposure to a single commodity type. ETFs are subject to the same risks as the underlying securities and commissions may be charged on every trade, if applicable. This definition does not imply that ETFs are endorsed by the Securities and Exchange Commission.

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Companies mentioned in this report (27 March 2020):

Apple Inc. (AAPL - Bellwether, \$258.44), Adobe Systems (ADBE - Most Preferred, \$322.67), American Tower Corp. (AMT - Most Preferred, \$222.20), Amazon.com Inc. (AMZN - Most Preferred, \$1,955.49), American Express (AXP

Appendix

- Most Preferred, \$93.29), Beyond Meat (BYND - , \$), Crown Castle Intl. Corp. (CCI - Bellwether, \$142.47), First Trust NASDAQ Cybersecurity ETF (CIBR US - , \$26.25), Global X Cloud Computing ETF (CLOU - , \$15.04), Capital One Financial (COF - Most Preferred, \$57.87), Americold Realty (COLD - Most Preferred, \$32.96), Salesforce.com (CRM - Most Preferred, \$154.73), Cisco Systems Inc. (CSCO - Most Preferred, \$40.58), Discover Financial Services (DFS - Bellwether, \$41.71), eBay (EBAY - Not Rated, \$30.16), Ecolab (ECL - Bellwether, \$161.69), Estee Lauder Cos. (EL) (EL - Not Rated, \$172.98), Emerging Markets Internet & Ecommerce ETF (EMQQ - , \$32.37), Equinix Inc. (EQIX - Most Preferred, \$587.58), Ericsson (ERIC - , \$7.60), VanEck Vectors Video Gaming and eSports ETF (ESPO - , \$38.43), Facebook (FB - Most Preferred, \$163.34), FireEye (FEYE - , \$11.83), Fidelity National Information Services, Inc. (FIS - Most Preferred, \$123.64), Fortinet, Inc. (FTNT - Bellwether, \$99.44), Global X Genomics & Biotechnology ETF (GNOM - , \$12.72), Alphabet Inc. Class A (GOOGL - Most Preferred, \$1,162.92), Intl Flavors and Fragrances (IFF - Bellwether, \$114.55), Intel Corp. (INTC - Most Preferred, \$55.54), Juniper Networks Inc. (JNPR - Most Preferred, \$20.41), Lululemon Athletica (LULU - Bellwether, \$200.80), MasterCard (MA - Most Preferred, \$263.18), Nike Inc. (NKE - Most Preferred, \$84.30), Nokia (NOK - , \$3.15), Nomad Foods (NOMD - , \$), First Trust Indxx NextG ETF (NXTG US - , \$47.11), ProShares Online Retail ETF (ONLN - , \$33.27), Oracle Corp. (ORCL - Most Preferred, \$50.48), Palo Alto Networks (PANW - Most Preferred, \$168.00), ProLogis (PLD - Most Preferred, \$77.69), Paypal (PYPL - Not Rated, \$100.63), Robo-Stox. Global Robotics and Automation Index ETF (ROBO - , \$34.15), Rockwell Automation, Inc (ROK - Bellwether, \$159.29), SAP (SAP - , \$115.25), SBA Communications Corp. (SBAC - Not Rated, \$264.49), Starbucks Corp. (SBUX - Bellwether, \$69.90), Siemens AG (SIEGY - , \$42.35), First Trust ISE Cloud Computing Index Fund (SKYY - , \$55.75), Splunk (SPLK - Most Preferred, \$129.14), Synchrony Financial (SYF - Bellwether, \$19.03), Trimble (TRMB - , \$), Uber (UBER - , \$), United Parcel Service Inc. (UPS - Most Preferred, \$99.78), Visa Inc. (V - Most Preferred, \$168.88), Valmont Industries (VMI - , \$), Walmart Inc. (WMT - Most Preferred, \$109.82)

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Most Preferred*: The equity sector strategist expects the stock to outperform the relevant benchmark in the next 12 months.

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UBS Investment Research: Global Equity Rating Definitions

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Appendix

Global Equity 12- Month Rating Definitions

Buy: FSR is > 6% above the MRA. **Neutral:** FSR is between -6% and 6% of the MRA. **Sell:** FSR is > 6% below the MRA.

Key Definitions

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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