



Market Focus

Invest in multi-sectors: Redefining technology

Technology is the future. Just like electricity in the 19th Century Industrial Revolution, the fast-growing ABCD of new technologies – Artificial Intelligence (AI), Blockchain, Cloud computing and Big Data – have been adopted by various companies to help them evolve new business models. While these technologies are transforming different sectors, what investment strategies should be implemented to catch this high-speed technology opportunity?



Techs are more than just tech stocks >



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Utilise AI in stock selection to strive for Alpha >



Techs are more than just tech stocks

- Investors can think of many tech giants when they look for tech stocks – Facebook, Alphabet, Tencent, Baidu and so on. However, they might have needed to change their mindset since September, because these social media and search engines are now classified as Communication Services, according to the latest changes in the Global Industry Classification Standard (GICS). E-commerce giants Alibaba and eBay, which were previously also classified as Techs, have now migrated to Consumer Discretionary. Those left in Techs are Hardware or Software companies like Apple and Microsoft.
- The reclassification of sectors reflects that investing in technology is not restricted to Tech stocks, but also includes retail, communications, automobiles, financials and so on. So you should extend your scope of stock picking more widely if you are interested in technology investing. Look for the tech pioneers in specific sectors as their valuations may be heightened if they can transform the industry through their technology.



Look for the tech pioneers in different sectors

- Consumer Discretionary is one of the sectors that may benefit more from technology evolution. Take Amazon, the online book seller in the early 90s, as an example. By deploying AI, Amazon developed drone delivery, cashier-less stores, and speech recognition for electronic applicants. And as a result it multiplied its earnings five-fold in five years, watched its stock price surge 4.7 times, and became the second largest company in the world. This shows the power of technology to support earnings and stock prices of non-tech companies.
- As investment in technology has spread to different sectors, rather than investing in a single sector, stock picking has to be more accurate and measurable. There are now some technology funds that are multi-sector funds investing in stocks with earnings driven by new technology, aiming to pin-point tech elites and rising stars from different sectors.



Utilise AI in stock selection to strive for Alpha

- Meanwhile, technology is also evolving in the fund industry itself. Fund managers were used to understanding corporates' fundamentals in their stock selecting process through company visits or analysing financial statements. In recent years, AI technology has also been deployed to enhance stock selection.
- Techniques include tracking the logistics of a specific company by satellite, or collecting job posts online to assess a company's business operations in a more concise way. AI may also help in analysing glossaries used in research reports and in online discussion forums to judge market sentiments, striving for a better Alpha for the fund.
- Investors should not pick a technology fund solely by its name, but by the sector and nature of the stocks the fund invests in. Keep an eye on the holdings from time to time to assess if the fund is investing in the tech areas that you are expecting. The selection of stocks that have the greatest potential to drive earnings through improved technology is the key to success in technology investing.

Investment Solutions

Important Risk Warning

- Investment involves risk. Past performance is no guide to future performance. For details of the investment products, their related fees and charges and risk factors, please refer to the individual product materials.
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