GLOBAL MARKETS REPORT
"ETFs with Best Market Perspective for 2024"

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INTRODUCTION

Exchange-Traded Funds, or ETFs, are an essential feature of modern-day investing as they allow investors to diversify their risk exposure by obtaining a large variety of asset types like equity, bonds, crypto, and or even fixed-incomes under a single tradable security. ETFs allow investors unique investing strategies of betting on the success of an asset class or category rather than a specific asset. Hence, ETFs are commonly organized by grouping similar assets under a common tradeable fund. Passive ETFs, are among the most popular types of ETFs and are aimed into following specific indexes, like the first ETF in the United States, the SPDR S&P 500 ETF Trust which follows the S&P 500. However, another less popular, but existing type of ETFs are Actively Managed ETFs, which differently to Passive ETFs, don't follow an index, but instead have portfolio managers. Finally there are also categorical ETFs, like Bond ETFs, Currency ETFs, Commodity ETFs, or Industry ETFs, which are essentially a collective of similar assets into the same tradeable fund. ETFs are an important investment strategy as it allows investors to bet on the success of an asset category instead of stock-picking a specific equity. Along with the practicality of not stock-picking for the average investors, ETFs are also beneficial as they allow less risk exposure to the investors. Due to these benefits, ETFs have become an extremely popular investment strategy, and this report aims to discuss the ETFs with the best market perspective for 2024 based on current events or trends that can impact markets.

UNDERSTANDING ETFS: THE KEY FEATURES

An important aspect to understanding an ETF is how dividends are paid to the investors. ETFs generally have two main ways of paying dividends to their investors. The first manner is utilizing the money received from the dividends and simply repaying them to the investors of the ETF. However, some ETFs repay their investors by utilizing the money received from dividends and reinvesting into the ETF, essentially giving the investor more shares of that ETF that could later be sold into more money. A reinvesting ETF provides the investor the benefit of not being charged with a trade fee for acquiring more shares of the fund. However, despite reinvesting in ETFs allowing their investors the benefit of not dealing with trade fees, they still have to deal with taxes on dividends. Regardless if the ETF is dividend paying or reinvesting, investors are taxed by the dividends received, in a way similar to mutual funds. However, ETFs have some benefits over mutual funds like costs, transparency, and liquidity. As most ETFs are passively managed, they have the benefit of costing the investor less managing fees when compared to mutual funds. Additionally, ETFs are extremely transparent and since many are index-based all costs and prices are clearly shown to the investor, while in a mutual fund the same level of clarity might not be available. Finally, ETFs are more liquid than mutual funds as they are tradeable all day, like stocks, while mutual funds are only tradeable once a day.

ETFS FOCUSING ON TECHNOLOGY OR AI

Investment vehicles known as exchange-traded funds (ETFs) that concentrate on technology or artificial intelligence (AI) give investors access to a portfolio of equities in these industries. Typically, these ETFs follow the performance of an underlying index made up of businesses involved in technology or artificial intelligence. They spare investors from having to choose specific equities by providing diversification across several cutting-edge technology businesses.

Xtrackers Artificial Intelligence & Big Data UCITS ETF 1C:

Exposure to businesses engaged in big data and artificial intelligence technology is offered via the Xtrackers Artificial Intelligence & Big Data UCITS ETF 1C. It aims to follow the Nasdaq Global Big Data and Artificial Intelligence index.

Key Features:

1. **Underlying Index:** The Nasdaq Global Artificial Intelligence and Big Data index, which is made up of businesses that are actively engaged in big data and AI, is tracked by the ETF. These might include businesses working on cloud computing, machine learning, data analytics, AI development, and related fields.
2. **Diversification:** Investors may access a diverse portfolio of businesses in the AI and big data industries by purchasing this exchange-traded fund (ETF). By distributing risk across several businesses, diversification lessens the effect that the performance of any one stock will have on the investment as a whole.
3. **Global Reach:** The ETF usually comprises global enterprises, giving investors exposure to both well-known names in the AI and big data space as well as up-and-coming innovators. Due to its worldwide reach, investors might profit from the global expansion of the big data and artificial intelligence sectors.
4. **Liquidity:** Through trading on significant stock exchanges, the Xtrackers Artificial Intelligence & Big Data UCITS ETF 1C provides liquidity as an ETF. Shares can be bought and sold by investors at market prices at any time throughout the trading day, giving them flexibility and convenience in managing their money.

Investment Considerations:

Investors interested in technology or AI-focused ETFs like the Xtrackers Artificial Intelligence & Big Data UCITS ETF 1C should consider several factors:

1. **Risk Tolerance:** The technology and artificial intelligence industries have room to develop, but they may also be unstable. Because there are frequently large swings in stock values, investors should evaluate their risk tolerance before making investments in these areas.

2. **Long-Term Outlook:** Technology- or AI-focused exchange-traded funds (ETFs) are often best suited for investors with long investment horizons. Over the upcoming years, these industries should continue to thrive and innovate, albeit there could be some short-term changes.
3. **Research and Due Diligence:** Investors should thoroughly investigate the firms in the portfolio, the ETF's holdings, and the underlying index before making any investments. It is crucial to comprehend the company basics and the trends that are guiding the big data and AI businesses.
4. **Market Conditions:** The success of the technology and AI industries can be impacted by market and economic factors. It is important for investors to remain up to date on events in the industry, regulations, and global economy that might affect their investment.

The performances of this ETF are as following:

- +11,95% YTD (vs +7,06% for the NASDAQ 100)
- +117,51% 5Y (vs + 125,52% for the NASDAQ 100)

All things considered, technology- or AI-focused exchange-traded funds (ETFs) like the Xtrackers Artificial Intelligence & Big Data UCITS ETF 1C give investors a chance to share in the growth potential of these rapidly expanding industries while distributing risk via diversified exposure to a variety of cutting-edge businesses. Before purchasing these ETFs, individuals should carefully examine their investment goals, risk tolerance, and portfolio needs.

Final Consideration on Technology or AI ETFs:

This ETF replicating the index should benefit this year from the Federal Reserve's rate cut, which should lead to an expansion of the valuation multiple (PER) and a boost to investment by Tech companies.

In addition, as we saw with NVIDIA, earnings projections for companies operating in the field of artificial intelligence should drive strong growth in the replicated index over the coming decade, with disinflationary productivity gains boosting both the numerator (Market Cap of companies in the index) and denominator (Earnings) of the valuation multiple.

HEALTHCARE SECTOR ETFS: A COMPREHENSIVE ANALYSIS

The healthcare sector is a critical component of the global economy, encompassing a wide range of industries including pharmaceuticals, biotechnology, medical devices, and healthcare services. Healthcare sector ETFs provide investors with diversified exposure to this sector by tracking indices of companies operating within these industries. These ETFs can be an attractive investment option for those seeking to benefit from the growth potential of healthcare while minimizing risk through diversification. Healthcare sector ETFs are known for their resilience during economic downturns due to the non-cyclical nature of the industry. Additionally, the sector's defensive qualities make it an appealing choice for investors looking for stability in their portfolios.

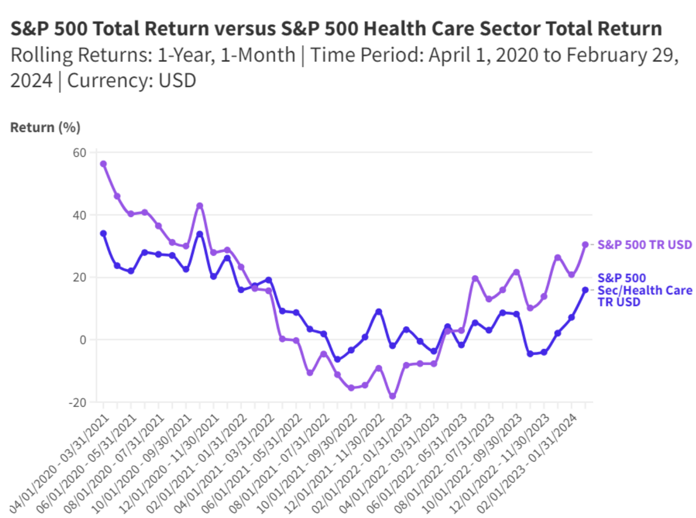
Notable Healthcare Sector ETFs

Several prominent healthcare sector ETFs offer investors diverse exposure to the industry. Key examples include:

- Health Care Select Sector SPDR Fund (XLV): This ETF is one of the largest and most well-known healthcare ETFs. It tracks the Health Care Select Sector Index and holds a mix of large-cap and mid-cap healthcare companies.
- Vanguard Health Care ETF (VHT): This ETF tracks the MSCI US Investable Market Health Care 25/50 Index. It provides exposure to a wide range of healthcare companies across different market capitalizations.
- iShares U.S. Healthcare ETF (IYH): Tracking the Dow Jones U.S. Health Care Index, this ETF includes a diverse mix of healthcare stocks from various industries within the sector.
- Fidelity MSCI Health Care Index ETF (FHLC): This ETF tracks the MSCI USA IMI Health Care 25/50 Index and includes companies from various sub-sectors of the healthcare industry.

Historical Performance of Healthcare Sector ETFs

Historically, healthcare sector ETFs have demonstrated consistent and steady performance. Their defensive nature allows them to weather market downturns better than other sectors. Healthcare ETFs have shown resilience due to the continuous demand for medical products and services, which remains relatively constant even during economic challenges. In 2023, the healthcare sector experienced a period of underperformance, partly due to regulatory uncertainties and concerns about drug pricing. However, the sector rebounded in 2024 as investors sought safe havens amid broader market uncertainty. ETFs such as XLV, VHT, IYH, and FHLC have seen gains in the early months of 2024, highlighting the sector's potential for recovery.



Source: YCharts, March 24,2024

Predictions for 2024 Performance and Macroeconomic Trends

The outlook for healthcare sector ETFs in 2024 is optimistic, driven by several key factors:

- Innovation in Healthcare: Advancements in AI, machine learning, and big data analytics are transforming the healthcare industry. These technologies improve drug development processes, optimize patient care, and enhance operational efficiency.
- Breakthroughs in Weight-Loss Drugs: Companies like Novo Nordisk and Eli Lilly are making significant strides in weight-loss drugs with products such as Ozempic, Wegovy, and Mounjaro. These drugs have the potential to reshape the treatment of obesity and diabetes, leading to substantial market opportunities.
- Defensive Nature: Healthcare remains a defensive sector that provides stability during times of economic uncertainty. This makes healthcare ETFs an appealing choice for risk-averse investors.
- Aging Populations: The aging population in many countries drives increased demand for healthcare services and pharmaceuticals. This demographic trend is expected to continue contributing to the sector's growth.
- Regulatory Environment: While regulatory changes can impact the healthcare industry, overall, the sector benefits from supportive policies aimed at advancing medical research and innovation.
- Healthcare sector ETFs offer investors exposure to a diverse and dynamic industry with significant growth potential. As the sector continues to evolve with advancements in technology and medical research, healthcare ETFs are poised to deliver attractive returns. Investors should consider factors such as innovation, demographic trends, and company-specific developments when evaluating healthcare ETFs for their portfolios. While risks such as regulatory changes and competitive pressures exist, the overall outlook for the healthcare sector remains positive. By investing in healthcare sector ETFs, investors can capitalize on the stability and growth potential of this critical sector while mitigating risk through diversification.

Risks and Challenges

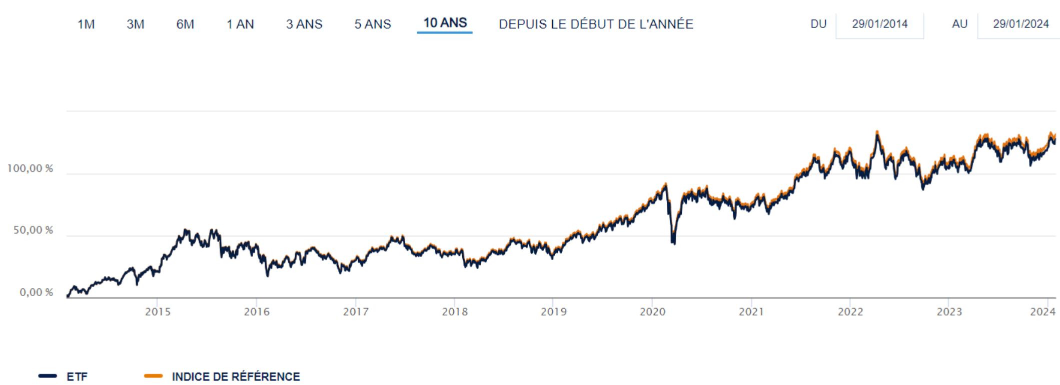
While the healthcare sector offers numerous opportunities for growth, it also faces several risks and challenges:

- Regulatory Uncertainty: Changes in government policies and regulations can affect the profitability of healthcare companies. Drug pricing reforms and healthcare policy shifts may impact the sector's performance.
- Competitive Pressures: The healthcare industry is highly competitive, with companies vying for market share in various sub-sectors. Rapid innovation and new entrants can disrupt established players.

- Supply Chain Disruptions: The global nature of the healthcare industry exposes it to potential supply chain challenges, such as disruptions caused by geopolitical tensions or pandemics.
- Market Volatility: While healthcare is generally considered a defensive sector, it is not immune to broader market volatility, which can impact ETF performance.

Case Study: Novo Nordisk

Novo Nordisk, a Danish pharmaceutical company, has gained significant attention for its innovative weight-loss drugs, including Ozempic and Wegovy. These drugs are changing the landscape of obesity and diabetes treatment, tapping into a vast market with high growth potential. The success of Novo Nordisk's products has led to substantial gains for the company's stock, positively impacting ETFs holding its shares. This case study illustrates how innovation in healthcare can drive growth and returns for investors. However, challenges such as potential supply chain disruptions and competition from other pharmaceutical companies may impact Novo Nordisk's performance. Nonetheless, the company's strong reputation and robust pipeline position it for continued success.



Source: Amundi

ETFS IN THE UK

The United Kingdom stands as a premier financial hub in Europe and ranks among the largest financial markets globally. Therefore they offer a wide range of ETFs to investors. ETFs, as versatile instruments, are utilized widely by investors for a myriad of purposes. One of the prime benefits of ETFs is the extensive diversification they offer, a feature that notably contributes to their popularity, especially with retail investors.

Within the ETF universe, one prominent category is comprised of those based on the market capitalization of the companies they hold. These ETFs enable investors to tailor their portfolios according to the size of companies they aim to invest in, ranging from large-cap to small-cap entities.

Vanguard FTSE 100 ETF (VUKE) tracks the FTSE 100 Index, which comprises the 100 largest UK companies by market capitalization. It's a popular choice for investors seeking exposure to the UK's leading blue-chip companies, including global giants in sectors like pharmaceuticals, oil, and banking. The ETF offers dividends with a yield reflective of the underlying index's performance. VUKE's focus on large-cap companies tends to provide stability and resilience during market fluctuations.

Vanguard FTSE 250 ETF (VMID), unlike VUKE, targets the FTSE 250 Index, which consists of the next 250 largest companies in the UK after those included in the FTSE 100. These mid-cap companies often offer higher growth potential compared to the large-caps of the FTSE 100, making VMID appealing for investors looking for growth in addition to diversification. The ETF also pays dividends and has a slightly higher expense ratio than VUKE due to its potentially higher growth profile.

iShares MSCI United Kingdom ETF (EWU) tracks the MSCI United Kingdom Index, which includes the top 85% of British companies by market cap. EWU ETF is ideal for investors looking to gain broad exposure to the UK equity market through a well-diversified portfolio of large and mid-sized companies.

In addition to ETFs that aim to replicate market indices based on company size or market capitalization, various other ETFs adopt different investment approaches. Some of these include sector-specific ETFs that focus on particular industries, such as technology, healthcare, or real estate. Security-specific ETFs target particular types of investments like bonds, commodities, or currencies. Additionally, there are ETFs that employ quantitative strategies, using algorithms and models to select securities in an attempt to outperform traditional passive or active approaches. These alternative strategies offer a wide range of investment opportunities to meet the diverse objectives of investors.

iShares UK Property ETF (IUKP): This ETF focuses on the UK real estate sector by investing in property companies and Real Estate Investment Trusts (REITs). IUKP aims to provide investors with exposure to the property market without the need to directly buy or manage real estate. The fund's performance is closely tied to the health of the UK property market and can be more volatile compared to broad-market ETFs. It offers dividends, which are generally higher due to the nature of REITs, where most of the income must be distributed to shareholders.
IUKP is suitable for investors looking for targeted exposure to the real estate sector with a higher dividend yield.

Invesco CurrencyShares British Pound Sterling Trust (FXB): FXB is designed to track the price of the British Pound Sterling, less expenses. The fund's performance is directly influenced by the fluctuations in the exchange rate between the US dollar and the British pound. It provides an

easy way for investors to gain exposure to movements in the GBP without engaging directly in the forex market.
FXB is suitable for those looking to hedge or speculate on the movements of the British pound versus the dollar.

The First Trust United Kingdom AlphaDEX Fund (FKU): uses a unique selection methodology called AlphaDEX to try and outperform the broad UK equity market. This method begins with evaluating stocks from the NASDAQ United Kingdom Index, assessing them based on both growth and value metrics. Growth scores consider factors like recent price appreciation and sales growth, while value scores focus on metrics such as book value-to-price, cash flow-to-price, and return-on-assets.
Stocks are classified as either growth or value based on which score is higher, and this score then determines their inclusion in the fund. The top 75 stocks by selection score are chosen for the portfolio. These selected stocks are then divided into quintiles, with stocks in higher quintiles receiving a larger weight, and each stock within a quintile is equally weighted. The fund also applies sector constraints to avoid overconcentration in any one area of the market. FKU is rebalanced and reconstituted semi-annually to maintain its strategy.5
FKU offers a potentially higher return through its smart beta strategy, targeting specific factors that might lead to outperformance relative to a traditional market-cap-weighted index.6
The interpretation and analysis of the performance of the aforementioned ETFs over the last 6 and 12 months are left to the reader's discretion. However, it is worth noting that UK real estate-focused ETFs have not fared well, in tandem with a British real estate market experiencing a downturn. In contrast, the First Trust United Kingdom AlphaDEX Fund (FKU), which employs quantitative strategies, has notably outperformed the broader UK equity market with a return of 14.65% over the past year. This stark difference underscores the diverse outcomes that different investment approaches and market segments can yield.

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