



Sectors & ETFs

UCAP Market Solutions

Friday, April 06, 2018

Introduction

- In addition to the individual stocks we select as the basis of our investment themes and equity primers, we also offer a basket of related ETFs for investors seeking broad-based involvement in our theme research. These recommendations function as a reflection of both our discretionary research and our broader, technical posture.
- Each week, we will also briefly outline a few sector or subsector opportunities not otherwise covered by our existing body of research
- This week, we highlight the following sectors:
 - 1) **US Defense**
 - 2) **Mining**

Contents

Introduction	1
Theme ETFs	2
Technical ETFs	3
Featured Sector: US Defense	4
Recommended US Defense ETFs	4
Featured Sector: Mining	5
Recommended Mining ETFs.....	Error! Bookmark not defined.

UCAP MS Research Team
research@ucap-ms.com
Tel +41 22 591 18 66

UCAP Market Solution SA
11 Cours de Rive
1204 Geneva Switzerland
<http://ucap-ms.com>

Thematic ETFs

- Please consult the reports linked below for detailed analysis of each investment opportunity and our preferred equities within each theme.
- [All of our investment themes can be found here.](#)

Theme	ETF	Ticker	Currency	Mkt Cap (\$bn)	Avg Volume 10D (\$M)	Implied Liquidity (\$M)	Average bid-ask bps	Manager
Robotics	Robotics & Artificial Intelligence	BOTZ US	USD	2.47	34.7	52	4.2	Global X Management Co LLC
Robotics	Robotics & Automation	ROBO US	USD	2.32	10.2	66	7.5	Exchange Traded Concepts LLC
The Chinese Consumer	Investable China	GXC US	USD	1.18	1.6	64	13.9	SSgA Funds Management Inc
The Chinese Consumer	China Consumer	CHIQ US	USD	0.35	7.4	116	21.4	Global X Management Co LLC
China Consumer Technology	China Internet	KWEB US	USD	1.69	15.4	36	14.6	Krane Funds Advisors LLC
China Consumer Technology	Emerging Markets Internet & e-Commerce	EMQQ US	USD	0.52	5.2	135	14.4	Exchange Traded Concepts LLC
Cybersecurity	Global Cybersecurity	HACK US	USD	1.24	6.6	36	8.4	Factor Advisors LLC
Lithium-Ion Batteries	Lithium & Battery	LIT US	USD	1.00	9.4	3	6.6	Global X Management Co LLC
Payments Technologies	Mobile Payments	IPAY US	USD	0.30	1.3	48	29.1	Factor Advisors LLC
New Cancer Therapies	Cancer Immunotherapy	CNCR US	USD	0.07	1.2	11	35.1	Exchange Traded Concepts LLC
Gaming	Global Gaming	GAMR US	USD	0.11	0.5	0	25.6	Factor Advisors LLC
E-commerce	Global Online Retail	IBUY US	USD	0.28	1.6	20	19.4	Amplify Investments LLC

Global Macro ETFs

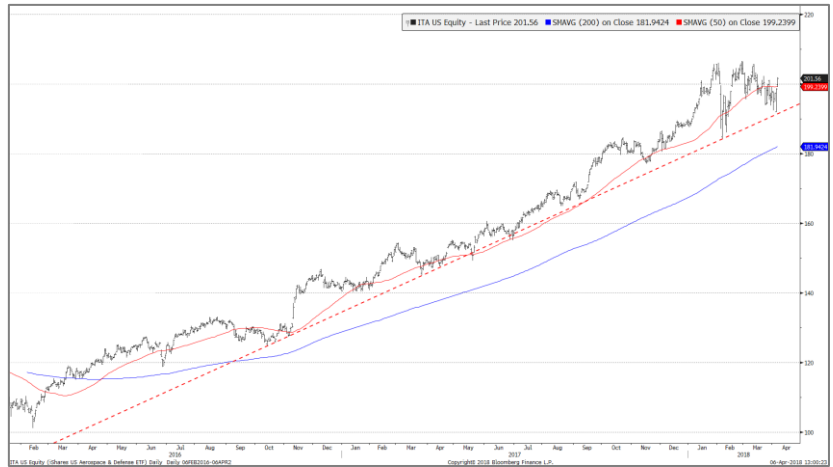
- The ETFs listed below reflect the findings of our most recent Weekly Technical Review.
- [All of our weekly technical documents can be found here.](#)

Theme	ETF	Ticker	Currency	Mkt Cap (\$bn)	Avg Volume 10D (\$M)	Implied Liquidity (\$M)	Average bid-ask bps	Manager
Long Dollar	US Dollar Index	UUP US	USD	0.50	18.8	na	4.3	DB Commodity Services LLC
Hedge US Equities	UltraShort S&P 500	SPXU US	USD	0.46	463.0	na	8.7	ProShare Advisors LLC
Rising Bond Yields	UltraShort 20+Y Treasury	TBT US	USD	2.17	83.5	na	2.7	ProShare Advisors LLC
Long Japan	Hedged MSCI Japan	HEWJ US	USD	0.90	22.5	167	3.7	BlackRock Fund Advisors
Long Gold	Gold Tracker	GLD US	USD	36.81	132.3	na	0.8	World Gold Trust Services LLC
Long Gold	Gold Miners	GDX US	USD	8.08	770.3	112	4.7	Van Eck Associates Corp
Long Silver	Silver Miners	SIL US	USD	0.41	2.1	4	22.6	Global X Management Co
Long Energy Stocks	US Energy	XLE US	USD	17.23	310.3	1236	1.5	SSgA Funds Management Inc
Long Energy Stocks	US Exploration & Production	IEO US	USD	0.35	1.2	765	7.1	BlackRock Fund Advisors
Long Energy Stocks	US Oil Services	OIH US	USD	1.61	198.2	291	4.1	Van Eck Associates Corp

Featured Sector: US Defense

- Global defense spending continues to rise as the geopolitical environment remains tense.
- The biggest spender is the US, where defense remains a national priority
- Upside scenario will advance according to:
 - 1) Overdue refreshment of naval and aerospace arsenals
 - 2) Perception of hawkish political climate
- Sector also sits downrange of favorable tariff impact
- Expect growth but not explosive growth. The sequester, a fixed ceiling on yearly defense spending, is still in place and is likely to remain so until as long as legislative gridlock persists
- Expensive—many contractors trade at ~20x P/E
- Please find links to our related research below:
 - 1) [Equity Market Review 1.30.18](#)

US Defense Tracker – Daily



US Defense Price and Valuation (1Y Fwd PE)



US Recommended Defense ETFs

Name	iShares US Aerospace & Defense ETF		
Sector	Indsutrials	Industry	Defense
Geographic Focus	U.S.	Currency	USD
Ticker	ITA US	Leverage	0%
Mkt Cap (\$bn)	3.65	Implied Liquidity (\$M)	97
Avg Volume 10D (\$M)	34.3	Average bid-ask bps	5.8
ISIN Code	US4642887602	Manager	BlackRock

Featured Sector: Mining

- Mining industry is on its strongest footing in years. Capex peaked in 2012-2014
- Reasonable valuations: 12-month EV/EBITDA averages 5-6x
- Optimistic commodity price forecasts for copper, nickel, cobalt
- Electric vehicle ramp-up is contributing to robust outlook
- Recent outperformance at Glencore, Anglo American, Norilsk Nickel, Vedanta, Freeport-McMoRan
- Industry still has some sensitivity to recent “trade war” rhetoric, but we feel actual threat is overdone. Use superficial dips as buy-opportunities
- Please find links to our related research below:
 - 1) [Investment Theme: Lithium Ion](#)
 - 2) [Equity Market Review 03.06.2018](#)

Global Mining Tracker - Daily



Global Mining – Price and Valuation (EV/EBITDA)



Recommended Mining ETFs

Name	Energy Select Sector SPDR Fund		
Sector	Energy	Industry	Energy
Geographic Focus	U.S.	Currency	USD
Ticker	XLE US	Leverage	0%
Mkt Cap (\$bn)	15.10	Implied Liquidity (\$M)	852
Avg Volume 10D (\$M)	906.7	Average bid-ask bps	1.5
ISIN Code	US81369Y5069	Manager	SSgA

Disclaimer

This material was produced by UCAP Market Solutions SA. It is directed exclusively at market professionals and institutional investor clients and is not for distribution to retail clients.

All of the recommendations and views about the securities and companies in this report reflect the personal views of the analysts named in this report. Additional information with respect to any security referred to herein may be made available on request. The material in this report is for the general information of clients of UCAP Market Solutions SA. It does not take into account the particular investment objectives, financial situation or needs of individual clients. Before acting on any advice or recommendations in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This material should not be construed in any circumstances as an offer to sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action. This report is based on material that analysts consider reliable, but UCAP Market Solutions SA has not verified the contents hereof and we do not warrant or represent (expressly or impliedly) that it is accurate, complete, not misleading or as to its fitness for the purpose intended and it should not be relied upon as such. Opinions expressed are analysts' current opinions as of the date appearing on this material only. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance is no guide to future performance. We endeavor to update the material in this report on a timely basis, but regulatory compliance or other reasons may prevent us from doing so. The information and opinions contained herein are subject to change without notice.

This document is not and should not be construed as an offer to sell or solicitation of an offer to purchase or subscribe for any investment or service. UCAP Market Solutions SA has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. UCAP Market Solutions SA makes no guarantees, representations or warranties and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice.