

INVESTING MEGATRENDS

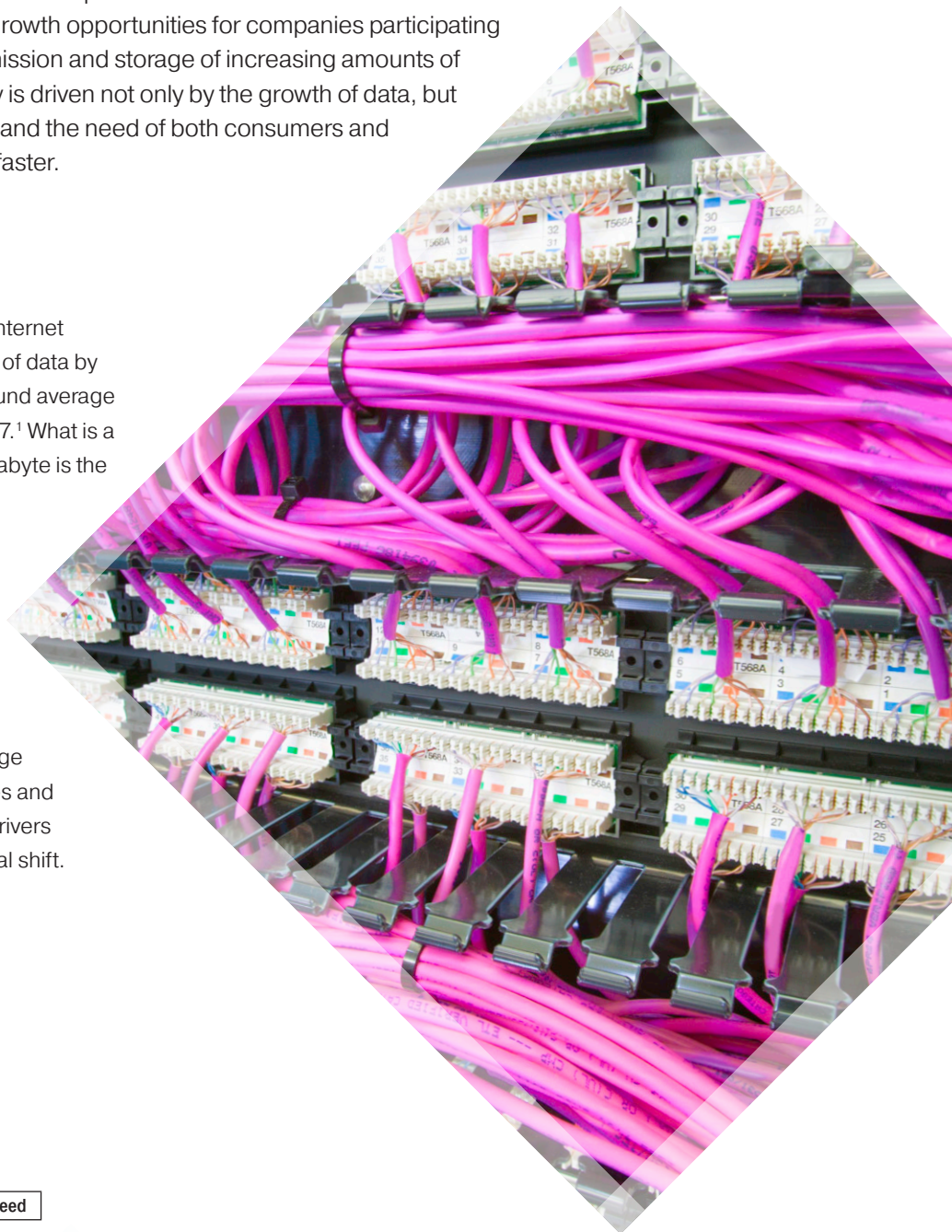
NEW TECHNOLOGY: DATA DELUGE

For most of us, it would be almost impossible to remember a time when our lives were untouched by technology. Even so, not many of us would have predicted how ubiquitous technology would become. From email, to social media, to online banking, to inventory management, to healthcare—new technology pervades almost every aspect of our personal and professional lives. This transformative megatrend provides significant growth opportunities for companies participating in the collection, analysis, transmission and storage of increasing amounts of data. The investment opportunity is driven not only by the growth of data, but also by its increasing complexity and the need of both consumers and businesses to access and use it faster.

THE RISE OF BIG DATA

According to Cisco, annual global Internet traffic alone will surpass a zettabyte of data by 2017, projected to grow at a compound average growth rate of 23% from 2012 to 2017.¹ What is a zettabyte? In layman's terms, a zettabyte is the equivalent of 250 **billion** DVDs.

This ramp up in data is coming from everywhere. We live in a significantly more networked society, facilitated by the advent of technologies like broadband and the cloud, which allow for more connectivity, speed and storage capabilities. Consumers, businesses and governments play the role of both drivers and beneficiaries of this fundamental shift.



Companies are investing big money in big data. Investment in the information and communications technology industry (ICT) is one of the ways companies can enhance productivity and it has yielded good returns. By 2020, the industry is expected to generate \$5 trillion in spending globally, driven largely by growth in new technologies such as mobile, e-commerce, cloud computing, social networking and big data analytics. Emerging markets in particular may be a major source of growth. IT spending in emerging markets is expected to grow by

almost 9% to \$730 billion in 2013, twice the developed market growth rate, accounting for 34% of worldwide IT spending.²

We've seen a lot of change already, industries have been created and business models have been disrupted. But there is significantly more to come. Understanding the implications of the data deluge and figuring out how social and economic models will evolve from here is the key to finding great investment opportunities.

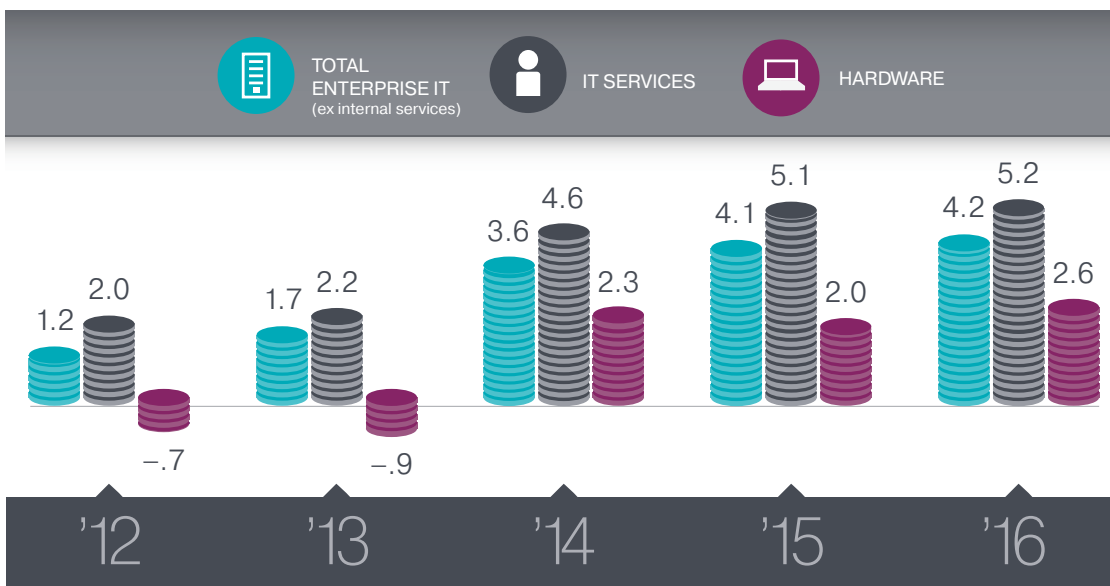
WHO WILL CAPITALIZE ON THE TREND?

The consumer, through the proliferation of electronic devices, is certainly one of the main drivers of the data deluge we're experiencing from the Internet. The number of mobile subscriptions worldwide has grown from fewer than one billion in 2000 to over six billion in 2012, touching three-quarters of the planet's population.³ Smart mobile devices, which includes smartphones and tablets, are expected to grow by 20% per year,⁴ with IDC projecting that by 2015, more of us will access the Internet using a mobile device instead of a PC.

One of the byproducts of having smarter devices and the resulting growth in data traffic is the increasing need for speed. Mobile broadband subscriptions are expected to grow rapidly, which benefits companies like Ericsson, a provider of mobile broadband solutions that enhance network capacity and performance.

CHART 1

Companies Are Spending Big Money on Big Data
Growth of enterprise IT spending (YoY, %)

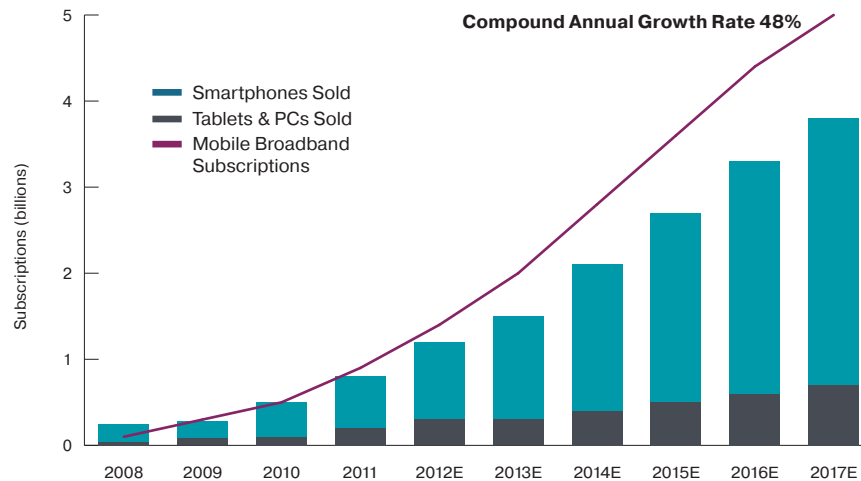


Source: IDC, 2012. Forecast may not be achieved.

CHART 2

Need for Speed: Data Growth

Mobile Broadband Subscriptions Are Expected to Grow Significantly



Source: Ericsson, 2011. Estimates may not be achieved.

The data that consumers are generating isn't just being stored or transmitted, it's being analyzed. Companies look for patterns and find ways to capitalize. Mass market retailers, for example, dissect millions of bytes of data in an effort to drive revenues up and costs down. Data analysis can help these companies be more targeted in how they manage inventories, what products they sell, and how they price and promote. The Spanish retailer Inditex, owner of the Zara brand, is a great example of a company that has leveraged data to gain an edge. The company uses data to improve its supply chain management and speed to market, both of which are critical in this fast fashion business. McKinsey estimates that retailers who fully embrace data analysis can potentially improve operating margins by 60%. This can create a virtuous circle that allows the winners to gain and defend market share.⁴

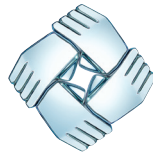
SAP's HANA allows companies to more accurately predict consumer demand and match it against inventory levels. For companies like Unilever, HANA has greatly improved cash forecasting analysis by helping Unilever analyze 150 million monthly records in half the time. The company is able to do product cost forecasts in 30 seconds, which pre-HANA took seven minutes.⁵

Financial service firms are also increasingly voracious users of data. To some extent, they're behind the curve, with many using outdated and inefficient IT infrastructure. Temenos, one of the world's Core Banking Systems vendors, estimates that spending on banking systems is approximately a \$26 billion market.⁶ The vast majority of that is done internally and

in a somewhat patchwork structure given large legacy systems. However, changing technology, customer demands and more intense competition will likely force not only an increase in investment but a shift to third-party sources for the right platform solutions.

WHAT CAN INVESTORS DO?

New technology isn't just about new gadgets, and the data deluge isn't just about more and more information. These megatrends are about new ways to transfer knowledge, drive innovation and productivity, and transform how we do business. Time horizons and costs have been compressed, making it easier for companies to experiment with new ideas. Information that was previously inaccessible is now, literally, at consumers' fingertips. The economic impact of all of this has been and will continue to be enormous. A global equity portfolio may provide exposure to firms creating or using new technology to expand profitable businesses around the world. By investing in high quality overseas companies poised to benefit from the structural growth trends underpinned by the growing data deluge, investors can tap into this long-term potential opportunity.



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1. Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update 2012-2017, February 6, 2013. Projections may not be achieved.
2. IDC Predictions 2013: Competing on the 3rd Platform, November 2012. Predictions may not be achieved.
3. World Bank: Mobile Phone Access Reaches Three Quarters of Planet's Population, July 2012.
4. McKinsey Global Institute—Big data: the next frontier for innovation, competition and productivity, May 2011.
5. SAP: Insider Profiles: Unilever Goes Global with a Transformative SAP HANA Project, July 2013.
6. Temenos—Winning with products in a multi-speed world, February 2013.

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