Whether it’s self-driving cars, smart-fridges, drones or even automated self-help desks, investors are seeing and experiencing a massive technological transformation occurring in their daily lives. However, what most of them are not doing is investing in it!

Thankfully, there’s the Horizons Robotics and Automation Index ETF (ROBO), which trades on the Toronto Stock Exchange. ROBO seeks to replicate, to the extent possible, the performance of the ROBO Global® Robotics and Automation Index (the “ROBO Global Index”), net of expenses. The ROBO Global Index is designed to provide exposure to the performance of equity securities of robotics-related and/or automation-related companies.

ROBO gives investors exposure to more than 80 companies listed globally – including in Asia – that are leaders in the development and design of robotics, automation and artificial intelligence (A.I.) systems.

Investors are undoubtedly aware of the big tech names, such as Amazon, Google, Facebook, Apple and Samsung, which are leading the charge on A.I. and automation trends. Those organizations are the power-users of this technology, but are not necessarily the developers of the technology. But what about the companies actually building the infrastructure and designing the robotics and A.I. systems used on a daily basis? ROBO provides exposure to many of these companies.

**Earnings Powerhouse**

The median market cap of stocks in the ROBO Global Index is approximately USD $4 billion and the smallest market cap of the entire portfolio is USD $400 million. Unlike ultra-growth sectors of the past, such as the early days of internet stocks, most of the stocks in the ROBO Global Index are already well-established companies dramatically growing their revenue as almost all segments of the global economy look to embrace automation.

It’s already a USD $64 billion sector today and could potentially become a USD $1 trillion sector within a decade, according to Myria Research.

According to ROBO Global, companies in the ROBO Global Index seem poised to see upwards of 20% earnings growth per share. Some great statistics via ROBO Global on the earnings within this Index for Q4, 2017:

- 82% of companies beat EPS (Earnings per Share) expectations and 86% beat sales expectations
- Median sales growth accelerated to 15%, up from 12% in the prior quarter (Q3, 2017), the fastest sales growth since 2011
- Sales growth continues to be driven by the more industrial-related sectors such as Manufacturing (+17%) and Actuation (+22%)
- The Technology sector returned to double-digit sales growth (+12%) for the first time since 2014
- The strongest Q4 earnings that beat estimates have come from Nvidia, Teradyne, Keyence, HollySys, FARO and Accuray

The following charts show the top sales growers from the previous 12 months, the sales estimates for the next 12 months and (for additional context) the bottom sales growers. Only three companies currently in the ROBO Global Index had negative sales growth last year!
ROBO.TO: A Generational Bargain?

Source: ROBO Global, as at December 31, 2017.
**ROBO.TO: A Generational Bargain?**

**A Generational Bargain?**

One of the reasons investors give for avoiding the sector is the historically high valuations of many of the stocks. There are two components to P/E (Price-Earnings ratio). In the case of the ROBO Global Index, earnings continue to grow. Some market commentators contend that valuations are too high. While the ROBO Global Index has relatively high valuations by historical standards, they currently appear to be supported by significant projected earnings growth.

The table below shows the current P/E, the estimated 12-month forward P/E, the trailing 12-month earnings growth, and the weighted estimated average EPS (Earnings per Share) for the ROBO Global Index, the Nasdaq-100 Index and the S&P 500 Index.

<table>
<thead>
<tr>
<th>Index</th>
<th>Current P/E Ratio</th>
<th>Estimated 12-Month Forward P/E</th>
<th>Weighted Estimated Average EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROBO Global Index</td>
<td>33.54</td>
<td>25.18</td>
<td>35.76</td>
</tr>
<tr>
<td>SPX Index</td>
<td>21.96</td>
<td>17.43</td>
<td>1.84</td>
</tr>
<tr>
<td>NDX Index</td>
<td>26.73</td>
<td>20.50</td>
<td>2.86</td>
</tr>
</tbody>
</table>

Source: Bloomberg, as at February 22, 2018.

As you can see, the weighted average estimated EPS for the ROBO Global Index is 35.76 vs. 1.84 and 2.86 for the S&P 500 Index and the Nasdaq-100 Index respectively.

ROBO is a growth strategy in every sense of the word. The level of earnings generated by this industry highlights that it is likely at an inflection point, where the prediction of mass adoption of automation and robotics technology is becoming a reality through massive investment and revenue being generated by companies in the Robo Global Index.

**The future of investing is now.**

To learn more, visit HorizonsETFs.com/ROBO

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Certain statements may constitute a forward looking statement, including those identified by the expression “expect” and similar expressions (including grammatical variations thereof). The forward-looking statements are not historical facts but reflect the author’s current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These and other factors should be considered carefully and readers should not place undue reliance on such forward looking statements. These forward-looking statements are made as of the date hereof and the authors do not undertake to update any forward-looking statement that is contained herein, whether as a result of new information, future events or otherwise, unless required by applicable law.