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PRESS RELEASE

Technological innovators see accelerating growth

- **Cost savings and increasing computing power are growth drivers**
- **Companies whose products satisfy the increasing data needs can benefit particularly from this development**

Frankfurt am Main, 08 November 2018 – The latest setback in technology stocks could offer attractive buying opportunities for investors wishing to benefit from structural growth trends. Frank Schwarz, portfolio manager of the MainFirst Global Equities Fund, holds after the MSCI World Information Technology Index fell by around twelve percentage points in October. He sees it as a temporary correction based on investor sentiment and profit taking in the current reporting season. However, with an average organic revenue growth of 28 percent for his portfolio companies in the current season, the most important indicator remains intact. Schwarz anticipates rising profit margins in the long term and double-digit growth rates for technological innovators - including for companies other than Facebook, Amazon and Alphabet (Google).

"Increasing computing power combined with falling production costs continues to be the biggest growth driver for technological innovations," says Schwarz. For example, smartphones today do not only have more memory capacity than a classic desktop computer 15 years ago. Every single byte of memory is also produced more cheaply: For example, the production of one gigabyte of storage space in 1957 cost around two million US dollars, but today its price is only 0.02 US dollars. "The same development can also be seen in current innovations such as batteries for electric cars or 3D printing, which are only at the beginning of their development and use," reports the fund manager. For example, the production costs of electric car batteries have fallen six-fold in the past twelve years, and the costs of 3D printing have even fallen by a factor of 400 within just seven years.

Information technology as growth accelerator

Technological change is not just progressing, it is accelerating. In information science, this is explained, for example, by Moore's Law. It states that computing power doubles every two years, which is attributed to the doubling of transistors in an integrated circuit. Only the boundaries of physics limit this growth. According to Ray Kurzweil, one of the heads of engineering at Google, new technologies make it possible to overcome these physical limits. He postulates in his Law of Accelerating Returns that computing power begins to double every year once information technology is the driving force behind innovation.[1]

"Not only end-users benefit from the ever faster technological progress. The winners are also companies that satisfy the growing demand for data in technological trends and thus make progress possible," says Schwarz. For example, Nvidia, which is one of the largest developers of graphics technologies and chipsets, recently posted record growth. In the second quarter of 2018, the data center segment alone recorded growth of 83

[1] http://www.kurzweilai.net/the-law-of-accelerating-returns

percent. Also in the long term, Nvidia is one of the innovators with its latest developments: "The latest Nvidia graphics card is six times as powerful as its predecessor. With completely new technologies, it offers applications beyond the entertainment industry," says Schwarz. Nvidia now also serves sales markets such as artificial intelligence, autonomous driving and medical diagnostics: "The graphics card can be used in biophotonics for cancer detection, for example," says Schwarz.

Just as smartphones and big data are driving economic growth today, structural growth trends such as automation, artificial intelligence and e-mobility are likely to shape the economy in future. Schwarz, therefore, sees accordingly positioned innovative companies as sources of attractive returns, despite temporary volatility, which should deliver high growth rates in the long term.

Press contact
Edelman GmbH
Jörg Schüren
Director Financial Communications
Phone.: +49 221 912 887 29
Email: joerg.schueren@edelmanergo.com

About the MainFirst - Global Equities Fund

The MainFirst Global Equities Fund (ISIN: LU0864709349) invests in global equities with a clear focus on high-growth companies, i.e. with an average organic growth in turnover of about 20 percent. Frank Schwarz and his team invest independently of the benchmark, the MSCI World in EUR, and maintain a high active share of usually above 90 percent in the fund. The investment focus is on structural investment themes such as digitalisation, automation, e-commerce and luxury goods. This means that the detailed fundamental selection process is not based on sectors, regions or market cap. Titles are usually bought for the longer-term and the concentrated portfolio consists of approx. 40 titles. For more information about the fund (including legal notes) click here.

About MainFirst Asset Management

MAINFIRST ASSET MANAGEMENT is an independent European multi-investment boutique with an active management approach. The firm manages mutual funds and individual special mandates. With its multi-boutique approach it focuses on investment strategies in the selected asset classes equities, fixed income, multi-asset and liquid alternatives. Experienced portfolio management teams with long-standing track records develop strategies with a high active share and individual investment processes. The firm thus combines the expertise and flexibility of focused investment teams with the strengths and clearly defined processes of a broad-based international platform.
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