

The EQ Best Ideas Portfolios offer exposure to a range of investment themes through our selected fund managers. At present, the biggest overarching theme within the portfolios is technology. The pace of innovation within technology and the rate at which technology is disrupting almost every industry are two of the biggest forces driving the global economy.

Technology exposure within the portfolios includes a number of sub-themes such as the internet, robotics & automation, big data and artificial intelligence. In this update we focus on the internet and how it is transforming our world.

TECHNOLOGY - THE INTERNET

Huge companies are emerging almost overnight serving customers online. Often, these companies have very few physical assets since they focus on provision of services rather than goods. Their nature, like the thriving digital economy, is virtual.

A new and immense digital economy is being created with platforms that are mobile, cloud-based and internet-enabled. These networks are generating vast amounts of data, the information within which we are only just beginning to unlock. It is creating new business models while also enhancing old ones.

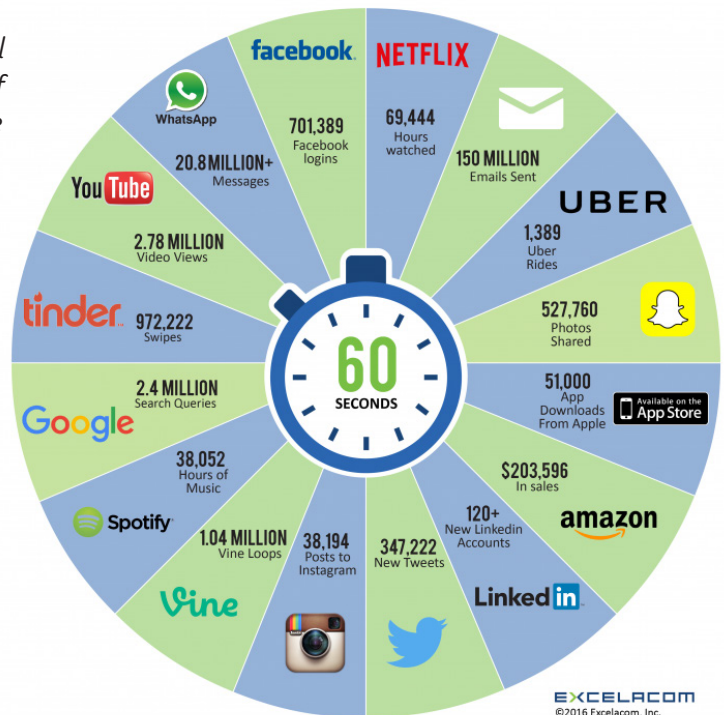
1 THE CLOUD The rise of virtual computing

Computers are not just the things sitting on desks in homes and offices, or the servers locked in cupboards tended by the IT technician. The current trend of computing is towards the ambiguous 'cloud'. Cloud computing is the on-demand delivery of computer

power, data storage, software applications and other IT resources, delivered to users over the internet with a pay-as-you-go pricing model; and its growing fast.¹

Whether it's a messaging and photo-sharing app, streaming music and video, or storing and analysing medical records, the machines doing the actual computing are increasingly cloud-based rather than hosted locally on company premises. As more work gets done in the cloud, it spawns broader data sets ("Big Data"), and as more computing power shifts into the cloud, it offers more users the chance to develop sophisticated software tools that mimic the way we learn. This is the realm of artificial intelligence.

2016 What happens in an INTERNET MINUTE?



This infographic shows just how much activity happened in the digital world each minute in 2016.

Source: Visual Capitalist²

EXAMPLE HOLDING:

Amazon

The biggest company providing cloud computing services is a division of the online retailer, Amazon. There are more than 1 million active customers of Amazon Web Services from quintessentially online businesses like Airbnb and Spotify to old industry stalwarts like Unilever and General Electric.

So fast is the adoption of cloud computing that as a division growing revenue at 47% year on year,³ Amazon Web Services is expected to become larger than Amazon's core retail business within the next 7 years.⁴

FUND IN FOCUS:

Rathbone Global Opportunities

Rathbones
Look forward

Amazon is an investment held by Rathbone Global Opportunities Fund. The fund has a focus on developed market equities, seeking out undervalued growth opportunities. A current feature of the fund is a bias towards technology names.

You can find out more about Rathbone Global Opportunities and see where it fits into the Best Ideas Portfolios at:

eqinvestors.co.uk/eq-rated-funds/

NOTES

1. *New survey says enterprises are moving to the cloud faster than expected*, <https://developer.ibm.com/dwblog/2016/new-survey-enterprises-moving-cloud-faster-expected/>
2. *What happens in an internet minute?* <http://www.visualcapitalist.com/what-happens-in-internet-minute-2016/>
3. *Amazon Q4 2016 earnings call slides*, <http://seekingalpha.com/article/4042250-amazon-com-inc-2016-q4-results-earnings-call-slides>
4. GAM presentation citing Deutsche Bank, February 2017
5. Goldman Sachs, *Our Thinking – Millennials*, <http://www.goldmansachs.com/our-thinking/pages/millennials/>
6. AIMIA, *US Millennial Loyalty Survey*, https://www.aimia.com/content/dam/aimiawebsite/CaseStudiesWhitepapersResearch/english/Aimia_GenY_US.pdf
7. *The surprising things you don't know about Big Data*, Adeptia, <https://adeptia.com/blog/surprising-things-you-dont-know-about-big-data>



2 SOCIAL MEDIA AND DIGITAL MARKETING

The Millennials driving global growth

The Millennial generation is already the biggest generation in US history – bigger even than the Baby Boomers.⁵ Each generation shares a different perception of the world to the one preceding it and the Millennials are no different. This is the first generation to grow up in the digital world, with smart phones, permanently connected to the internet. As they are soon to move into their prime spending years, companies are forced to examine how they do business.

Being always connected means having instant access to a wealth of information. From product information, reviews and price comparisons at their fingertips, Millennials are more selective in their purchase habits, place more value on recommendations and are more sensitive to price.⁶ Through social media, they are also connected to a vast online community expanded in both number and geographic reach than any concept of community in elder generations.

Future success of businesses is hinged on getting their online strategy right. Online, digital advertising spend is set to grow in volume while social media allows advertising to be directed towards ever more specific target audiences.



3 DIGITAL STORAGE The data explosion

There is a huge volume of data online. The largest library in the world is the US Library of Congress. It was estimated in 2005 that we created over 2.5 exabytes of data every single day.⁷ That's 2.5 billion gigabytes or 7,500 times the entire contents of the Library of Congress. Every. Single. Day. In the same year it was estimated that 90% of all online data up to that time had been created in the previous two years. Just imagine our requirements today, more than 10 years on...

Clearly, data is not knowledge. But all those videos of cats on Facebook sure do take up a lot of storage space! On a more serious note, there is an ever increasing breadth of data available online from medical records and images, credit card transaction data, smart phone GPS data, email traffic, weather forecast data, drone and satellite images to name just a few. Before any of it can be used collaboratively (and an ever increasing amount of it certainly is being analysed), it needs to be stored.

EXAMPLE HOLDING:

Tencent

Tencent is the equivalent of Facebook in China. It has a number of online services including the largest Chinese social media and instant messaging community. While the total number of users is dwarfed by its western counterparts, the penetration rate of smart phones in China has much further to go.

The company is already one of the top 20 companies in the world and is growing revenues at over 45% per annum.

EXAMPLE HOLDING:

Western Digital

Western Digital is one of the world's largest independent makers of hard-disk drives. It derives a significant portion of its revenue from traditional PC's and smart phones which are declining or saturated markets but in 2016 it acquired Sandisk which also provides storage solutions for data centres. As the explosion in data continues, this part of the business will become increasingly important and drive its share price more than its traditional markets.

FUND IN FOCUS:

Hermes Global Emerging Markets



Tencent is a holding in the Hermes Global Emerging Markets Fund. The fund invests throughout emerging markets on a global basis. Given current opportunities presented by China's economic rebalancing, there is a large emphasis on China and the technology sector across the Asia region.

FUND IN FOCUS:

GAM Star Technology



Western Digital is a holding in the GAM Star Technology fund. The fund focuses on emerging growth themes within the technology sector and so has a bias towards the United States.

Find out more about GAM Star Technology and Hermes Global Emerging Markets, and see where they fit into the Best Ideas Portfolios at:

eqinvestors.co.uk/eq-rated-funds/

Next steps:

You can view factsheets and invest online via the EQ website. For other questions and enquiries please contact your EQ adviser or visit:



eqinvestors.co.uk

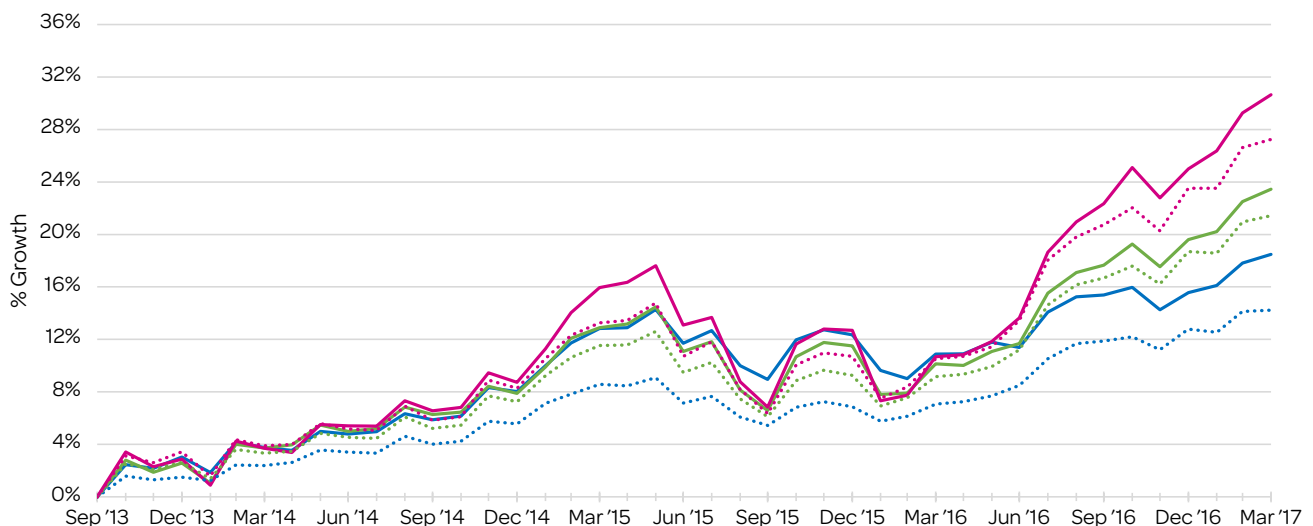


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Cumulative performance since inception 30/09/2013 to 31/03/2017



Annual performance	Apr '14 – Mar '15	Apr '15 – Mar '16	Apr '16 – Mar '17
Best Ideas Cautious	8.74%	-1.73%	6.85%
ARC Cautious *	6.04%	-1.38%	6.68%
Best Ideas Balanced	8.83%	-2.44%	12.08%
ARC Balanced *	7.93%	-2.12%	11.24%
Best Ideas Adventurous	11.80%	-4.55%	18.05%
ARC Steady Growth *	9.00%	-2.41%	15.12%

Risk warning
Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up and investors may get back less than they originally invested. The Best Ideas Portfolios are available in **seven** different risk profiles, of which **three** are shown here. Inception dates may vary: please see factsheets for full details.

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