



Latest HAN-GINS ETF update

- *HAN-GINS Innovative Technologies UCITS ETF (ITEK)*
- *HAN-GINS Cloud Technology UCITS ETF (SKYY)*
- *HAN-GINS Healthcare Innovation UCITS ETF (WELL)*

Los Angeles, 30 April 2019

Technology Sector – 1st Quarter 2019 Earnings review

Based on 1st quarter 2019 earnings, it is clear Amazon and Microsoft are posting impressive results in the Cloud space, while Google remains under pressure in its Cloud business.

Alphabet (Google's parent) posted disappointing revenues – mostly linked to weaker advertising revenues on their YouTube video platform. However these weaker numbers also likely include weaker Cloud-based earnings than expected. Unfortunately Google does not break out their Cloud revenues or earnings as Amazon or Microsoft. The stock was down 7% on Tuesday in late US trading.

Along with many industry analysts, we continue to expect annual revenue gains of at least 20% p.a. for the foreseeable future regarding the Public Cloud market.

In the Cloud space, Google has some specific challenges related to its open source structure and 'free' services. For now we believe companies such as IBM's recent acquisition of Red Hat – will be big winners as multinationals seek help transferring and sharing their IT data across multiple clouds. Proctor & Gamble's chief technology officer confirmed (CNBC April 30th) they are not keen to bet the farm on any one Cloud provider and thus spread their usage across all major Cloud platforms.

Apple's iCloud service continues to perform well. Apple's services segment (iCloud and Apple Music etc) - makes more money than any single product line – it posted impressive revenues of \$11.5bn.

In Apple's latest earnings, growing consumer confidence has led to raised earnings expectations for the 2nd quarter this year. Despite a 17% reduction in iPhone sales this quarter and weaker earnings, with almost 1 billion such devices the growth of Apple services remains key. This helped boost Apples stock 4% in trading after hours. Apple's eco-system is increasingly generating large services revenues – including its iCloud. As Apple moves into

video streaming and more entertainment based content – iCloud is expected to be a big beneficiary, hosting all this new content. iCloud hosts more 1 billion Apple devices – allowing users to organize photos, track their devices, store documents and send emails.

AMAZON EARNINGS – smashes through earnings expectations

Amazon's 1st quarter 2019 profit far exceeded analysts' estimates. It demonstrates the company's focus on cloud-computing, advertising, and other high-margin businesses continues to pay off.

Earnings were \$7.09 a share, significantly above average analysts' expectations of \$4.67 a share (Bloomberg). Revenue gained 17% from a year earlier to \$59.7 billion – in line with the average estimate of analysts compiled by Bloomberg.

Earnings have grown considerably in recent quarters by increasing sales in cloud-computing, digital advertising, and services for third-party sellers on Amazon's retail site. These are all more profitable units, than the company's central online business.

AWS, Amazon's cloud service, continued its impressive growth with a 41% sales increase over last year (1st qtr 2018, CNBC source). Sales at AWS rose to \$7.7bn from \$5.4bn in 2018. The cloud division continues to be Amazon's dominant profit source. AWS revenue represented 13% of total sales at Amazon up from 10% in the fourth quarter.

AWS continues to be the main provider of cloud servers and storage to companies seeking to outsource their data center infrastructure. Most of the larger Tech unicorns are using Amazon including Uber, Lyft and Pinterest. Ride-hailing firm Lyft confirmed in its prospectus it is contracted to spend at least \$300mn on AWS over three years — from the beginning of 2019 through 2021.

Separately, Pinterest in its recent IPO filing stated it will spend a minimum of \$750 million on AWS over a six-year period that ends in July 2023. CNBC reported that Apple is spending more than \$30mn a month, or over \$360mn annually with Amazon. This is to ensure Apple can reliably deliver iCloud and other services to consumers.

Microsoft's Azure is rapidly becoming a stronger competitor, winning some impressive deals in the retail space. Microsoft announced this week that Azure's revenue surged 73% in the 1st quarter (2019). This helped the company also top analyst estimates for both profit and sales.

Microsoft and AWS are the two finalists competing for a \$10bn US Department of Defense contract, known as JEDI. Oracle and IBM dropped out earlier.

Operating income for AWS in the quarter was \$2.2 billion. The unit accounted for about 50% of Amazon's overall operating income. AWS' operating margin was 29%, similar to the prior quarter.

Amazon doesn't provide contributions from specific customers, but some of those numbers have been made public of late, thanks to IPO filings from big spenders and documents that have been obtained by the press. Amazon has been one of the best-performing large tech stocks this year. It is currently the third most valuable company in the world, behind Microsoft and Apple.

With quarterly sales growth of less than 20% for the first time since 2015, shareholders are seeking greater profit. A significant portion now comes from their Amazon Web Services division, which leads in the growing cloud computing market - for selling computing power and data storage. AWS revenue gained almost 42% from a year earlier to \$7.7 bn. The unit's operating income was \$2.2 billion, or 50 percent of Amazon's total.

Sales in Amazon's "other" segment, which is mostly advertising, increased 34 percent, to 2.72 billion. The company's digital advertising franchise has grown into the third largest in the U.S., trailing only Alphabet Inc.'s Google and Facebook Inc., researcher EMarketer estimates.

Amazon's employees grew 12% - with a total headcount now of 630,600 employees.

MICROSOFT EARNINGS

On 25th April 2019, Microsoft became the 3rd US company to reach a \$1trillion market cap. This is after shares surged over 5% to a new intraday high exceeding \$131.

This latest rally ensure Microsoft has now joined fellow internet giants Apple and Amazon to ever reach a \$1trillion market cap. While Apple and Amazon did achieve this feat in 2018, it's the first time for Microsoft.

Microsoft shares bounced on first quarter 2019 results showing huge gains in its Azure cloud-computing business, plus sales of its Windows operating system rebounded. The company posted a 14% gain in quarterly sales from a year earlier.

Microsoft recorded sales of \$30.6bn for the quarter, with revenue at the company's cloud-computing Azure unit surging 73% from a year earlier. Profits climbed nearly 19%, far surpassing analyst expectations.

BACKGROUND

EXCHANGE	BLOOMBERG CODE	RIC	ISIN	CURRENCY	SEDOL
ITEK	75 bps TER	GLOBAL INNOVATION TECHNOLOGY ETF			
<i>London Stock Exchange</i>	ITEK	ITEK.L	IE00BDDRF700	USD	BYVJ8Y3
<i>London Stock Exchange</i>	ITEP	ITEP.L	IE00BDDRF700	GBP	BYVJ9D9
SKYY	75 bps TER	CLOUD TECHNOLOGY ETF			
<i>London Stock Exchange</i>	SKYY	SKYY.L	IE00BDDRF924	USD	BYVJ8T8
<i>London Stock Exchange</i>	SKYP	SKYP.L	IE00BDDRF924	GBP	BYVJ9B7

The **HAN-GINS Cloud Technology UCITS ETF (SKYY)** tracks the Solactive Cloud Technology Index, an index of leading companies that are active in the field of cloud-based software and services. The fund uses an artificial intelligence process to identify and capture a global cloud technology opportunity set with constituents weighted by market capitalization and capped at 4%. The fund has a TER of 75 bps.

The **HAN-GINS Global Innovative Technology UCITS ETF (ITEK)** tracks the Solactive Innovative Technologies Index, a diversified, global index of pioneering companies that are poised to create and benefit from tomorrow's industrial revolutions. The fund targets companies involved in Robotics & Automation, Cloud Computing & Big Data, Cyber Security, Future Cars, Genomics, Social Media, Augmented and Virtual Reality and Blockchain, enabling investors to gain exposure to many world-changing, high-growth sectors in a single trade. The fund has TER of 75 bps.

Ends

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