

# Artificial Intelligence

L&G Artificial Intelligence UCITS ETF



**DISRUPTIVE**  
Technology thematics range

# Key features

**Exposure to a specialised basket of Artificial Intelligence (AI) companies**

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**Diversification across geography, market cap and sub-sectors**

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**Potential for reduced volatility versus investing in individual AI stocks**

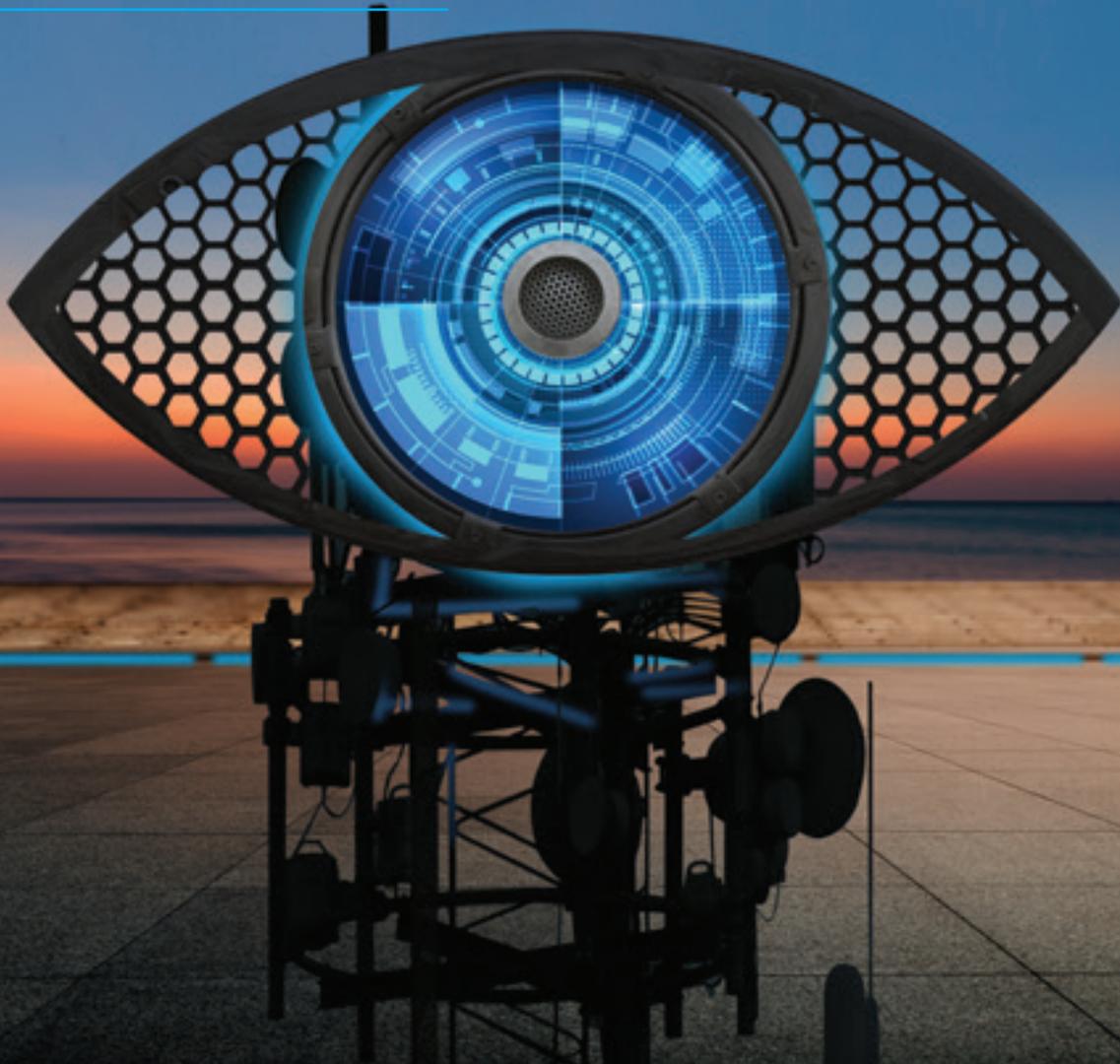
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**Quarterly rebalancing maintains diversification and provides responsiveness to new entrants and market trends**

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**UCITS compliant**

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**DISRUPTIVE**

Technology themes range

# Artificial Intelligence UCITS ETF

Artificial intelligence (AI) is a transformational force revolutionising potentially every area of the economy.

AI does not only allow us to do new things; it allows us to do almost everything more efficiently.

In the years to come, artificial intelligence will be applied to virtually every aspect of our work and lives: self-driving vehicles, healthcare diagnostics, ecommerce, national security, and customer service to name just a few. This is because AI is not one technology but the combination of many: from big data and machine learning to automation and the 'internet of things'.

L&G ETF has partnered with ROBO Global®, a recognised provider of investable technology indices, to offer investors a liquid, transparent and cost-effective vehicle to access this transformative theme.

## COMPELLING FACTORS FOR AI ADOPTION

The L&G Artificial Intelligence UCITS ETF seeks to capture the value created by these revolutionary technologies being applied throughout the economy.

- 53% CAGR: global revenues from AI for enterprise applications are projected to grow from \$16.2 billion in 2018 to \$31.2 billion in 2025.<sup>1</sup>
- 84% of enterprises believe investing in AI will lead to greater competitive advantages.<sup>1</sup>
- AI technologies could increase global GDP by \$15.7 trillion, or 14%, by 2030.<sup>1</sup>

The key drivers of this growth are:

- Massive data growth: as big-data capabilities increase, so does the potential for AI applications to leverage that data.
- Lower computing costs: as the cost of entry drops, the accessibility and availability of AI rises.
- Advancements in AI algorithms: new 'deep learning' and machine learning capabilities are democratising data science and development.
- Changing demographics: as the global population increases exponentially, AI is the key to boosting the ability to provide everything from healthcare to consumer goods to energy to more than 8.5 billion people by 2030.<sup>2</sup>

Importantly, the wider adoption of AI should be a positive force for society: rather than meaning there is less work for people it could free employees from routine tasks to allow them to perform more valuable roles, it could reduce bias in recruitment through the fairer filtering of applications, and it could identify vulnerable individuals and security threats from social media, among many other uses.

These improvements in AI have the potential to disrupt many existing business models and create high-growth new markets for the most innovative companies. The L&G Artificial Intelligence UCITS ETF is designed to identify and own these stocks.

For more information, visit: [lgimETF.com](https://lgimETF.com)

## An ETF prepared for an ever-changing investment theme

<sup>1</sup>Sources: Robo Global, CB Insights, Stanford University's 2018 AI Index, PwC

<sup>2</sup>United Nations, 2015.

# Know your AI exposure

## PHYSICAL REPLICATION

The L&G Artificial Intelligence UCITS ETF uses full physical replication to offer investors direct exposure to the theme.

## INDUSTRY EXPERTISE

We believe the unrivalled expertise of the ROBO Global® advisory board ensures that the ROBO Global® Artificial Intelligence Index (the index) is able to capture the entire value chain of artificial intelligence.

## GROWTH DIVERSIFIER

The index has a typical market-cap breakdown of 40% in small and mid-caps and 60% in large-caps. It therefore has less than 15% overlap with traditional benchmarks such as the S&P 500 or the MSCI World.

## BROAD GLOBAL EXPOSURE

The modified equal-weighting scheme of the index ensures all companies in the industry are fairly represented. Because we are too early in the theme to confidently identify all of tomorrow's best performers, this approach seeks to maximise exposure to the growth potential while mitigating any company-specific risks in the basket.



## Product information

Fund Name	L&G Artificial Intelligence UCITS ETF	Domicile	Ireland
Benchmark	ROBO Global® Artificial Technology UCITS Index	TER (%)	0.49
Listings and Tickers	London Stock Exchange – AIAI (USD), AIAG (GBP)	Base Currency	USD
	Deutsche Börse XMLD (EUR)	Replication	Physical – Full replication
	Borsa Italiana AIAI (EUR)	Distribution	Accumulating
	SIX Swiss Exchange AIAI (CHF)	Issuer	LGIM Managers (Europe) Limited
ISIN Code	IE00BK5BCD43	Promoter/Distributor	Legal & General Investment Management Limited
UCITS Compliant	Yes		

The value of an investment and any income taken from it is not guaranteed and can go down as well as up. You may not get back the amount you originally invested.

### Secondary Market

The shares of this exchange-traded UCITS fund are publicly admitted to trading on the secondary markets of the stock exchanges detailed in the Product Information table.

ROBO Global's Industry Classification is a forward-looking road map, supported by insights from a dedicated coverage team, to ensure sub-sectors evolve and expand at the right time. The Industry classification is updated on a quarterly basis and managed by the ROBO Global Industry Classification Committee.

## Defining the Universe of AI



- INFRASTRUCTURE**  
 Best-of-breed companies that are building AI engine and platform solutions. Infrastructure companies currently represent 55% of the Index.

- APPLICATIONS & SERVICES**  
 Deep domain knowledge companies applying AI capabilities for the purpose of digital transformation. Application & Services companies currently represent 45% of the Index.



# Index and weighting methodology

## Index methodology

Stocks classified within the ROBO Global® Industry Classification as exposed to the AI theme are given a 'THNQ Score', comprised of factors representing the levels of revenue the company receives from AI activities, levels of investment the firm makes in AI, and the market and technology leadership of the firm in the Artificial Intelligence universe.

Each stock's THNQ Score will range from 1 to 100 and will be reviewed on a regular basis. Companies whose THNQ Score is greater than or equal to 50, and who meet all other eligibility requirements, are eligible for inclusion in the ROBO Global® Artificial Intelligence Index series. The ROBO Global® Artificial Intelligence Index comprises a minimum of 50 index constituents and a maximum of 100 constituents.



## Weighting methodology

Index constituents are weighted according to their 'THNQ Score'. Each constituent's weight is calculated by dividing its 'THNQ Score' by the sum of all constituents' 'THNQ Scores'. This process ensures that the index allocates a larger weight to those players that derive a distinct portion of their revenues from artificial intelligence, and which have the potential to grow through their technology and innovation set. The index rebalances quarterly to maintain diversification and remain responsive to market trends and new entrants.

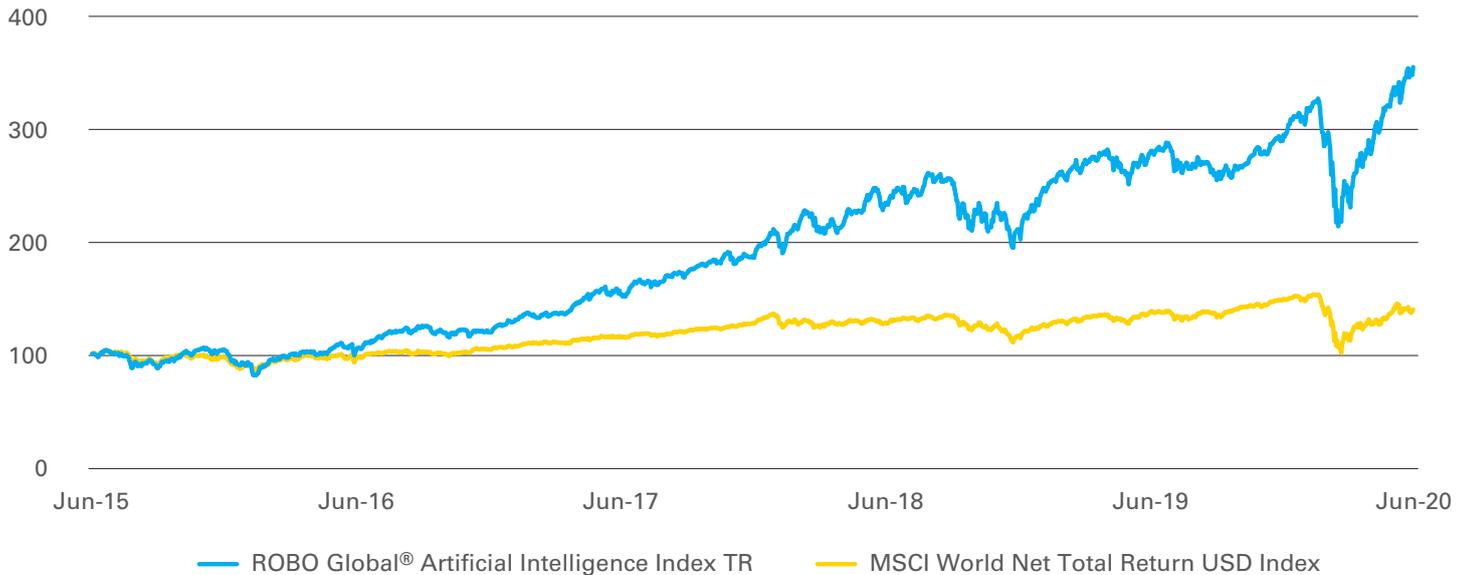
For more information, visit: [ROBOGlobal.com/THNQ](https://ROBOGlobal.com/THNQ)

## Learn more

To learn more about the L&G Artificial Intelligence UCITS ETF visit [www.lgimetf.com](https://www.lgimetf.com)

# Index performance

## Historical Backtested Performance Rebased 100 = June 2015



Source: Bloomberg

Annual index performance	2020	2019	2018	2017	2016	2015
ROBO Global® Artificial Intelligence TR Index	22.61%	37.61%	13.50%	56.05%	16.46%	12.97%
MSCI World Net Total Return USD Index	-5.77%	27.67%	-8.71%	22.40%	7.51%	-0.87%

	1 year	3 years	5 years	Volatility	Sharpe Ratio
ROBO Global® Artificial Intelligence TR Index	29.56%	132.80%	256.25%	23.37%	1.19
MSCI World Net Total Return USD Index	2.84%	21.48%	39.59%	16.04%	0.36

All returns, correlations and volatilities are based on data in USD. Dates are from 30 June 2015 to 30 June 2020 unless otherwise stated. Sharpe ratios are based on 5 year annualised returns, 5 year annualised volatility and a risk free rate of 1.2% (average of US 5yr rates over 1 year).

The index was launched on 14 December 2018. In the period prior to that, the index values were simulated and were based on back-tested data. Simulated past performance data does not represent actual performance and should not be interpreted as an indication of actual or future performance.

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