



Investment Insight

Friday, 9 Jun 2017

Back to the future. The centre of the US auto industry is probably closer to Silicon Valley than to Detroit currently, even if Donald Trump mightn't want to admit it. With the emergence of artificial intelligence and self-driving cars, what is the future for the traditional car industry? What will the implications for urban transportation and infrastructure be? Will the car industry have to change its business model if users don't really need to own their cars anymore? How will the entertainment industry monetise the new leisure time we will have in driverless cars? What will the impact on hospital casualty departments be? It's impossible to have all the answers, yet this is a subject that Fidelity's analysts are certainly thinking about. In **The Inside Track**, we present some of their thoughts and research findings.

What to wear? Most of us have become familiar with the term "wearables" – simply technology that we wear. Both as an investment thesis and a consumer trend, wearables are probably still in their infancy despite the seaming proliferation of Fitbits and GoPros. In this **Week's Pic of the Week** we take a closer look.

Quoted...

"Roads? Where we're going we don't need...roads!" – Dr. Emmett Brown

The Inside Track

After meeting with over 25 companies across the autonomous driving supply chain, Fidelity believe that the first fully driverless vehicles will be on our roads within five years. The following are some of the thoughts that the research team put forward following their recent research trips.

As automotive and technology analysts researching together, we established that automation is happening faster than we thought, yet is unlikely to disrupt the industry - at least initially. The real opportunities can be found among the suppliers to car manufacturers, where technological innovation is driving growth.

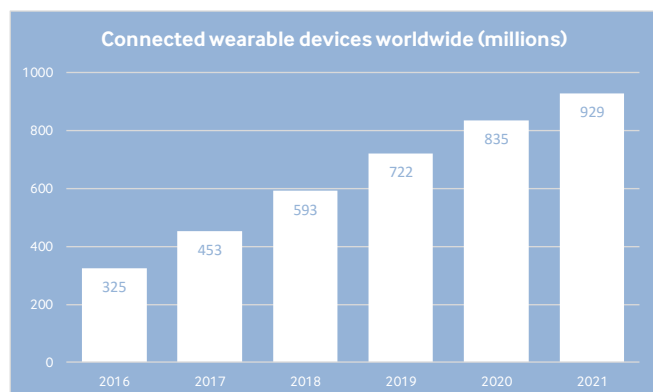
The ethical questions which stem from allowing an algorithm to make life or death decisions have not yet been solved. Who bears responsibility for damage, injury, or death? Manufacturers will also have to contend with the cybersecurity risks which now stalk every industry. The day when we will be able to open a newspaper from the driver's seat of our car is not far away, but the point at which we feel safe enough to read it may be a little further off.

Nevertheless, our research has revealed that there is a sizeable opportunity to invest in the industry's development immediately. In particular, we believe that the leading technology integrators stand to benefit from every stage of autonomous car development, from the near term proliferation of low level autonomy to the ultimate achievement of fully autonomous driving.

We have decided that the best opportunities for investors aren't in over-hyped (in our estimation) electric cars, but in autonomous technology, among those companies that can supply the semi-autonomous driving systems and all the individual components that will be required - sensors, mapping, and system integrators. And if autonomous driving is just around the corner, other industries will also have to adapt. Car insurance, for example, accounts for more than 40% of the \$700 billion market in property and casualty insurance in the US. We are already calculating how their companies will be affected by lower accident rates and premium revenues, and which players are preparing for this by, for example, monetising driving information.

Pic of the Week

For consumers, it all started many years ago with the calculator wristwatch. Since then we've had Bluetooth headsets, GoPro, Google Glass, Fitbit and many more. But the wearable market is probably only in its infancy as we increasingly volunteer to submit ourselves and our every move to the realm of data analysis. According to Statista research, the number of connected wearable devices worldwide is expected to jump from an estimate of 325 million in 2016 to nearly 930 million in 2021. There are lots of pretenders to the throne of wearables supremacy, but just as Google did in browsers and operating systems and Apple did in consumer tech, somewhere from amongst the virtual smartwatch and fitness tracking shelves will probably emerge a new consumer, and investor, champion or two. Time to place your bets.



Market View

	Last 7 days	Last 12 mths	YTD	5Y Ann.
Global equities	-0.0%	+15.3%	+8.4%	+11.0%
US equities	+0.1%	+14.8%	+8.7%	+12.9%
European equities	-0.6%	+13.2%	+7.2%	+9.5%
EM equities	+0.7%	+20.6%	+17.8%	+2.3%
Irish equities	-0.8%	+9.1%	+7.4%	+18.1%
Commodities	-0.1%	+1.1%	-5.9%	-8.6%
Hedge funds	+0.1%	+5.8%	+2.7%	+2.0%

Economic indicators	Bond yields	Inflation	GDP YoY
Ireland	+0.7%	+0.2%	+7.2%
Germany	+0.3%	+1.5%	+1.7%
USA	+2.2%	+2.2%	+2.0%
China	+3.6%	+1.2%	+6.9%

Currencies	Current	YTD Δ
EUR:USD	1.12	+6.6%
EUR:GBP	0.87	+1.6%
EUR:CNY	7.63	+4.0%
GBP:USD	1.29	+4.8%
Bitcoin	2,739.18	+187.7%

Commodities	Current	YTD Δ
Gold	1,277.17	+10.8%
Copper	5,591.75	+1.2%
Oil	48.12	-18.2%
Wheat	453.75	+4.5%

Week ahead: Key events

12/06 India CPI & Industrial Production
13/06 UK CPI & House Price Index
13/06 EU ZEW Survey Expectations & US PPI Data
14/06 China Retail Sales & Industrial production
14/06 EU Employment & Industrial Production
14/06 Germany & US CPI
14/06 US Rate Decision
15/06 UK Retail Sales & US Initial Jobless Claims
16/06 Eurozone CPI & US Housing Starts

Central Bank rates	Current
Eurozone	0.00%
USA	1.00%
UK	0.25%

66 Fitzwilliam Square
Dublin 2
D02 AT27
Ireland

T: (+353 1) 685 4100
E: research@aria-capital.ie
W: www.aria-capital.ie

UNDIVIDED
ATTENTION

Important Disclosure. Aria Capital Limited is regulated by the Central Bank of Ireland. Financial data provided by Bloomberg. All values are indicative only. This Investment Insight has been prepared for information purposes only. It does not constitute investment advice or an offer to buy or sell securities. No investment decisions should be made without seeking appropriate professional advice. This document may not be reproduced in whole or in part without Aria Capital's permission. © Aria Capital Limited 2017. All rights reserved.