TRANSCRIPT

iShares: Investing for today and the future — Biotech and beyond

John Gagliardi: Good afternoon, everyone. Welcome to "Investing for Today and the Future: Biotech and Beyond." So, our world is completely changed in 2020. In the face of a coronavirus pandemic, long- and near-term opportunities are colliding in megatrends. So, we're talking about big trends like 5G, big data, artificial intelligence, cybersecurity, genomics, immunology, I mean we could go on and on. Clean energy. So, these are transformative forces of megatrends that are all around us. So today we're going to explain, what is it that we want to invest in, and how can we best reach these things?

So today, I'd like to introduce Jeff Spiegel. Jeff leads the iShares Megatrend International and Sector ETF business at iShares. He's been with Blackrock approaching eight years now, joining to lead the advisor and recordkeeping strategy and strategic relationships at Blackrock defined contribution business. He began his career in mortgage trading and structuring at Bear Stearns. So, Jeff's going to take it away, and then we'll do a demo toward the end. Jeff, welcome aboard.

Jeff Spiegel: Awesome. Thanks so much, John, for having me. Is my audio coming through okay for you?

John Gagliardi: Crystal.

Jeff Spiegel: Awesome. Well good afternoon, good morning everyone, depending on where you're joining us from in the country today. It's a pleasure to speak with you. And as John said, we're going to talk about megatrends, the long-term structural transformational forces that are really out there changing the world. The way we'll go through that is we'll go through some definitions up front, what is a structural opportunity. We'll talk a little bit about some structural opportunities of the past, really the past hundred years and how those have played out. We'll explore a little bit how do you think about accessing megatrends in your portfolio, and then we'll walk through Blackrock's best thinking on the five most powerful forces out there, and some of the investment opportunities we're seeing.

So, with that, let's kick it off, and always great to start with a fun statistic. You know, a billion hours ago, humanity emerged, a billion seconds ago, IBM released the first PC, and a billion Google searches ago was actually just this morning. So, what I want to illustrate with this is that progress is happening faster and faster in our world, particularly what we would call structural progress.

Now structural opportunities are the types that play out over years, and they tend to grow consistently over time. They have long-term structural catalysts associated with them. Aging populations, long-term adoptions of new technologies. In contrast, we have cyclical opportunities, and cyclical opportunities tend to be a bit shorter-term, and likewise have shorter-term catalysts, maybe something like an election, short-term interest rate policy, or a piece of legislation. Now, both of these can be ways to deliver performance for your portfolio, but very differently. So because cyclical opportunities tend to play out over a shorter period of time, the moment at which you enter and exit the investment is really critical, because if you get the day wrong, if you get the week wrong, that can really cost you a lot of the return. In contrast, what we love about structural opportunities, is that the way structural opportunities play out, the timing is a little bit less important. We're talking about opportunities that are going to play out for years in your portfolio, so the day you're in, the day you're out, not as important. Identifying a long-term opportunity is really what matters in that case.

And for today's discussion, that's what we're going to focus on, these long-term structural opportunities. And let's continue defining that, and we'll sort of go back in time a little bit to the turn of the 20th century and take a look at some historical structural opportunities. We'll start with the transition from the horse-and-buggy to the automobile. Back at the turn of the 20th century, that's primarily how people got around, by horse, by horse-and-buggy.

But between 1905 and 1930, the number of horse-drawn carriages in the world actually fell by 93%. So basically, over 25 years, the automobile almost entirely edged out the horse-and-carriage and became the dominant means of local transportation.

And a whole value chain, or ecosystem, really emerged around this new innovation. So, there are actually over a thousand car companies that were incorporated around the turn of the 20th century. If you were an investor back then, pretty hard to pick which of the thousand were going to be the winner. We know who some of them were, right? We know their names. Ford, Volkswagen, Mercedes. But back then, it would have been harder to pick, and it actually wasn't just auto manufacturers that benefited from the rise of the automobile. It was the parts suppliers; it was the tire manufacturers. It was even the firms that were hired to expand infrastructure in the United States and around the world to accommodate the automobile. This idea of a value chain or an ecosystem is important in how we think about investing in these opportunities. It's not just about the producer of a good, as you might think of it at first glance.

So, let's move forward a little bit further in time, to the middle of the 20th century. It's 1946. GIs are returning to the United States from World War II. And in that point, one in 10,000 American households has a television. But, only 12 years later, fully 83% of American households have a television. So, in half the time it took for the automobile to take hold, the television has become ubiquitous across the United States. And once again, a value chain or ecosystem of opportunity arises. It's not just TV manufacturers that benefit, it's the content providers, the folks who own the airwaves, NBC, CBS, ABC. Likewise, it's advertising companies that are able to help their customers reach a national audience with one TV spot for the very first time. So, this value chain or ecosystem is important, and if you'd wanted to invest in this opportunity, you would have wanted to invest across that value chain or ecosystem in the middle of the 20th century.

As we move into the 21st century, this exponential pace of progress hasn't slowed down; it's continued to accelerate. So, in 2004-2008, in only four years, Facebook reaches about 100 million Americans, a quarter of the population. And this year, Disney+ reached well over 50 million Americans in barely a few months. So what that tells us is these structural opportunities are more and more available to us, in what is still a long-term, call it three, five, ten-year opportunity set, but an investable timeframe if we're willing to be patient and think for the long-term.

But how do we access these opportunities? There are certainly different ways that we might go about it. Certainly, single stock selection is an option. Traditional indexes, perhaps a sector index, are an option. And then there are tailored megatrend indexes as the third approach, and we sort of think about this as what we would describe as a Goldilocks problem. And the punchline is that single stock selection can be too narrow, traditional indexes are often too broad, but a megatrend approach that's really tailored to these innovation opportunities, well that can be just right.

So, let's illustrate that a little bit with some examples, and we'll start again with a definitional point. I guess many of us at this point are probably familiar with FAANG, stands for Facebook, Amazon, Apple, Netflix, and Google. And really, the way to think about this is, the companies who have benefited the most over the last 20 years of megatrends, riding megatrends like social media, e-commerce, the smartphone, streaming, and the internet writ large, to become some of the largest, most powerful companies in the world today. And certainly, any of us would have loved to have been an early investor in one of these companies; those of us who were did phenomenally. The challenge is, can you actually spot the FAANG when you're trying to?

And so, let's take an example. It's the late 90s, 1990s, for any of us who weren't around in the last century, and we're looking at a couple of different "pure-play" e-commerce companies. So, firms whose business it was to primarily be in the e-commerce area. And at that point, it was no mystery that e-commerce was a huge megatrend opportunity, but the winner was a little harder to spot, and you see that in the chart. In the late 90s, company A was up 213%, a veritable market darling, and thought by many analysts to be a real future leader in e-commerce. Company B was up 22%, a far cry from that company A's 213%. Now company A was an online seller of toys. Company B was an online seller of books. And with that, I'm guessing you can probably see where I'm going with this.

So, company A was eToys. The market thought that eToys might go on to be a seller of many things online. Instead, eToys ultimately filed for bankruptcy. In contrast, that online bookseller was of course Amazon. Amazon did go on to be that seller of everything. And for an investor who had held it from the late 90s through to today, they would have seen about a 34x return, spectacular return on their investment. Of course, the eToys investor would have lost it all, because that company ultimately went bankrupt. And so, it was easy to spot this e-commerce trend, but even the market in all of its wisdom early on didn't identify the company who would go on to be the major winner of that e-commerce revolution.

So that's the challenge of single stock selection in this space, but many of us are investors who appreciate the benefits already of diversification. We're aware that if we are just looking at one company, we're taking some pretty big risk picking between one or the other. But if we invest in a diversified set of companies, we're spreading that risk out. And so, a lot of investors in the late 90s, looking to capture the e-commerce opportunity may have invested in a tech-focused index, something like the NASDAQ composite. Well over the same 20-year period, the NASDAQ composite would have delivered about a 3x return on investment. Now okay, tripling your money over a 20-year period, certainly not half bad. But, that 3x you would have seen from the NASDAQ composite is a pretty darn far cry from the 34x you would have seen with Amazon.

And so, we talked about this again as this Goldilocks problem, the potentially just right solution might be a megatrend index. Over the same period, MSCI's e-commerce benchmark, a megatrend index, would have delivered a 23x return, not quite the 34x of Amazon, but far beyond the 3x of the NASDAQ composite, and why is that? Well, because the MSCI e-commerce benchmark was much more diversified than that single-stock approach, meaning you didn't quite get the rocket ship of Amazon, but you also didn't risk losing it all with an eToys. And 23x return over the period is pretty good. But you were still targeting e-commerce. In contrast to the NASDAQ composite or a tech sector index, where you actually would have been getting all sorts of technology, and not targeting that trend you might have identified in the late 90s as the real investment opportunity you wanted to capture. That megatrend index was able to give you exactly that, and with diversification across multiple stocks, in this case yielding a 23x return over that 20-year period.

So, we talked a little bit about FAANG. Let's talk for a second about TREND. No, unfortunately these are not the five companies, or the first letters of the five companies that are the next most dominant players in the world. Rather, I literally mean trend. Think about what the trends are that are transforming the world around you, that are presenting amazing investment opportunities, and then look for indexes that allow you to invest in it so that you don't need to pick the single-stock winner, but you can still target the opportunity that you're seeking.

And I would argue that these trends are on the tips of our tongues. These are conversations we're having, things we're wondering about. Are self-driving cars cool? Are they interesting? Are we curious how they're going to change our commutes, or our communities? Are we wondering whether our children or our grandchildren are ever actually going to drive cars themselves? These are topics on our minds; they're topics we're thinking about.

And moreover, they're topics that present intuitive growth stories. Will there be more self-driving cars on the road ten years from now than there are today? The answer to that seems like a pretty strong yes. And so, seeing and feeling these changes around us, understanding the intuitive growth potential that they present, is something that any of us can do based on being out there in the world and living our lives, and it becomes an opportunity to access these areas of growth that we can all see around us in our portfolios.

And that's really where megatrends comes in. I've used the term a number of times John used to introduce. I will tell you now what the megatrends are; we won't keep you in suspense any longer. These are Blackrock's best thinking, and the five superhighways into the future, and we actually offer a range of iShares ETFs designed to capture these megatrends.

So, the five I'll click through are one, technological breakthroughs, long-term adoptions of new technologies, whether it be robotics, or artificial intelligence, cybersecurity, big data, and networks. Second, demographics which is really an aging story, driving changes in the way we live our lives as well as medical breakthroughs. Third, we have rapid urbanization, which is the rise of cities in emerging markets, and their revitalization in developed markets. We have climate change and resource scarcity, long-term shifts on the part of governments, corporations, and consumers towards cleaner, greener ways of living and doing business, and then emerging global wealth, and this is about the rise of the middle-class consumer in emerging markets, which is really fueling many of the megatrends you see on this page, as well as global growth around the world. So, we think of these megatrends as really our guideposts for the biggest opportunities of growth out there. And then we offer these ETFs that are designed to capture individual themes like genomics, like artificial intelligence, like infrastructure or clean energy, or the rise of the Chinese consumer, as ways to access components of these big megatrend growth opportunities.

But let's take the individual megatrends one by one, and we'll start with technological breakthrough, which is often the most popular, and certainly the one that we think of the most, changing the world, and technology changing the way we live our lives. It's important to note that, I've said it a few times already, when we're talking about these investments, we are talking about long-term investments. These are not the trade of the day; they're really meant to be opportunities to hold in your portfolio and gather growth. But I would be remiss if I didn't note, I think what we all appreciate, which is that in 2020, the world has accelerated in a variety of ways given what we've all had to deal with this year. So, as I go through these opportunities, I'll talk a little bit about the long-term cases for these megatrends, but also the way that they've really accelerated this year.

So again, we'll start with tech breakthrough. And certainly, I wish I was giving this presentation in person. I had the privilege of doing that at the Fidelity event last year. And so, I would love it if we could do a show of hands, but unfortunately, we can't in this format, so I'm going to ask two questions, keep your answer to yourselves, and then I will share the national results.

So, what would you rather sacrifice for a week: your smartphone, or dessert? What would you rather sacrifice for a week: your smartphone, or alcohol, your glass of wine with dinner, or your beer while you're watching the ballgame, now that thankfully, ballgames are a thing again. So, keep your answer to yourself, and we will take a look at what people across the country thought about this. Drumroll please.

49% of Americans willing to give up dessert in favor of their smartphone, and a whopping 74% of Americans willing to give up alcohol in favor of their smartphone. Now 20 years ago, even 10 years ago, these numbers would be incomprehensible, right? The idea that we would give up sweets and booze, which are sort of things that humans have loved for centuries, if not millennia, in favor of a device that's only existed for about 20 years, pretty shocking. And yet, as we all sit here today, you're probably not that surprised by these statistics, because we're living in a world of increased connectivity, and that world is accelerated and become more connected here in 2020, because that's really what we mean when we say we're not willing to give up our smartphone, right? It's not that we want the physical piece of metal and plastic and glass; it's that we don't want to give up that ability to be connected.

And so, one of the biggest technological breakthrough areas that we're focused on is this rise of internet-connected devices, and these stats actually pre-date the pandemic. At the start of 2020, there were about 30 billion internet-connected devices in the world. By 2025, that will more than double to 75 billion. And again, this has actually accelerated this year; think about it. In 2020, we've learned new lessons. And certainly, none of us would wish for the circumstances that have brought those lessons into our lives, but that doesn't mean we can ignore them. So, I would argue the world has undergone the ultimate beta test in virtual work, and in virtual life. Millions and millions of people around the world started doing their jobs from home very suddenly, in February, March, and April of this year. And actually, there were some positive lessons learned from this. 76% of CFOs say that their companies are likely to offer remote work long after the pandemic passes, and 72% of employees expect that they will have the option to work remotely at least two days a week going forward. That's a sea change. Likewise, many of us had never tried innovations like telemedicine and tele-education before this year. And yet, we've tried them now, really because we had no choice. And when you think about technological adoption, you have this concept of the J-curve where it takes a little while for early adopters to initially grab on to an idea and being to try it. And then you get into the J part, where you sort of swoop up hard and you see really seismic growth. We skipped that early adopter phase for these new technologies. We move right into the growth segment, because so many people were forced to try these technologies, and frankly, many want to continue using them. Those CFOs, those employees, but also folks who have tried telemedicine, teachers who have seen some of the benefits of incorporating tele-education in the way they teach. And so that's a huge opportunity for big data, networks, artificial intelligence, and other amazing themes that are keeping us more connected.

Of course, being that much more connected also brings with it some risks. The more connected we are, the more we face cyber threats. You know, back in 2014, these was one cybercriminal on the FBI's most wanted list. Today there are 71. That's a pretty amazing increase, and I'll give you another stat. At the end of last year, 16% of risk executives in the United States said their companies were well-prepared for cyber threats. Well, we've got to believe that number dropped right into the single digits in March, when suddenly, many company's customers and employees were operating or engaging with them virtually. And so, we saw amazing opportunities supporting cyber security, for example our IHAK ETF has seen exponential growth this year as companies have invested heavily in this area. But if 84% of firms weren't prepared for cyber risks before this crisis, we see it as years, if not a decade before we can even get to a 50% preparedness level. So cyber security is a powerful theme with a long runway.

And I mentioned one of the iShares ETFs that allow you to capture the opportunities in these spaces. So, as we go through this section of the presentation, I'm also going to share with you what we call our "megarules." And our megarules are the guideposts that we keep in mind at Blackrock and at iShares to how we think about building these megatrend ETFs. Our first megarule is weight for tomorrow, not wait, weight. And what I mean by that is that we want to own the small- and mid-cape innovators who have the potential to be the mega-cap leaders of tomorrow. Back in 2000, Microsoft, GE, Cisco, Walmart and Intel were the five largest companies in the S&P 500. Twenty years later in 2020, only one of them is still a top five: Microsoft. The other four, names like Apple and Amazon and Facebook, rode the next 20 years of megatrends to become the leaders by 2020, which of course raises the question: Who are the next set of leaders going to be by the time we get to 2040? They may not be these same players, and frankly, we already have large allocations to these players in many of our portfolios. So, in our megatrend ETFs, we're giving you exposure to the small- and the mid-cap names that have the potential to be the mega-cap leaders of tomorrow.

So, our second megatrend is demographics and social change, and recall, I described this as an aging story. The world is aging quickly. Back in 2015, there were a billion people over age 60. By 2025, that number will have doubled to two billion. And that's not just a global story; it's happening right here in the United States. In the next ten years, there will be more grandparents than grandchildren in this country for the first time in history.

So in the United States, around the world, people are aging, and that's leading to trillions of dollars more in healthcare spending, and therefore hundreds of billions of dollars more in medical research and development that's supporting areas like genomics and immunology, and before this crisis, we saw genomics as really one of the most exciting areas of medical breakthroughs, because it was enabling personalized medicine. For less than a thousand dollars, you could have your genome mapped so that a doctor can prescribe treatments just for you. Immunology, likewise, immunotherapy in particular, where you're stimulating or destimulating the body to fight disease, the immune system to fight disease, particularly cancer. That's seen 32 FDA approvals in recent years, and is already extending people's lives afflicted with lung, renal, brain, and skin cancers. So, these were the areas that were really making a difference in our lives before the crisis. No surprise then, in the face of this pandemic, they're also the ones that are providing us hope. We hear about

RNA vaccines against the coronavirus; that's the domain of genomics. We hear about monoclonal antibodies, therapeutics against the coronavirus; that's the domain of immunology. The world has never before used RNA vaccines; the world has never before successfully used monoclonal antibodies. And I'm not going to be one of the many people who gets up and prognosticates about exactly when a vaccine will come out, or exactly how effective the next therapeutic will be. But what I can tell you is it seems incredibly likely whether in one months, three months, six months, that we're going to crack these new medical breakthroughs for the first time against COVID, and that that can usher in years, of not decades of progress, where we apply these new techniques in genomics and immunology to any number of diseases that have threatened us in the past, or may threaten us in the future. And that's a pretty amazing opportunity, and it's really driven a lot of the growth of IDNA, our genomics and immunology ETF that invests in the companies in these areas.

So now we come to our third megatrend: rapid urbanization, which again is the rise of cities in emerging markets and their revitalization in developed markets. We see this as a $100 trillion opportunity for infrastructure investing, as cities in emerging markets like Delhi and Dhaka at nine million people each over the next decade, as Shanghai adds seven million people, and as places in the developed world, the United States, western Europe, Japan, revitalize infrastructure that was largely built after World War II, and is really in need of upgrade and repair.

And actually, we see a similar story in climate change and resource scarcity, where we're seeing huge investment by governments in renewable energy, another type of infrastructure, not traditional infrastructure, but clean energy, with governments pre-crisis having pledge $2 trillion to areas like wind and solar and geothermal and hydroelectric power before this crisis.

Now we all know, and many of us know people affected, that so many have lost their jobs in the midst of this crisis, not just in the United States, but around the world. And so, with over 60 million Americans having filed for unemployment in this country, tens if not hundreds of millions more around the world, that governments are finally getting to work deploying stimulus in a way that gets people back to work. And a lot of that is supporting traditional infrastructure, as well as renewable infrastructure. And so our ETFs, IGF, our global infrastructure ETF, which is exactly focused on traditional infrastructure, roads, bridges, airports, and ICLN, our global clean energy ETF, which is a best-of solution for solar, wind, geothermal, hydroelectric power and the like, have actually been our most popular and fastest flow-gathering ETFs in the megatrend space, because of that spending and support for these areas to get people back to work around the world.

Now our second megarule is to connect the value chain. We talked about this concept of ecosystems or value chains, if you'll recall, when we were discussing the rise of the automobile, and the rise of the television. And so, I think it's fitting, actually, that we sort of come back to the car here and use the example of electric and autonomous vehicles to again illustrate this value chain concept. Now, many of us think of one company in particular when we think about electric or autonomous vehicles, but there are a range of companies benefitting from this trend, not just that one that we all know and hear a lot about. But it's also not just car companies that are in the position to benefit. It's the firms that build the sensors and software that let self-driving cars navigate. It's the companies that build the batteries that go into electric vehicles, the firms that mine the materials that go into those batteries, and even the firms that are building the charging infrastructure to really enable a world of electric vehicles to be feasible. In short, a value chain or ecosystem of opportunities, not just one company, or even one industry, and that's what we look to capture in our megatrend ETFs: the value chain, or ecosystem.

Our final megatrend is emerging global wealth, and again, this is the rise of middle-class consumers in emerging markets. China is minting two billionaires every week. 150 million people enter the global middle class every year, and 90% of them on average live in emerging markets in Asia. And last, but certainly not least, it's my favorite stat of the whole presentation. 44 people escape extreme poverty in India literally, every single minute of every single day. And so, this growth in middle-class consumption in emerging markets is powerful.

And so, our third megarule is to think beyond borders. Yes, the United States is the number one innovator in the world. We don't see that changing anytime soon. But that doesn't mean there isn't also amazing opportunity in innovation beyond our borders. And we can take an example by comparing the United States and China, and the online and offline populations in these countries. In the US, there's about 300 million people with access to the internet today, and about 35 million people who don't have access. So, we're ninety percent penetrated with internet access. Take a look at China: almost 800 million people already have access to the internet; that's more than twice the number in the US, but what's really staggering is another 600 million people in China have yet to get access to the internet; they're only about 60% penetrated. India actually has similar numbers, so when you add that up, that's about 1.2

billion people who have yet to get the internet, who have yet to be part of e-commerce, or social media, or streaming. Think about the size and the magnitude of that growth opportunity. And so that's why when we're investing in megatrends, we have to be global; we have to invest not just in US innovators, though certainly we do, but also in innovators accessing the opportunities in other countries around the world.

So, we'll recap as we come to the end of the presentation here. We're talking about owning the future, and iShares megatrend ETFs have been designed to help you do exactly that. You can see a selection of these megatrend ETFs shown up on the page here, areas like technological breakthroughs, IWFH, the iShares Virtual Work and Life Multisector ETF, which is really giving you access and exposure to the ways our world has changed, and will continue to change following 2020 enterprise and productivity software, streaming, gaming, even online dating in a single ticker across the whole value chain or ecosystem. We talked about cyber security, IHAK, to give you the whole value chain or ecosystem there. In demographics, IDNA, access to the broad scope of firms at the forefront of genomics and immunology that were the key areas of medical breakthrough pre-crisis and providing us hope in the face of this crisis. Rapid urbanize, a range of opportunities in infrastructure. Climate change, a range of opportunities from clean energy, to self-driving electric vehicles, and again, we talked about the extent to which stimulus spending is really supporting these areas as governments spend money to get people back to work, on traditional infrastructure, which is where IGF comes in, on renewable infrastructure where ICLN comes in, and even on electric vehicle charging infrastructure, where IDRV comes in. And of course, we can't forget how much of this is underpinned by the rise of the middle-class consumer in emerging markets.

So, let's recap our megarules quickly. One, weight for tomorrow. Don't just own the mega-cap companies of today; own the small and the mid-cap innovators who can be the leaders of tomorrow. Two, connect the value chain. Don't just pick one company or one industry; think broadly about a whole ecosystem that can benefit from a theme. And three, think beyond borders. Focus on US innovation, but also focus on global innovation. And in iShares Megatrend ETFs, we follow these three rules in the service of giving you access to the themes that you see and feel all around you.

And that's why I'll leave you with this last thought, before I pass it back to John, which is to encourage you to put your money where your mind is. I think it's safe to say we all appreciate the world will be different after COVID-19. And now is really a time when we can think about rebalancing, reinvesting, even reimagining portfolios for that future. We believe megatrends have a huge role to play in that, in helping you access that future in your portfolio, and John I want to thank you so much for having me today, and to all of our listeners, thank you so much for joining us. I should note, please reach out to your RBCs if you more questions on this subject; they're certainly happy to engage with you. And John, with that, I'm going to pass it back over to you.

John Gagliardi: All right, that was great. That was an action-packed 33 minutes, if I've ever heard one. So, at the end there, you sounded like Roger Sterling from the old *Twilight Zone*, I don't know if you remember that show. It all happens in the Megatrend Zone. All right, so where do we find this? And I hope everyone can see my screen, and just to gently take you through the process again here on Fidelity.com, I went to Investment Products, I come on down to ETFs, and we've got a great spot down here if I scroll a little bit, we come right to iShares, and all the things that we talked about today, including Jeff's fantastic presentation about megatrends, all of those things are right here; it's kind of set up very nicely for you. So, today we talked about large indexes, we talked about way to generate income, and of course, megatrends.

And we've got three of them right up here, and one of them I like to focus on, because this was Biotech and Beyond. So, talking about genomics, if I click on this right here, guess where it's going to take me? I go right to IDNA and I can start talking about this right out of the gate. So, let's answer some questions right off the screen here, because we're live. And one of the questions I had are, are net assets important? Jeff, you want to talk about that a little bit? So, on this one, we got net assets of $145 million.

Jeff Spiegel: Yeah, so the beauty of the ETF is it offers liquidity and efficient access for all of the investors out there. And so fi you look at an ETF like IDNA, you see that it's got roughly 150 million of assets under management growing extremely rapidly. So I think you can take a look at the net assets to get a sense of how fast an ETF is growing, and that just gives you basically a sense of the number of other millions of dollars of holders who are also invested in that strategy.

John Gagliardi: So, we could see here in the chart that it's not like a spotty-looking chart and the spread is pretty narrow. These are some newer ETFs, so they don't have the maturity of an IVV or a major index that's been around for a decade or more. So, I think that you'll see as people start recognizing the value here, for all of my clients out there that are already investing in things like IVV, or XHV, and you're using those as your biotech indexes, these would be an offshoot of that, and I think if you look at the performance, you could see what we're talking about here. Because it's genomics this is kind of where a lot of eyeballs have gone in the biotech space. Years ago, it was, hey I own pharmaceuticals, and that was great. And then from pharmaceuticals, it become biotech, because that was the big growth engine. And now we're seeing those two start to kind of merge together as large pharma has a biotech arm, you see Bristol Myers buying out Celgene, so where's the new frontier, and that's where these megatrends come in, whether it's biotech or any other trend. So, these are some of the names that you may not be looking at that may not have a big spot at the table in your biotech index. And you also have some foreign diversification here, so it's an interesting grouping of stocks that we've got.

So next question: How do dividend payments work for ETFs and stocks, and I think they work the exact same way, you get ordinary income, and it's a passthrough. Now a lot of these megatrends, I would say, are probably not the best if you're looking for dividends. Let's jump over to I-Work, I work from home, I certainly do. I spent the last six months in this basement. And here we are. And the joke was, I finally got like this stuff behind me which makes a nice backdrop, and before this it was just a concrete wall, and they were like, John, you got to do something. So, we've gotten some upgrades.

So here we've got, again if we go through some of the numbers here, I'm going to jump down here, this is a very, very new ETF... Zoom, Peloton, Roku, these are really hot, recent IPOs. These are, in the lifespan of a corporation, these are babies. These were all IPO'd in recent years. By the way, if you want to hear a shocking thing about Zoom, the market cap of Zoom I think is now $10 or $20 billion higher than ExxonMobil. So, think about that, Zoom's now a bigger company than ExxonMobil by a fair stretch. And what that's talking about is not just the fact that we're not driving to work and that hurts ExxonMobil, but we're also looking at Zoom really taking the place of that. So instead of spending that hour-and-a-half in a car, hopefully you're able to spend that hour-and-a-half more effectively, hopefully see your family sometime.

So, taking a look at one of these other names here, I am very interested in clean energy, ICLN, and it's not just because I'm very interested in the technology. As an investment, a lot of these particular technology, you could see the massive outperformance, so if any of you market-watchers out there have been looking at utility stocks, utility stocks really took hold in the last month or so; they're up about 9%. But inside of those utility stocks, guess where all of that 9% is really coming from? You got it; it's coming from solar; it's coming from wind. So, these are your names; this is really where it's coming from. So, you could actually parse that out of your utility index that you could see, here are your top ten names. Of course, there's some foreign diversification in here, but you see names like First Solar, RUN, SolarEdge, and plug and play. So, these are a lot of names that are very much in the public eye these days.

So next question here: ETF expenses, Jeff, you want to answer this, Jeff, how are they paid? Are you guys going to take, let's see how many basis points this one is, are you going to take 46 basis points out of my account, or does it come out of the NAV? Where does the expense come from?

Jeff Spiegel: Yes, it's a great question. The expense of the 46 basis points in this case comes out of the NAV of the ETF. So, it's not that it disappears from your account; it's charged equally to all holders within the strategy based on how much of it they own.

John Gagliardi: All right. Let's go over to the last one that I did want to take a quick peek at, and that is IDRV, I-Drive ETF. Now interestingly, if you're in the ETF IVV and you own the S&P 500, everyone was speculating, would Tesla join the S&P 500? And the folks that moderate what names come and go, even though it qualified, currently said no, and they had their own reasons, I guess, for even though they had four quarters of positive earnings, and all the numbers were in place, they did pass this time around, so they might be talking to Tesla about what they need to do.

Now of course, this one, taking a look at the top-ten year, a lot of the names are familiar. But you wouldn't think on Nvidia and Apple, or even Qualcomm as being part of this. Jeff, you want to take us through that a little bit?

Jeff Spiegel: Yeah, exactly. If you'll recall the slide we had up earlier about this value chain or ecosystem concept, there are a number of different types of companies that are actually part of the self-driving and electric vehicle revolution. So if you take a company like ABB that you also saw on that list, that's a company that's responsible for building the charging infrastructure around the country and around the world that makes a world of electric vehicles being a regular thing possible. If you take a company like Nvidia, they're enabling a lot of the technology, the processing power that essentially is going to let a self-driving car navigate. And so when you think about megatrend ETFs and the iShares megatrend ETF lineup, we're essentially doing the research or the work for you to construct the basket of stocks across this whole opportunity set, not just the well-known ones, in this case, as you can see, and as John is pointing out, not even just the car manufacturers, but all of the firms that really have the potential to benefit from the rise of this theme. That's the beauty of investing in one ticker, like IDRV, that gives you holistic access to that.

John Gagliardi: Outstanding. So, I'm going to take a little step back here because I want to show you how to also access ETFs in general. The first way we did it, we went to investment products. I came down to ETFs, and I was looking for those nice, neat, clean setups around the themes, and specifically, the themes we covered today. So, I clicked on iShares, and our good friends and partners over at iShares, and everything is lined up very nicely, like harnessing megatrends. So, I know that some of you are thinking, well what if I want to get a little bit more direct, and I want to do my own search for ETFs? And we could do that as well. So, we could come over here; I'm clicking on "Find ETFs." Now if I wanted to get to this page, and I'm starting from the fresh screen here, I would go to "News and Research" and ETFs, and sure enough, guess where I would land? Now the first thing I could click on here is I could go to the iShares group, so again, this is setting things up for us in nice, neat little boxes so we can actually come up with these ideas, and we could look for things like Factor ETFs. One factor could of course be a megatrend ETF. So, there's no shortage of ways that we could come in and search for these things. We've got plenty of different backroads in, and then you could search looking for your particular things, if you're looking for things that are technically doing very well and riding new highs. There's all different ways that we could search for these. There's no shortage of trading characteristics, or things that we could pull in, whether fundamental or technical.

So, having said that, let's head back to where we were for a second, and let's see if we have time for another one. I'm going to jump back to that. Let's jump onto the Robo one just for fun and see what that one looks like as the robots take over the world. So I don't know if you heard this, but Sergey Brin over at Google want to empower the robots and have them become AI, and it's an ongoing conflict with AI, because he thinks the moment they go AI, they're going to say, hey, who's the superior being here, the supercomputer, or the dunce that built us? So, there's an ongoing debate there with these super-smart people about artificial intelligence and the robots.

But this is the powers behind it, right? So, we've got things like AMD and Nvidia as the chipset, and some things that you might not be thinking of. So, Jeff, you want to talk a little bit about this one?

Jeff Spiegel: Yeah, so when we think about robotics and artificial intelligence, I guess if we're putting it in that context, we maybe are a bit more in the Sergey Brin camp of how we've constructed this ETF. And so, IRBO is going to be a number of exposures to robotics companies, as well as artificial intelligence companies, so they're going to both be present in that ETF, essentially under the theory that robots that don't have too much brain power won't be that effective, whereas robots that are enabled by artificial intelligence can really help us do many tasks, whether that's in our work or in our lives. So, the strategy is about 50% broken up in terms of robotics, about 50% broken out in terms of artificial intelligence, and gives you access to a range of themes. You know, critically, it's not just technology exposure in an ETF like this. Recall, we talked about these whole value chains or ecosystems. You're also going to see exposure to areas like industrials, and like communication services, and as you can see here, consumer discretionary and healthcare, because there are a whole range of companies benefiting from robotics and artificial intelligence, not just the tech companies that you might think of first.

John Gagliardi: All right, with that, I'm going to hit one last question here. I'm going to use a little of our own artificial intelligence to answer it. So, in this one, someone asked, when do you sell an ETF? And that's a great question. So, I think that Jeff was really great at explaining, you're trying to catch a tidal wave; you're not trying to catch just a little ripple here. But for those of you that are concerned, and you don't want to get pushed out of a particular trade, I could come in here and I could manage all sides of my trade. I can go to "Trade," and I could come over here to, well, I'll go "Accounts and Trade" and click on "Trade." Oh great, it's not here. So, what I wanted to do, this is the new simplified ticket. One of the things that you could do is when you place an individual trade, you could come in here, and let's say I did IDRV. So, from here, I could place my trade, right from that, as soon as I have my trade on, I could always think about, what's my stop-loss? If things went horrifically wrong, what would be my exit strategy?

And I always think of, I hate the word "stop-loss." Stop-loss is probably one of my least favorite words. I like to switch that around and think of the word "disaster avoidance." So at what price, need something with a little history here, IDRV, at what point would you look at something like IDRV and say, okay, clearly we're in an uptrend; clearly I should have bought it in September and I didn't, and now it's rallied, where's the opportunity? If I buy it today, and I believe in the shorter-term uptrend, clearly if we break down below 31, we've broken the lows, and perhaps we're returning to 28. Okay, it's not the worst selloff in the world to be stuck in, but if these kinds of things concern you, you could always place a stop below 31, and a target price somewhere up around 40, and then you could begin to manage the trade. Anybody can buy them; I'm sure a lot of you own them. But I always have to ask, how many of you are managing them? One thing that ETFs will have inside of here built in for you is the factor of management. They're deciding both by market cap, and also by the relevance of which companies need to be in here by what amount, because if this was strictly by market cap, this entire thing would be these three names, right? This entire index would be Tesla, Nvidia, and Apple, because they're huge mega-cap companies, and there'd be no room in the top-ten for anyone else. So, this has been well thought out, and you are getting a layer of both stock-picking, being in this space of the self-driving vehicle, and also risk management, because they're deciding these percentages.

And of course, the bigger the company becomes, there's a cap-weighting in here. As companies become bigger, they become a bigger part of this index. There's 113 names; these top ten make up 43%, almost 44%, so it's a little bit heavy-handed towards these mega-cap companies, and that drives the success; it's driving itself, no pun intended. But the bigger the company, they more they own. How many at you at home when you manage your portfolio, you sell the losers, and you double up on the winners? And that's essentially what a market cap-weighted index does. As things go down, they sell them, and as they go up, they buy more. They do this in order to angle for ultimate success.

So, speaking of time, we're just about out of time. I'd like to thank Jeff Spiegel. Jeff, thank you for being with us today.

Jeff Spiegel: Thanks for having me, John. Really appreciate it.

John Gagliardi: And for any of you that are in the New York/New Jersey region, if you search my name, John Gagliardi, and you do it in Fidelity.com, you're looking to find this page, and on this page, you could find out about me and you could schedule an appointment; we can chat, and I'm happy to speak with all of you.

But, not everyone in the country; I cover New York/New Jersey. The good news is, if you're not in New York or New Jersey, just go to your local branch and ask if you could be connected with your local regional brokerage consultant; they could help you with ETFs, the great partners we have over at Blackrock and iShares, and we could look at those megatrends and help you work your way through the markets and figure out what's the best course of action for you, our self-directed investors.

So, thank you all for coming out. Have a great rest of your afternoon, and we'll look forward to seeing you one day in person in the branches.

END OF AUDIO FILE

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