Dan Ives | ETFMG Cloud Technology Expert | October 2, 2020

The last few weeks have seen general softness in tech stocks as investors continue to worry that FAANG names and the tech sector have created valuations tough to justify with tech bubble talk abound. While the rally over the last six months has been parabolic, we believe transformational fundamental growth drivers across the tech sector and a further re-rating of tech stocks looking ahead continue to make us bullish heading into year-end. While there are some white knuckles among investors, we believe tech stocks could still go another 20%-25% higher led by FAANG names, cloud software, and cyber security. In a market starved for growth, the secular growth themes around the tech sector are unprecedented and not comparable to anything I have seen as a tech analyst on the Street for two decades, with the COVID-19 backdrop accelerating growth stories by 1-2 years in many cases.

Green light to own tech stocks despite pullback fears. Taking a step back, our unwavering bullish view of tech stocks during this pandemic and hand holding investors through this once in a century Category 5 storm has been predicated on a two-phase thesis. The first phase has largely played out as cloud (Microsoft/ Amazon/Google), consumer services (Apple, Amazon, Netflix, Disney), cyber security (Zscaler, Palo Alto, Fortinet among others), and work from home (Zoom, DocuSign, Citrix, Slack) vendors have been the foundational areas of the technology food chain to see disproportional strength and navigate consumers and companies through this turbulent period with the stocks largely reflecting this dynamic. Now we start to enter the second phase as the economic rebound slated for 2021 will likely super charge the fundamentals and growth trajectories of well positioned tech stocks for the next chapter of this recovery. We view this next phase resulting in Street numbers moving markedly higher and a further valuation paradigm changer as the "risk on" trade and hunt for secular growth stories will be the focus for tech investors heading into year-end, despite volatility and general nervousness around US/China trade tensions and the November elections.

Cloud front and center. We believe this coronavirus pandemic is a key turning point in the technology world around deploying cloud driven environments as our long standing projections of moving from 33% of workloads in the cloud to 55% by 2022 now look conservative as these targets could be reached a full year ahead of expectations given this pace. With our expectations of a trillion dollars to be spent in the cloud over the next decade, there will be many beneficiaries (cyber security, data center plays, cloud stack/enablers, hybrid cloud, applications) across the technology landscape with Microsoft (Azure) and Amazon (AWS) two of the core vendors that will continue to see an acceleration of cloud infrastructure spending during and after this dark coronavirus storm passes.

Meet the Expert

Dan Ives

Managing Director & Equity Analyst, Wedbush Secruities

World renowned software and technology analyst with 20+ years experience educatingon cloud computing, cyber security, big data and the mobile landscape. His vision behind the ETF stems from an investor demand for direct global exposure to the "cloud enabler" companies he has been covering for decades.

Carefully consider the Fund's investment objectives, risks, and charges and expenses before investing. This and other information can be found in the Fund's summary or statutory prospectuses, available on www.etfmg.com. Please read the prospectus carefully before investing.

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