



Semiconductors

The new oil

Part 1

Investment Idea :
10 June 2021

Structuration : Warrant Call Up & Out

Maturity: **3Y**

Underlying's:

- **iShares PHLX
Semiconductor ETF**

Strike: **100%**

Participation Level: **100%**

Out Barrier: **130%**

Cost: **8% of Notional Exposure.**

Overview

We believe that it is worthwhile to position ourselves in the semiconductor sector over the long term.

The semiconductor market has entered a super cycle.

According to many estimates, the semiconductor industry's turnover is expected to more than double by 2030, from 450 billion USD to 1 trillion USD.

We have designed a defensive strategy in two steps.

As we have said, the market seems to have already taken a lot of good news in the short term.

We therefore propose to take positions on a 3-year Call Up & Out warrant structuring on the semiconductor sectors via iShares PHLX Semiconductor ETF.

Indeed, this strategy will serve as a performance amplifier on the Up and Out zone and the passage of time will play in our favor while limiting the risk to the premium invested.

“ the semiconductor industry's turnover is expected to more than double by 2030 ”

Why Now ?

The semiconductor market has entered in super cycle.

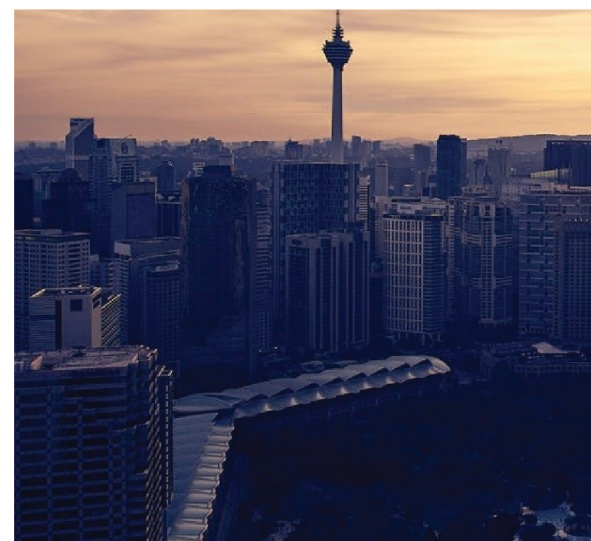
According to many estimates, the semiconductor industry's turnover is expected to more than double by 2030, from 450 billion USD to 1 trillion USD.

Indeed, just as oil was the real fuel of the industrial economy in the last century, semiconductors are the keystone of the new technological revolution which is increasingly hardware and therefore semiconductor intensive.

Growth factors of a semiconductor industry:

- **A sharp rise in prices due to the shortage:** Even if the current shortage is more of a cyclical nature, due to the sudden recovery of the economy, the price increase is already an important support to the activity in the short term.
- **A more disciplined industry today:** After 8 years of consolidation resulting from excessive supply due to poor inventory management and excessive investments, the sector is now more disciplined and better positioned with players who are now more specialized in the value chain. For example, in the segment of foundries specializing in small processors, there were 25 of them in 2002, but today there are only three.
- **Increasing structural demand due to**
 - **A strong growth in the use of electronic devices worldwide** due to the growth of the world and urban population.
 - **The development of new products that require more and more semiconductors:**
 - **Artificial intelligence and its hardware:** Many AI applications such as Alexa have already gained great popularity as well as virtual home assistants or facial recognition programs.
 - **Contactless technologies.**
 - **Last mile delivery drones.**
 - **5G.**
 - **An acceleration of digital practices after the health shock of Covid 19:** Indeed, the whole world has discovered new ways to work, study and communicate. These uses are bound to last.

“ just as oil was the real fuel of the industrial economy in the last century, semiconductors are the keystone of the new technological revolution “



Which investment vehicles?

We decided to select the iShares PHLX Semiconductor ETF to gain exposure to the sector as a whole.

Indeed, in order to avoid possible geopolitical conflicts with China, we are focused on US companies that design, manufacture and distribute semiconductors.

You will find below the main companies of the ETF:

TOP HOLDINGS (%)

TEXAS INSTRUMENT INC	8.61
INTEL CORPORATION CORP	8.26
BROADCOM INC	7.74
QUALCOMM INC	7.64
NVIDIA CORP	7.64
APPLIED MATERIAL INC	4.43
NXP SEMICONDUCTORS NV	4.33
KLA CORP	4.16
LAM RESEARCH CORP	4.12
ASML HOLDING ADR	
REPRESENTING NV	4.08
	<hr/>
	61.01

Holdings are subject to change.



Which Structuration?

In order to capture the super cycle and in view of the sector's recent performance, we decided to design a conservative 3-year Call Up & Out warrant on ETF iShares PHLX Semiconductor.

Indeed, this strategy will serve as a performance amplifier on the Up and Out zone and the passage of time will play in our favor while limiting the risk to the premium invested.

This strategy will be completed by a second part in case of market decline.

Parameters are the following:

Warrant Call Up & Out :

- Maturity: **3Y**
- Underlying's:
 - **iShares PHLX Semiconductor ETF.**
- Strike: **100,00%**
- Participation Level: **100%**
- Out Barrier: **130 %**
- Cost: **8%** Of Notional exposure.