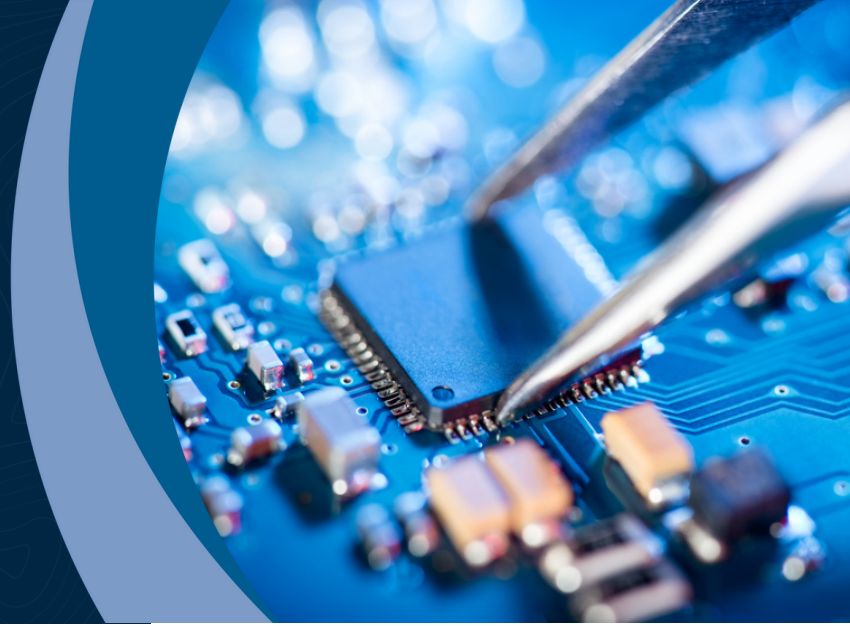


# Thematic Investing | Semiconductors



## Overview

With the perpetual advancement of computing and circuitry and the ever-increasing integration of technology in our everyday lives, semiconductors are at the centre of a sophisticated industry with room for considerable growth. A semiconductor is a material that possesses electrical conductivity between conductors and insulators, making it vital in electronic devices for its ability to control and manipulate electrical signals. Whether it is smartphones, data centres, electric vehicles or the increased proliferation of cloud based technology, semiconductors are the driving force behind the “digitalisation” and green transformation of global economies.

In a move which has only emphasised the importance of this industry, the United States government signed into law the ‘Creating Helpful Incentives to Produce Semiconductors and Science (CHIPS) Act of 2022’ in August 2022, which will direct USD \$280 billion into both the research and development and manufacturing of semiconductors.<sup>1</sup>

## Benefits

- **Growth:** The industry is forecast to grow rapidly, with semiconductors expected to become a trillion-dollar industry by 2030.<sup>2</sup>
- **Increased demand:** Buoyed by growth in other industries such as AI, electric vehicles, and wireless technology, demand for semi conductors is expected to remain strong for some time.
- **Sustainability:** Ancillary beneficiary of initiatives related to green technology and clean energy – semiconductors will remain at the forefront of the development of these spaces.

## Challenges

- **Time-lag:** Potential time-lag before government investment reaps tangible benefits, new foundries being built in the US are not expected to be producing until 2027.
- **Slow production:** Chipmakers are expected to slow production in the short-term as demand is expected to tighten, given macroeconomic uncertainty and previously soaring demand amid the pandemic.
- **Macroeconomic impacts:** Inflation and recession fears, compounded by returns to the office following the pandemic, has put a dampener on performance of semiconductor manufacturers.

## Shortlist of ETFs to gain exposure to this theme

Ticker	Name	Net Assets (US\$)*	Holdings	Fee*	Link To Factsheet
SOXX US	iShares Semiconductor ETF	\$8,200m	35	0.48%	<a href="#">SOXX US</a>
SMH US	VanEck Semiconductor ETF	\$9,100m	26	0.35%	<a href="#">SMH US</a>
SEMI AU	Global X Semiconductor ETF	\$66m	31	0.45%	<a href="#">SEMI AU</a>
PSI US	Invesco Dynamic Semiconductors ETF	\$606m	32	0.55%	<a href="#">PSI US</a>
XSD US	SPDR S&P Semiconductor ETF	\$1,370m	40	0.35%	<a href="#">XSD US</a>

\*Data as at 1 October 2023



1300 988 878 | [wealth@masonstevens.com.au](mailto:wealth@masonstevens.com.au) | [masonstevens.com.au](http://masonstevens.com.au)

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[1 – McKinsey Semiconductor Analysis](#)

[2 – McKinsey Semiconductor Analysis](#)

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