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Authors/Contributors:

Peter Rosenstreich, Head Market Strategy;
Arnaud Masset, Senior Market Strategist;
Vincent Mivelaz, Market Analyst;
Design: Yona Lee, Lausanne

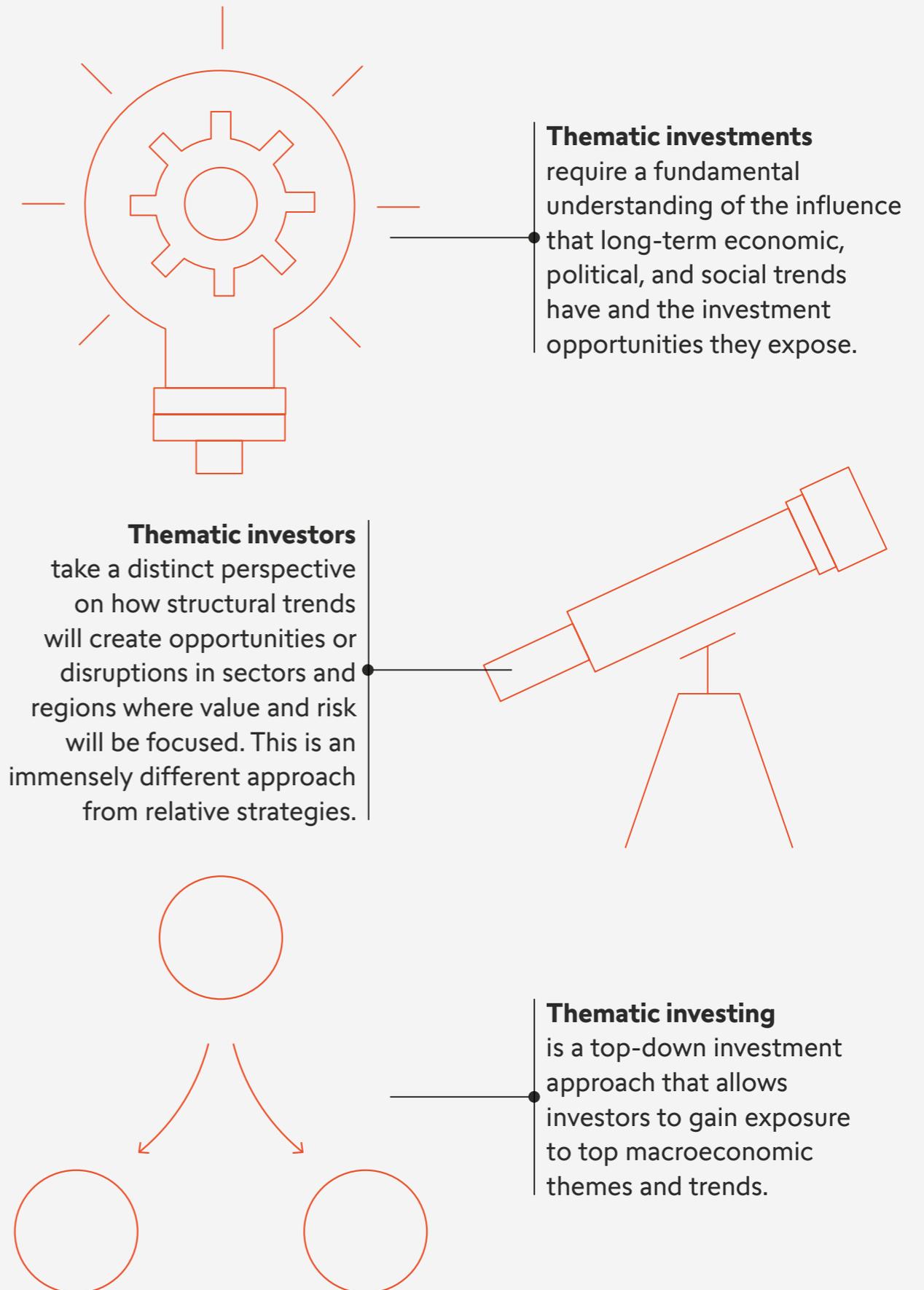
THEMATIC INVESTING IN TODAY'S WORLD

Thematic investing is decision-making based on predicting long-term structural drivers and the medium term cyclical associated with them.

We are living in an extraordinary time where change is celebrated. Disruptive innovations, ideas and societal changes are embraced in today's world. The trends emerging from this constant transformation are the central focus of the thematic investment approach. Aiming for long-term portfolio growth, thematic investing harnesses ideas about future developments to identify structural opportunities across asset classes and around the world.

The thematic investment approach saw its rise in popularity after the global financial crisis in 2008 that caused the investors' focus to shift away from traditional investment methods. Prior to the crisis, the defining investment principle was to determine future stock movements by analysing data patterns from the past; most private portfolios were

positioned based on historical information rather than expectations for the future. Today, past fundamentals are still widely being used to classify stocks. However, while it is highly probable that another financial market meltdown will occur, it is not likely that it is going to be as impactful as the one in 2008. In fact, the uniqueness of the 2008 crisis makes forecasting similar future events complex – anomalous data skews predictions. For this reason, investors have come to base their investment decisions more strongly on in-depth analysis of expected changes in the future. This is where thematic investment becomes a critical tool. It offers a different approach to classic investment management methods in that it seeks to capitalise on opportunities shaped by transforming developments in the future.



INVESTING IN TOMORROW

A thematic approach is a forward-looking investment philosophy that seeks to identify growth drivers of the future. By getting «ahead of the curve», investors can position their portfolio for faster growth and higher returns.

In an increasingly globalised world with challenges facing the global economy, investors need to shift their focus away from companies that performed well in the past towards companies that will benefit from the structural changes in the future. Our world is transforming at an unprecedented rate. Looking to the past prevents investors from seeing the opportunities created by disruptive developments that will overthrow existing paradigms and reshape the global landscape. This document seeks to help investors to better understand the thematic investment approach and use it properly to position their investment portfolio.

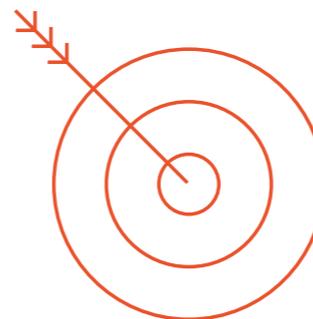
Trying to find the perfect definition of the thematic investment approach is challenging if not impossible. Thematic investing entails making forward-looking investment decisions based on anticipated future growth drivers that lie outside of traditional cyclical views and sectors. Rather than looking backwards for guidance, thematic investing relies on forecasting future growth. Investors are looking at what lies ahead rather than in the rear view mirror.

SEEING THE «BIG PICTURE»

A thematic approach invests in the broader futuristic macro-story, rather than investing on individual company fundamentals or past performance of the market. This leaves investors less exposed to short-term economic cycles.

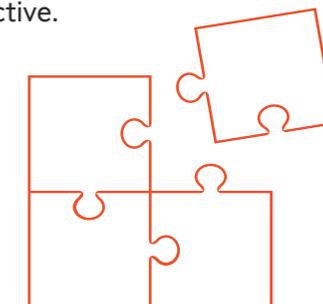
Interestingly, certain principals typically attributed to thematic investing, such as identifying opportunities created by geopolitical tensions (e.g. a change in a monetary policy with the aim to raise interest rates), are widely applied across all investment approaches. Building an actual portfolio strategy around a theme, on the other hand, is less common. In other words,

most professional and private investors think in thematic terms but end up investing in individual companies, thereby lowering their probability of success. When it comes to capitalising on opportunities created by disruptive trends, such as structural changes in demographics, consumer behaviour or technology, thematic investing is most effective.



TRADITIONAL BENCHMARK INVESTING

- Targets a specific index
- Uses historical reference
- Generally quarterly focused
- Highly correlated to generic investment strategies
- Narrow geographic focus



THEMATIC INVESTING

- Seeks to profit from dynamic trends
- Uses expectations for the future
- Generally longer term focused
- Provide diversification benefits
- Broad geographic focus

01

FREEDOM

Most investors have been led into adopting an investment approach focused on returns. This approach would seek to beat a relative benchmark or absolute-return benchmark over the long term. This makes the market generally short-term focused and unable to follow insights over multiple periods or business cycles due to relative performance. Taking the time for trends to mature allows investors to disconnect from unnecessary financial market volatility.



02

UNDERSTANDING

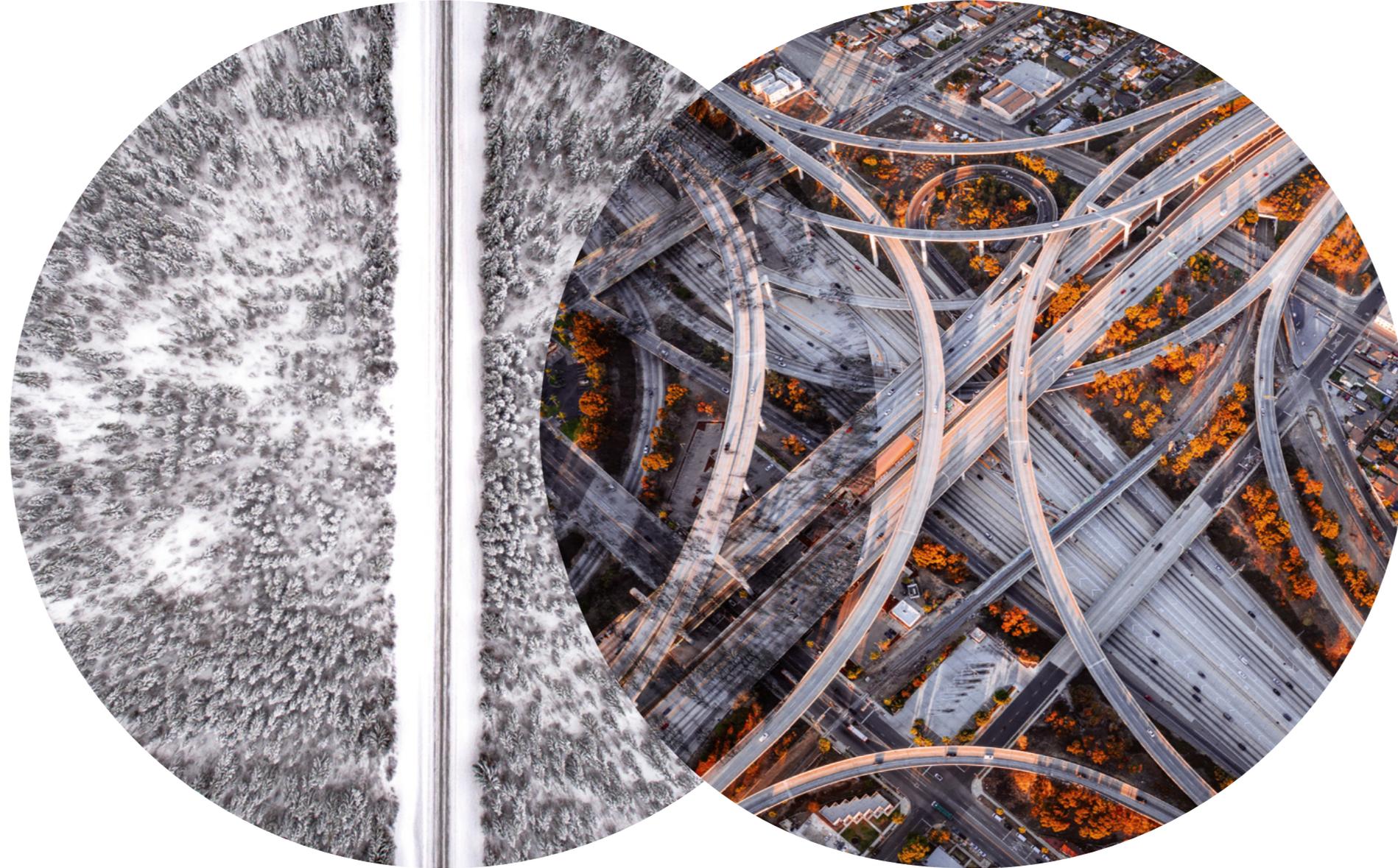
Financial markets are steeped in a thick vernacular that makes it difficult to understand investments clearly. The terms «mid-cap», «value» and «consumer discretionary stock» mean nothing to most people. The thematic approach provides easy-to-understand and relatable investment ideas, making it easier to handle volatility.

BENEFITS OF A THEMATIC APPROACH

03

CUTTING THROUGH THE NOISE

Technology has sped up the global news cycle to an exhausting pace. Unfortunately, financial markets often are caught up in what is happening now rather than focusing on lasting trends that will determine returns. Using a thematic approach helps cut through the noise in markets and avoid impulsive investment decisions. Concretely, this framework allows you to sleep easy without being afraid that every bounce in the market will be the end of your investment.



04

DIVERSIFICATION

Most thematic portfolios abandon the traditional reliance on geographic, market-capitalisation and sector allocation, giving it a lower correlation with other portfolio strategies. This is a big advantage when looking to diversify sources of growth. However, it also holds true for thematic investors that they should, at best, invest in multiple themes to make sure they are not overly exposed to one theme or sector.

BENEFITS

OF A THEMATIC

APPROACH

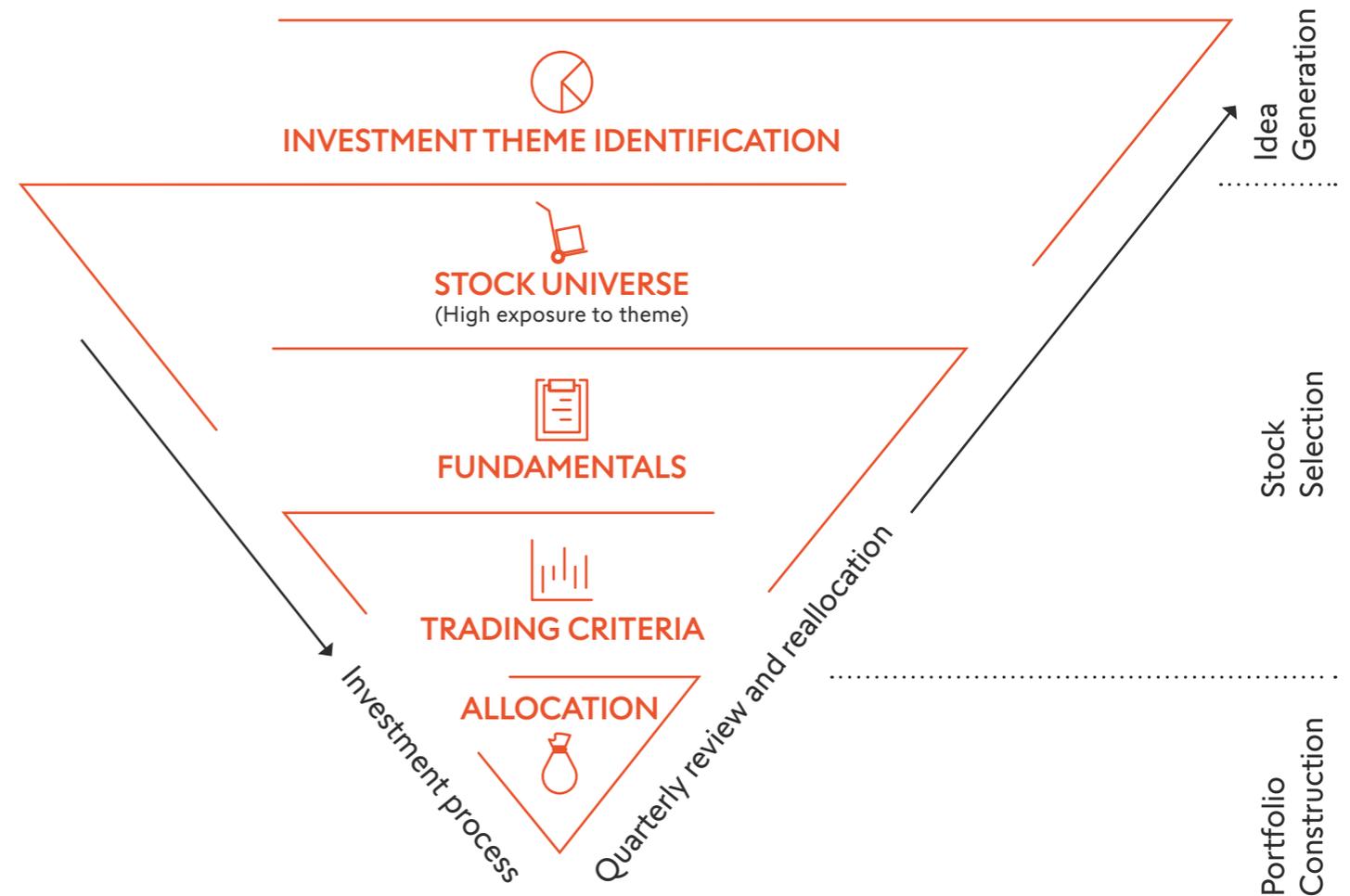


05

REDUCING RISK

While thematic investing is a growth-oriented approach, it can also be viewed as a source of risk reduction. We are not talking about the traditional method, which focuses on volatility and correlation, but rather by hedging against external risks. Perhaps the clearest example of this type of portfolio strategy would be hedging fossil fuel companies with renewable energy companies.

THEMATIC PORTFOLIO CONSTRUCTION



TYPES OF THEMES

Looking ahead, trends will provide compelling investment opportunities for those who are willing to take a different perspective and concentrate on the big picture. It is helpful to segment Trends into two categories. There are clearly areas where the two overlap.

CYCLICAL THEMES SHORT TERM, CONSISTENT GROWTH DRIVERS

These drivers occur more regularly and can result from changes in interest rates, asset valuations or regulations that create an opportunity. These themes have the potential for mean reversion as the anomaly normalises.

STRUCTURAL THEMES LONG-TERM, GLOBAL STRUCTURAL CHANGES

A seismic shift that transforms entire industries and society. This disruptive force tends to be long-term in nature, changing the world as we know it in a permanent way. Examples include climate change, demographic shifts, and disruptive technology.



THE «WINNING» FORMULA

Identifying the right trends to consider is essential. Applying a thematic approach is not a simple challenge, but a task worth exploring. Implementing a thematic investment strategy requires accurately recognising structural shifts, identifying companies with direct exposure to the trend, and then timing the entry into the trend before it is fully priced into earnings forecasts.

Getting started with the process:

The trends that thematic investors focus on must be based on observable changes – not assumptions or speculation.

1. Investments should be made within an easily accessible, broad pool of publicly traded companies, with high liquidity and direct exposure to the structural shift.
2. The investment horizon should be medium- to long-term so that market timing becomes less of a deciding factor.

RISKS OF THEMATIC INVESTING

As any other investment strategy, the thematic investment approach does have drawbacks that must be considered.

Thematic investing focuses on trends arising from shifting norms that are generally difficult to pinpoint in time. For example, the shift in corporate earnings that resulted when consumers switched from landlines to mobile devices did not happen overnight. Positioning portfolios for mid- to long-term opportunities requires discipline and patience from investors. While the thematic investment approach is particularly intended for use in this context, it is, on the other hand, less well suited for short-term investment horizons and quick wins.

Many investors live and die by their ability to position portfolios depending on index fluctuations. Thematic investment portfolios, however, do often underperform global equities indices over longer periods of time before their performance picks up. Investors that are not comfortable to deviate from strategies based on the mainstream equity benchmarks might not want to consider the thematic investment approach.

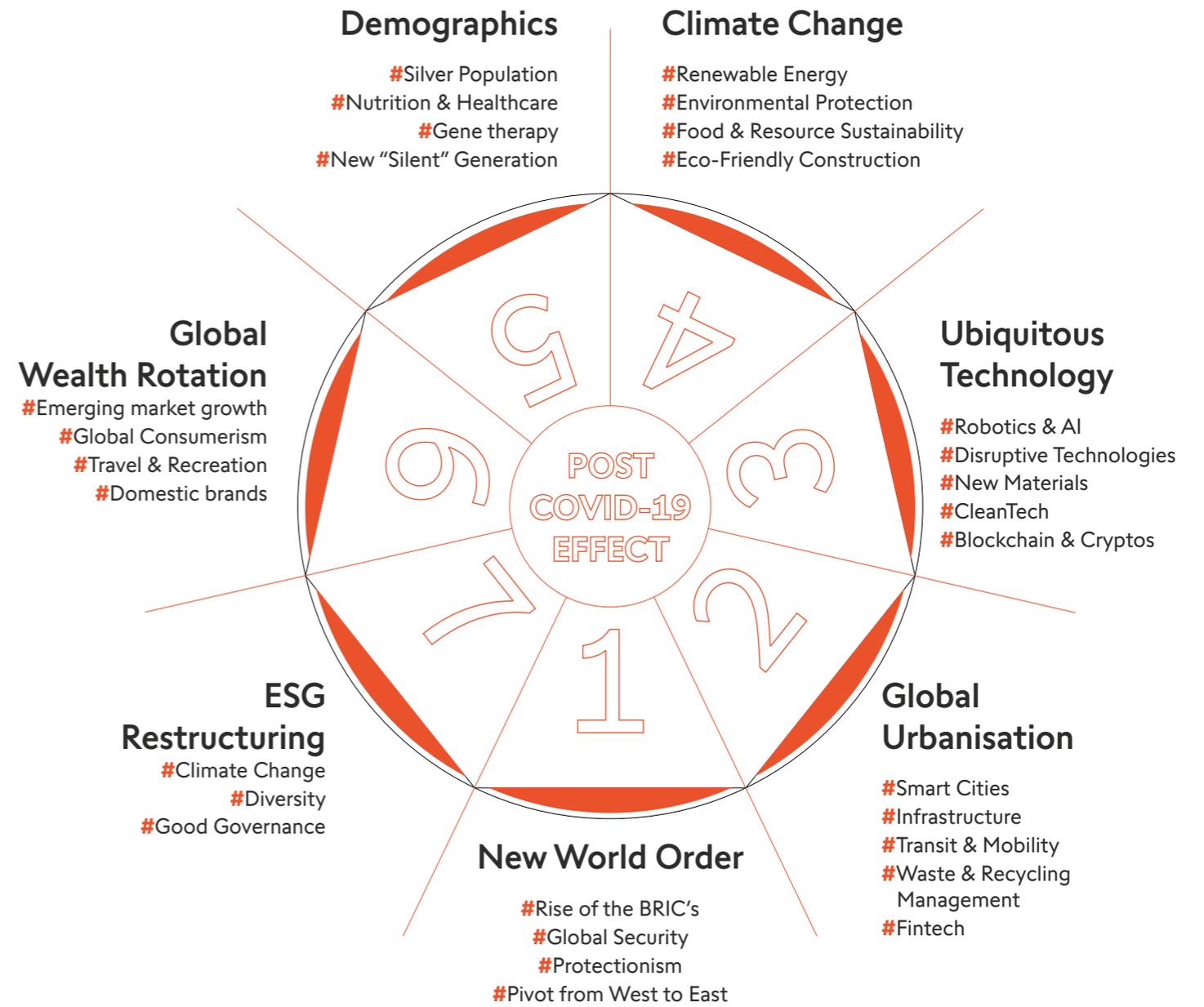
Identifying trends is a lot harder than it sounds. While successful thematic investors do not need to be clairvoyant, predicting the future does in fact make part of their strategy. Trends that seem steady today can be derailed tomorrow. Just take the Great Horse Manure Crisis of 1894 as an example. This was a debate held at the world's first international urban planning conference in New York exploring solutions to the problems caused by the ever-rising horse populations in cities around the world. The debate projected a very dire outlook on the future of urbanization at that time. However, as it turned out later – and much to everybody's relief –, Henry Ford's introduction of the first automobile assembly line allowed to replace horses by affordable cars.



Thinking outside the box

The thematic approach most differs from establishing a traditional investment portfolio in the way it uses the imagination and breaks away from rigid asset allocation methods that are so popular in today's asset management. Thematic investment has a "dreamer" aspect to it which does not sit well with financial professionals who have long endeavoured to be seen as scientists. Let's explore the concept of flying cars (which are no longer in the realm of science fiction). Who will build them, what components do they require, and what will happen to road builders and asphalt suppliers? Answers to these question will provide strong foundations for a thematic portfolio. The thematic approach throws out the traditional bias as well as market capitalisation, geographical classification, and typical sector allocation.

KEY THEMATIC TRENDS



NEW WORLD ORDER

Throughout human history, geopolitical structures have occurred substantially realigned innumerable times. A nation's power rises and falls. US President Donald Trump's impulsive actions are overturning an international order that has been in place since the end of World War II. The power shift among nations which began at the end of the Cold War has been accelerating this century. Changing defensive alliances, trade agreements and infrastructure projects will create profound long-term trends.

Our Themes Trading Certificate:
#Global Defense

GLOBAL URBANI- SATION

Populations are increasingly making their way to large urban areas. In 2018, there were already 30 cities with a population of over 10 million, whereas in 1990 there were less than 10. This large-scale migration creates both a challenge and opportunities for urban planners. From transit to food supplies and the introduction of smart technologies, the mere definition of what a city is needs to be reassessed.

Our Themes Trading Certificate:
#Global Recycling



UBIQUITOUS TECHNOLOGY

On average, today's mobile phones have the same computing power that NASA used to put Apollo 11 on the moon. Technology has become reliable, ubiquitous and powerful, with wide-reaching implications. Just close your eyes and pick a space, and technology will disrupt it. The digital revolution has only just begun.

Our Themes Trading Certificate:
#Digital Payments

CLIMATE CHANGE

Whether or not climate change poses a threat of global annihilation, it certainly has made people around the world more focused on the environment. The "think green" ideology is permeating all aspects of global society, from sources of energy to products and political orientation. It has also fuelled awareness regarding our limited resources, such as water and food. The scarcity of key resources is a significant effect of climate change.

Our Themes Trading Certificate:
#Food & Water

DEMO- GRAPHICS

The gap between generations has never been wider. On the one hand, we have senior citizens, a demographic that will double to over two billion by 2050. This aging population demands specialised healthcare, lifestyle choices and housing facilities. On the other hand, we have millennials, generation Y and the new silent generation shaped in a technology-driven world. How do you sell to a person who is more comfortable chatting with a virtual assistant than a real sales person?

Our Themes Trading Certificate:
#Online Gaming

GLOBAL WEALTH

After a period of stability following the financial crisis, wealth creation and rotation of wealth have shifted to pre-crisis patterns. While inequality remains an issue, wealth redistribution in Asia and Africa have lifted a million people out of poverty to become part of the consumer class. This progress means demand for higher living standards from quality food to housing, and even recreational activities and financial products like life insurance. Interestingly, women's share of global wealth has also risen.

Our Themes Trading Certificate:
#UK Realestate

RESTRU- CTURATION ESG

Some investors might question this one, but we believe Environmental, Social and corporate Governance (ESG) criteria will redefine the asset management industry and potentially companies themselves. Currently, ESG-based investing is estimated at over \$20 trillion in assets under management. The Socially Responsible Investment (SRI) movement is rapidly growing, and, in time, every fund and asset manager will have an internal ESG component. This massive capital rotation into social conscious businesses will have a profound effect on how corporations operate.

Our Themes Trading Certificate:
#Social Responsibility

POST- COVID LIFE



There has been no shortage of post-apocalyptic views of what the world will be like after COVID-19. However, we do not share these views. Firstly, we believe the human condition represses trauma; secondly, we believe society will respond to the pandemic as it did to 9/11 – making minor changes in behavior and policy but eventually moving on. COVID-19 has been a wake-up call that humanity is on an unsustainable path. We anticipate the biggest shift will be a transition towards a sustainable economy focused around people and nature. Industrial sectors will be transformed, food and health systems will be rethought, prosperity will be distributed more equitably, the world will become more digital to reduce carbon footprints, and urban lifestyles will be reimagined to put sustainable well-being at the center. Of course, these movements will cut across key themes, but we take a holistic view, believing that a post-COVID world will hypercharge our core thematics.

Our Themes Trading Certificate:
#Pharma Opportunity



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