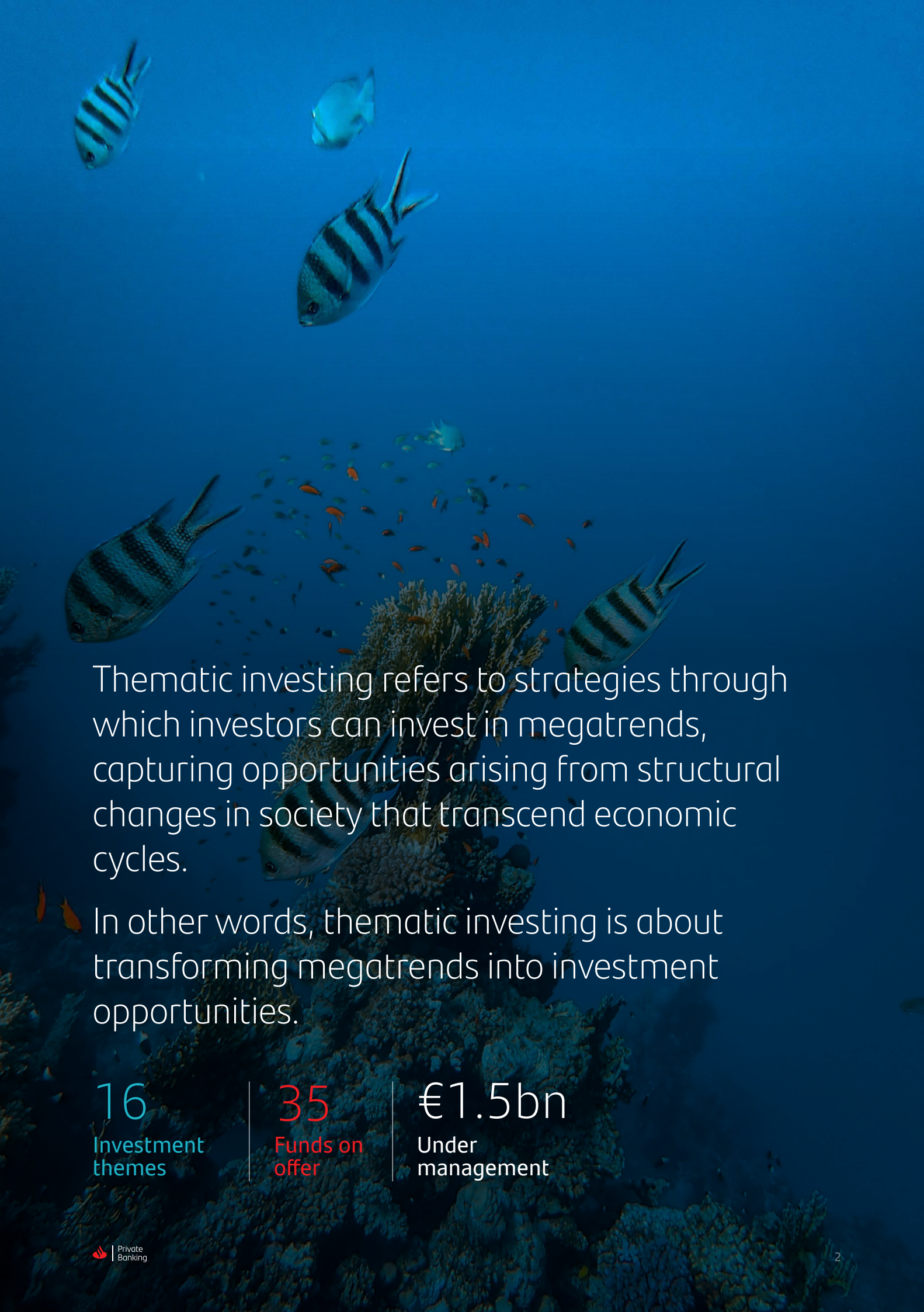




The background of the advertisement is a vertical collage of four distinct images. From top to bottom: 1. An underwater scene with several blue and black striped fish swimming in clear blue water. 2. A close-up of sliced green kiwi fruit, showing the white flesh and black seeds. 3. A traditional Chinese red paper lantern with gold Chinese characters and a yellow tassel, hanging in a dimly lit room. 4. A hand holding a smartphone, overlaid with white circuit board patterns and icons representing technology and connectivity.

# Thematic funds





Thematic investing refers to strategies through which investors can invest in megatrends, capturing opportunities arising from structural changes in society that transcend economic cycles.

In other words, thematic investing is about transforming megatrends into investment opportunities.

16  
Investment  
themes

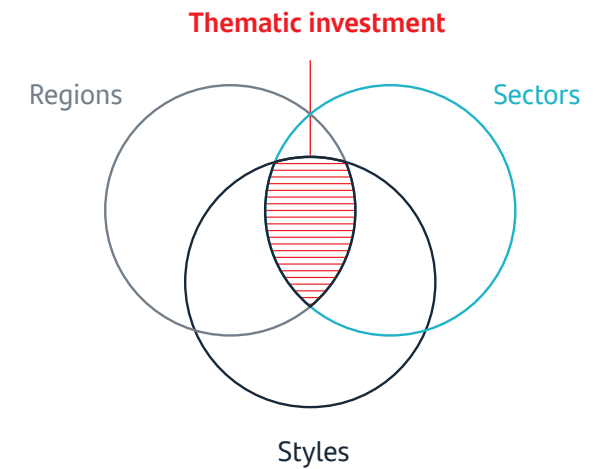
35  
Funds on  
offer

€1.5bn  
Under  
management

# 1 A new dimension in portfolio construction

Investors conventionally classify their investments into asset classes (sovereign debt, corporate debt, equities, ...) and distinguish between regions and industries, seeking to benefit from diversification, as this helps to reduce systemic risks.

**Thematic investment transcends asset, sector, regional and style classifications, but without being totally independent of them, and takes account of the megatrends shaping society: demographics, social changes, resource scarcity, technological progress, environmental impact, etc.**



# 2 Increased portfolio efficiency and diversification vs. global indices

The fact that the investment universe of thematic funds is usually narrower than that of conventional global equity funds could entail a higher specific risk. However, their specific nature usually results in **low overlap with global equity funds, which improves the diversification and efficiency of the portfolio in aggregate.**

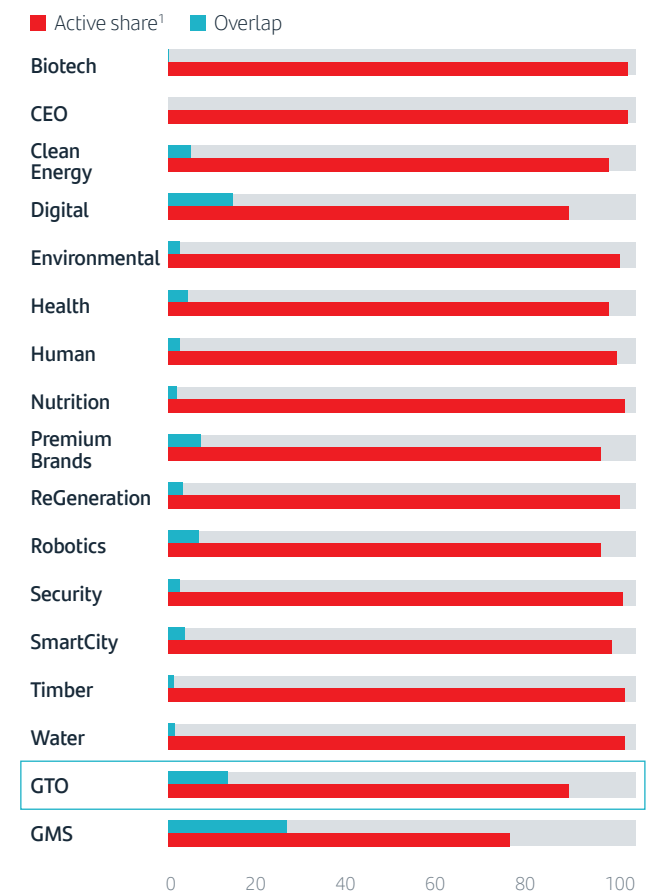
**Unconstrained approach**

These funds **usually have no benchmark index associated with portfolio construction** and mostly use the MSCI ACWI global index only for performance comparison purposes. In other words, most thematic funds have **conviction portfolios** and a **high active share** versus global equity indices<sup>1</sup>.

**Looking beyond global indices**

Thematic funds generally have a **low overlap with global equity indices**; in many cases, this is because they do not have a clear index to benchmark against; in other cases, because the index is not fully representative.

**Overlap and active share<sup>1</sup> vs. MSCI ACWI**



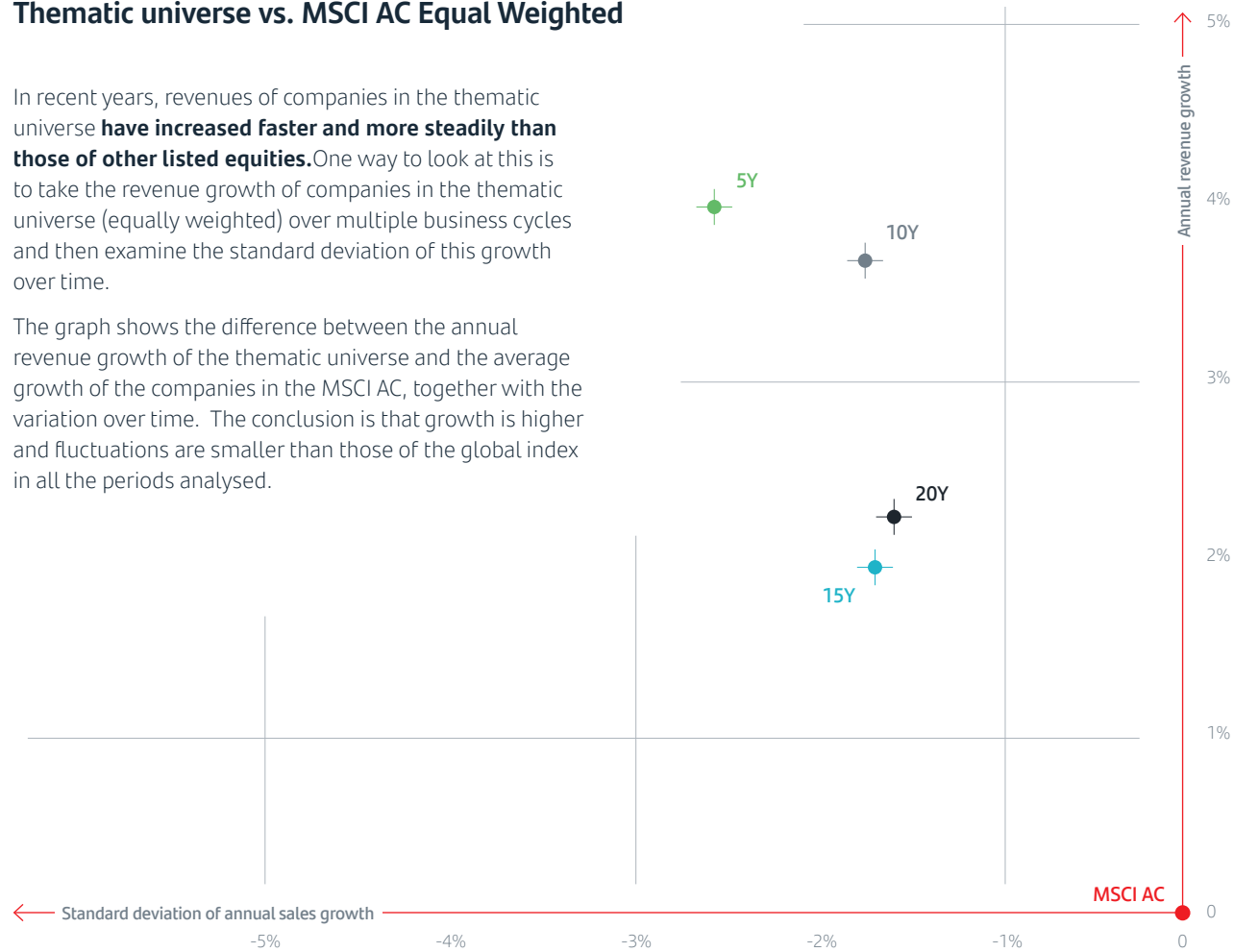
Source: Pictet Asset Management, MSCI, Bloomberg. Data as of 31/12/2023  
<sup>1</sup> Active share: measures the difference between a fund portfolio and that of its benchmark index (MSCI ACWI)

### 3 Faster revenue growth versus global equities

#### Thematic universe vs. MSCI AC Equal Weighted

In recent years, revenues of companies in the thematic universe **have increased faster and more steadily than those of other listed equities**. One way to look at this is to take the revenue growth of companies in the thematic universe (equally weighted) over multiple business cycles and then examine the standard deviation of this growth over time.

The graph shows the difference between the annual revenue growth of the thematic universe and the average growth of the companies in the MSCI AC, together with the variation over time. The conclusion is that growth is higher and fluctuations are smaller than those of the global index in all the periods analysed.



Source: Pictet Asset Management. 12/2023. Thematic universe vs MSCI AC Equal Weighted.

### 4 Beyond the focus on “growth”

The thematic approach examines structural trends spanning all sectors and selects companies that are exposed to them and can, therefore, **benefit from this extra long-term growth**.

However, though most funds in the thematic universe are biased towards growth, **this is not a specific factor that defines thematic investing since themes can be relevant to companies at all stages of their business cycle**.

In fact, some themes may revolve primarily around disruption and involve smaller-cap growth stocks

(disruptive technologies), while others may impact a much broader spectrum of companies, including large-cap companies.

The important issue when looking for companies exposed to a particular theme is that they have **significant exposure** or are engaged in activities related to that theme, and that they **generate—or plan to generate—a large part of their revenues from the sale of products or services related to the theme**. This is often referred to in the industry as **thematic purity**.

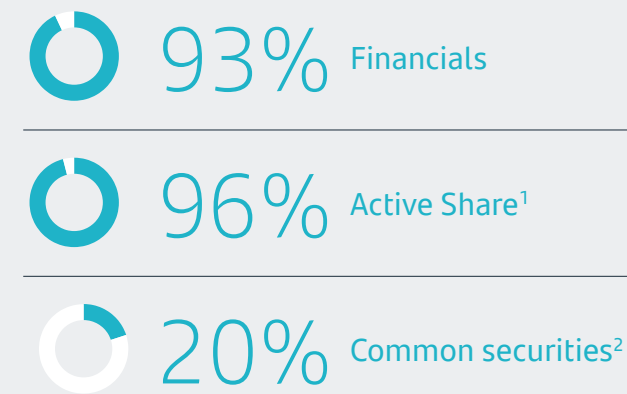
### 5 A complement to industry funds

Thematic funds also provide a degree of **diversification when compared with conventional industry funds**. As an example, we analyse one thematic fund that we identified internally in our universe with the greatest exposure to a single sector: Robeco New World Financials. We see that

its portfolio differs significantly not only from the relevant world index (MSCI AC World Financials) but also from the sector funds in the same Morningstar equity category (Financial Services), which translates into an increase in the diversification of the portfolio in aggregate.

#### Case study

#### Robeco New World Financials



#### Top 15 MSCI AC World Financials

Company Name	Robeco New World Financials	MSCI All Country World Financials	Dif
JPMorgan Chase		5	-5
Berkshire Hathaway		4,76	-4,76
Visa	4,28	3,81	0,47
Mastercard		3,48	-3,48
Bank of America		2,33	-2,33
Wells Fargo		1,82	-1,82
HSBC		1,29	-1,29
Royal Bank of Canada		1,23	-1,23
S&P Global	2,72	1,19	1,53
Goldman Sachs	3,24	1,18	2,06
American Express		1,15	-1,15
Commonwealth Bank of Australia		1,13	-1,13
BlackRock		1,07	-1,07
Citigroup		1,04	-1,04

- **The active share relative to the global index of financial companies is very high, above 90%**, and there is **low overlap** with the financial indexes.
- **A broader concept** than conventional financial funds.
- **Freedom to invest outside the financial sector**, although the portfolio is clearly concentrated in the financial sector and in companies related to financial technology.
- **Underweight the main stocks in the financial indexes**, especially large U.S. banks.
- Geographically, the fund is **more exposed to emerging markets** (30% at most).

#### Breakdown by industry

Industry	Robeco New World Financials	MSCI All Country World Financials	Dif
Banks	29,3	42,3	-13
Capital Markets	25,9	17,8	8,1
Diversified Financials Services	18,5	17,8	0,7
Insurance	17,6	19,3	-1,8
Consumer Finance	1,6	2,6	-1
Other industries	7,1	0,1	7
	<b>100</b>	<b>100</b>	

1 The active share is the difference between the fund portfolio and the portfolio of the benchmark index (MSCI All Country World Financials)  
 2 Securities in common with the funds in Morningstar's Financial Services equity category  
 Source: Robeco. Portfolio data as of 31 March 2024



# 6

## Thematic investment as a way to increase portfolio sustainability

Many of thematic investment strategies are also **vehicles that contribute to increasing sustainability** by providing solutions to specific social and environmental challenges. This is evident in the case of a fund that invests in renewable energy, for example. However, it is worth clarifying that sustainability doesn't hinge only on environmental issues: social issues such as health, education and gender equality are also important.

The **Sustainable Development Goals (SDG)** provide a framework for investing in the key issues of the sustainability agenda. As a result, many thematic funds are aligned with specific social and/or environmental objectives, going beyond whether the companies in which they invest are managed on the basis of ESG (Social, Environmental and Governance) criteria.

According to a survey of thematic investment conducted

by BNP Paribas in collaboration with Coalition Greenwich<sup>1</sup>, **investors' main objective in thematic investment is to achieve a positive impact and/or contribute to more sustainable results**, with obtaining returns ranking second in priority. However, in the long term, 84% believe that thematic investment has a positive impact on returns. Furthermore, according to the survey, 95% of investors believe that there is a link between thematic investing and impact investing.

The global volume of sustainability-focused thematic funds has more than doubled since 2019, to approximately €275bn in assets under management in 2024, according to data from Broadridge<sup>2</sup>.

Within the universe of funds that we have categorized internally as thematic, 46% are sustainable according to their prospectus<sup>3</sup>, and 66% are categorized under Article 8 or 9 of the SFDR<sup>4</sup> (Sustainable Finance Disclosure Regulation):

**Art. 9** Funds with a sustainable investment objective

**Art. 8** Funds that pursue environmental or social goals

<sup>1</sup> Survey based on interviews with investors in Europe, Asia and North America in February and April 2023.

<sup>2</sup> Funds classified as Sustainable/Thematic by Broadridge. This category includes a variety of targeted thematic strategies such as renewable energy, sustainable transportation, buildings, water, and waste treatment. It also includes single-theme and multi-theme funds, and strategies where a low carbon footprint is a specific objective. Data as of end March 2024

<sup>3</sup> Source Morningstar. Data as of end April 2024. Morningstar defines a strategy as a "sustainable investment" if its prospectus or other official documents describe it as focusing on sustainability, impact or environmental, social and governance (ESG) factors. This classification does not measure the effectiveness of the fund's sustainability strategy, only its stated objectives.

<sup>4</sup> Source: Morningstar. Data as of end April 2024..



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