



Thematic investments: beyond the trend

Decorrelation, visibility, convictions... There are numerous reasons why thematic funds can be attractive, although finding a sustainable theme and a team with the appropriate expertise can be more challenging.

Thematic investing consists above all of taking a more concrete view of investing through sustainable trends, such as the ageing of our population, robotics or other disruptive markets. On that basis, the fund manager selects stocks offering attractive growth prospects while drifting away from benchmarks. Such investment cases are founded on robust, durable convictions, thereby limiting exposure to market changes and short-term volatility.

Separating structural trends from macro opportunities

Although our approach may on some occasions seek to take advantage of “momentum” opportunities, our core focus is to identify durable trends... An attractive theme shall be robust over the long-term and agnostic to short-term noise, thus providing potential decorrelation to global equity markets.

The selection of a theme requires a considerable amount of research. It shall prove to be mature enough and offer investment opportunities demonstrating more robust growth than other sectors or markets. Managing a thematic fund requires a broad investment universe, both in terms of volume of investable stocks and market capitalisation, thus giving portfolio managers the ability to extract relative value between companies and adjust the portfolio to different market environments.

A rigorous approach to thematic investing

Rothschild & Co's thematic investments' team builds its convictions using a “bottom-up” approach, with a medium to long-term investment horizon. We favour companies with sustainable, steady growth, and on average above the rate of GDP growth. Our themes are founded on rigorous data analysis and durable trends, which are generally less sensitive to the various states of the economic cycle.

“An attractive theme shall be robust over the long-term and agnostic to short-term noise...”

We look at our themes across their entire investment spectrum, with no limitation in terms of market capitalisation. The investment universe is built on in-depth quantitative and qualitative analysis complemented by regular meetings with the management teams from the companies. Our stock selection is the result of the knowledge and level of conviction built throughout this rigorous process, potentially leading to a portfolio significantly different from traditional indices. We always keep a close eye that each security fits perfectly with our investment themes.

Investment solutions across a variety of themes

Our range of thematic funds aims to generate performance over the long-term with a lower volatility than that of global equity markets. These investment solutions demonstrate their resilience and ability to deliver performance in range-bound or even downward-trending markets, making them an appropriate building-block as a diversifier within a global allocation.

Rothschild & Co's thematic investment offering covers the “Silver Economy”, listed European real estate, the quality of management teams, the respect of human capital, as well as family-owned and entrepreneurial firms. Our expertise focuses on themes displaying long-term visibility, while avoiding cyclical and short-term trends. These funds provide access to true stock-picking with a bias on growth stocks. ■

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