

## Investing in Change

# Thematic Investing 101

Our world is undergoing structural economic changes—spurred by technological breakthroughs, scientific discoveries, shifting demographics, and climate change.

How do you prepare for this transformation?

**Meet thematic investing.**  
It's the top-down investment approach designed to capitalize on transformational trends.



## Characteristics of Thematic Investing

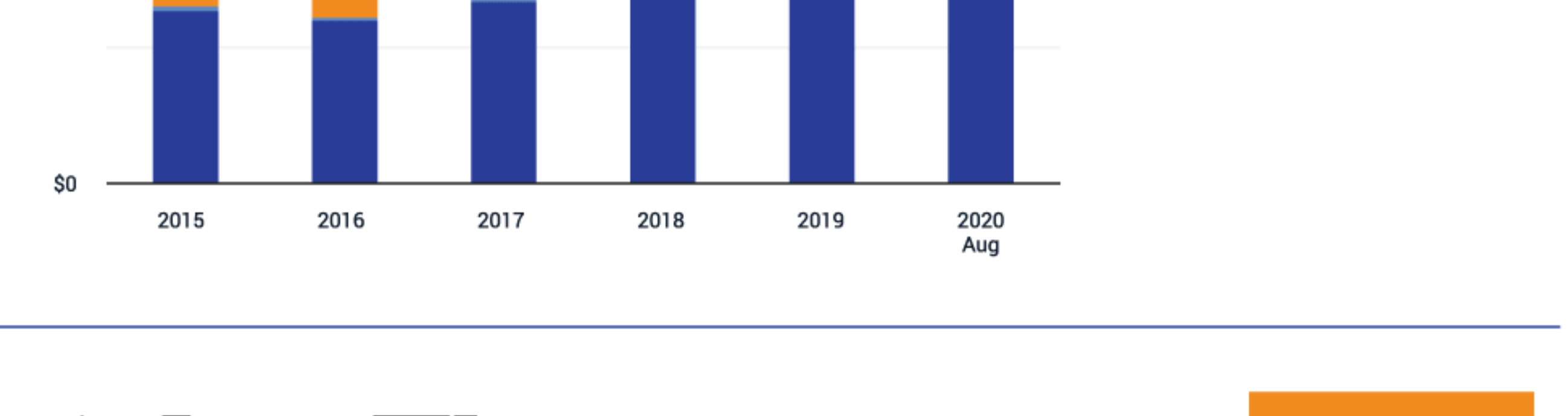
- Secular Trends**  
Long term political, economic, technological and social trends.
- Sector Independent**  
Cuts across countries and traditional sectors.
- A Changing World**  
Captures trends that reflect how the world is changing.
- Security Selection**  
Identifies companies with exposure to different target themes.

Built on these characteristics, thematic investing has already picked up steam, with global thematic funds soaring above \$400 billion.

Source: Morningstar Data (2020)

### Global Thematic Fund Market Growth

Assets under management



Sources: IMF (2020), Morningstar Data (2020), CAGR = Compound annual growth rate

## What Are The Benefits Of Thematic Investing?

Thematic investing enables investors to understand and proactively manage how themes impact portfolios by complementing traditional portfolio design.

- Thematic investing gives investors exposure to long-term structural trends
- Positions portfolios relative to long-term risks and stranded business models
- Provides exposure to several themes that can be quantified, analyzed and managed

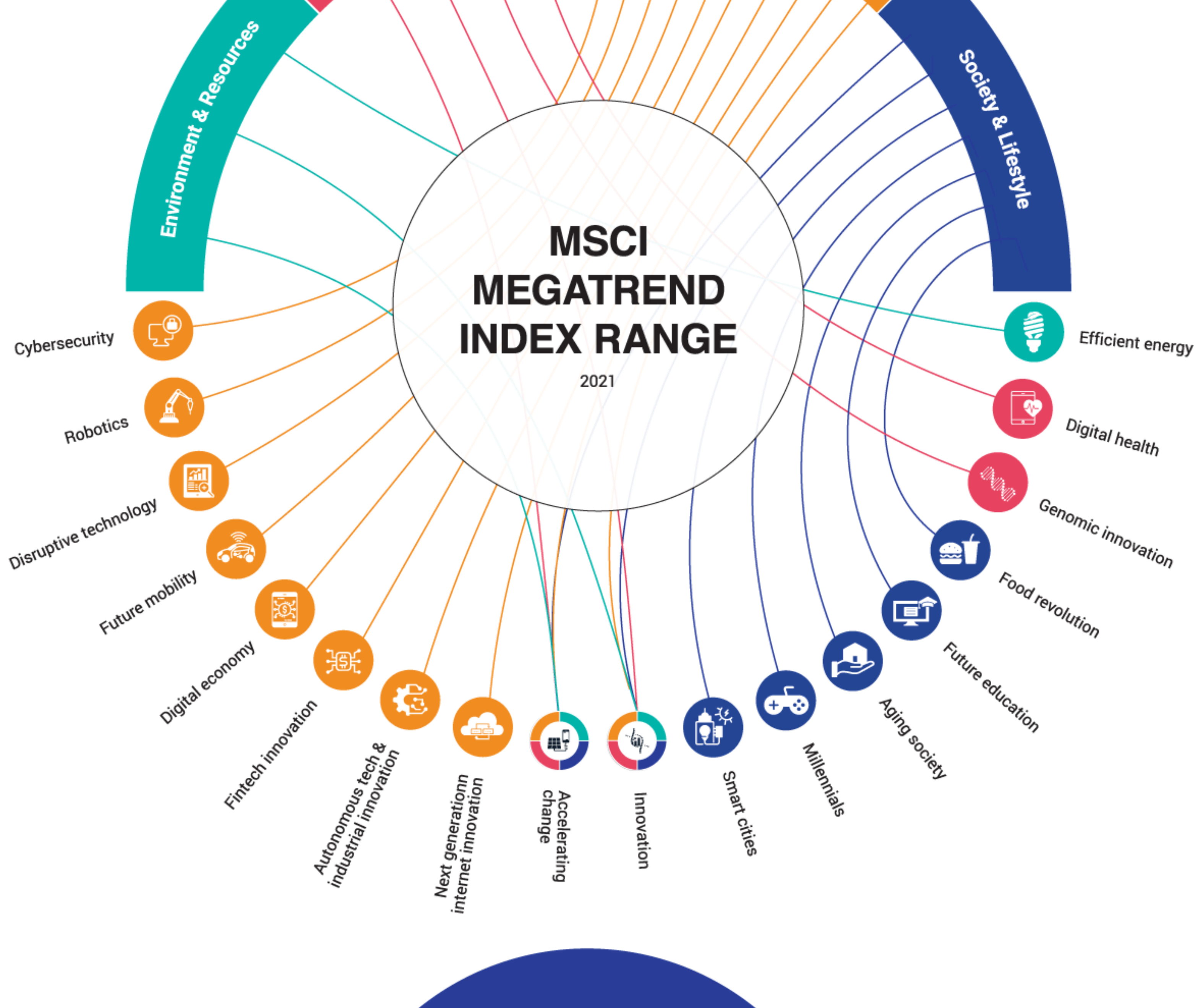
The key to thematic investing? Accurate research and megatrend selection.

## How MSCI Identifies Megatrends

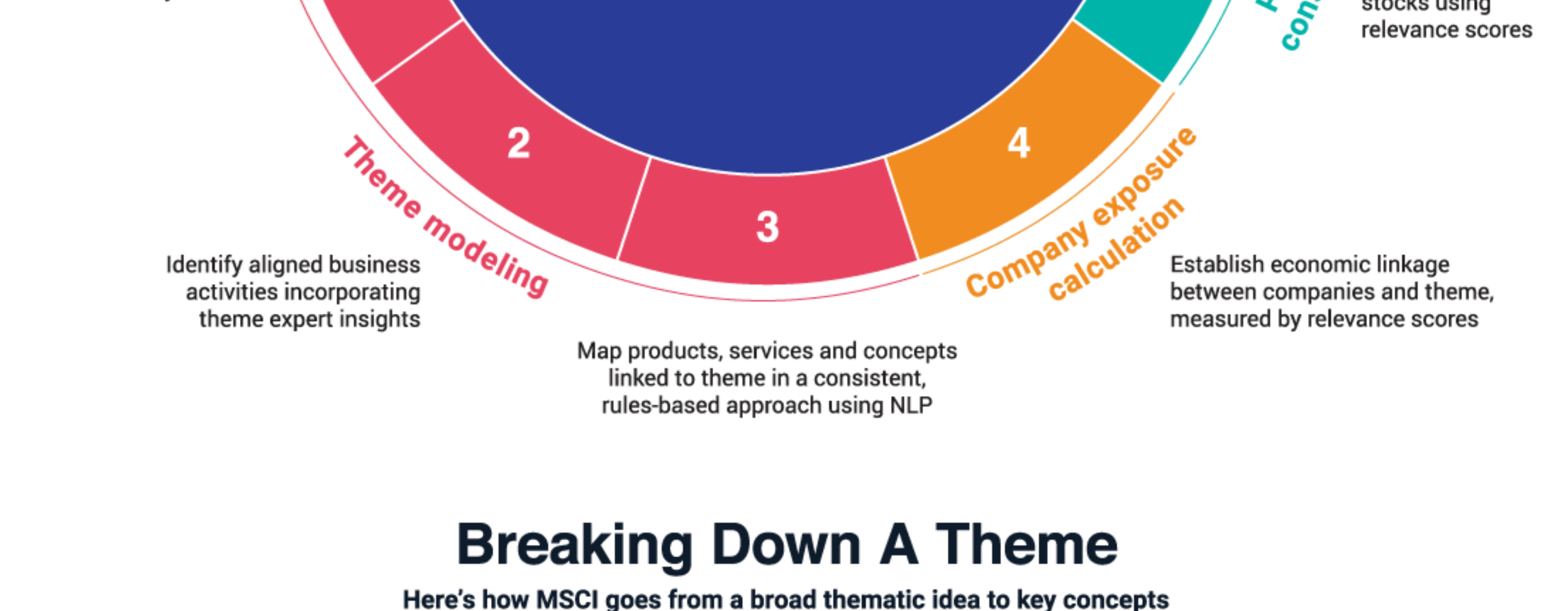
### Megatrend characteristics:



The leading provider of global investment indexes, MSCI constructs thematic indexes using a rules-based methodology that is comprehensive, systematic, scalable and customizable, directly capturing megatrends.



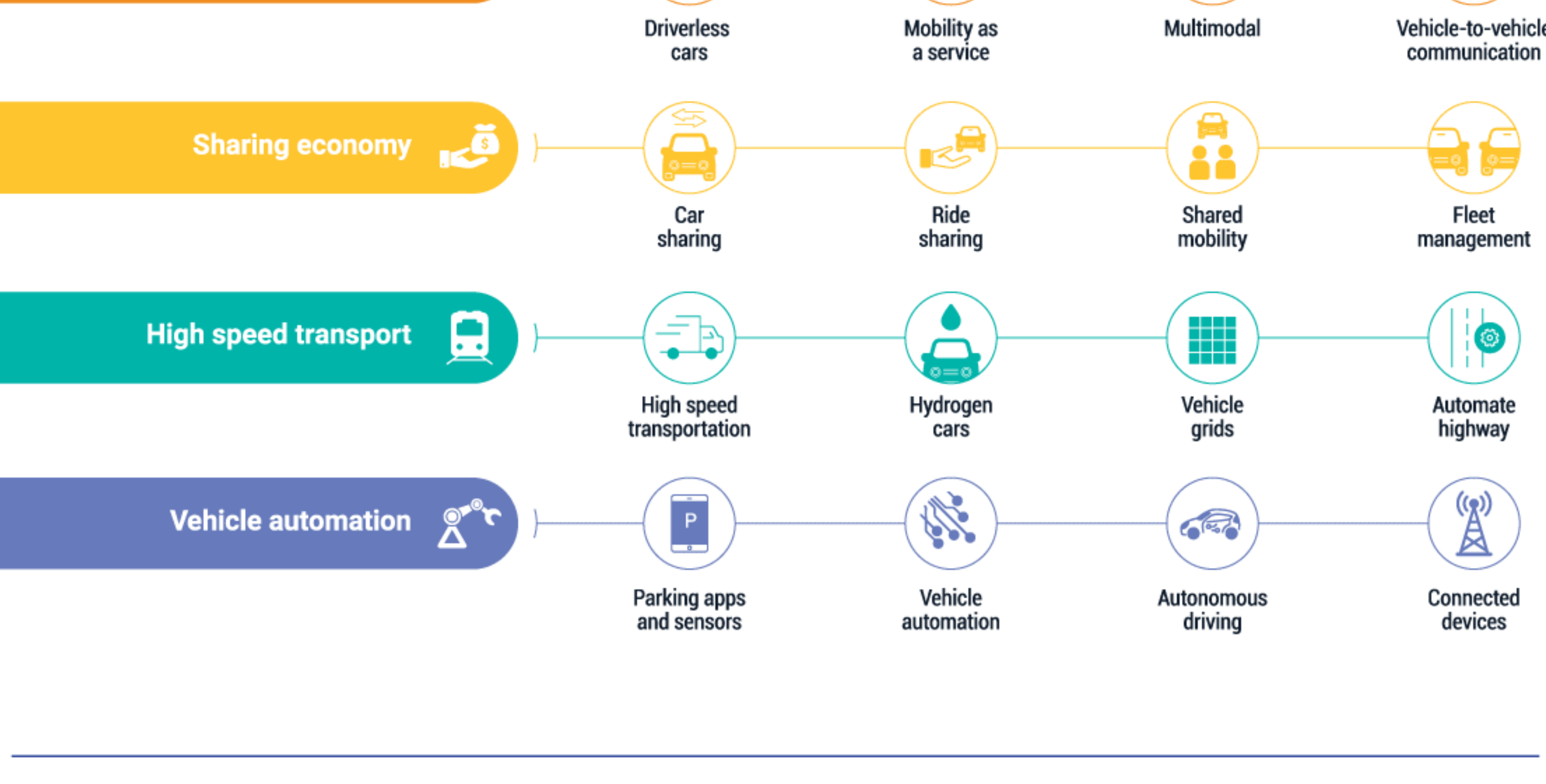
## How does MSCI create a thematic index?



## Breaking Down A Theme

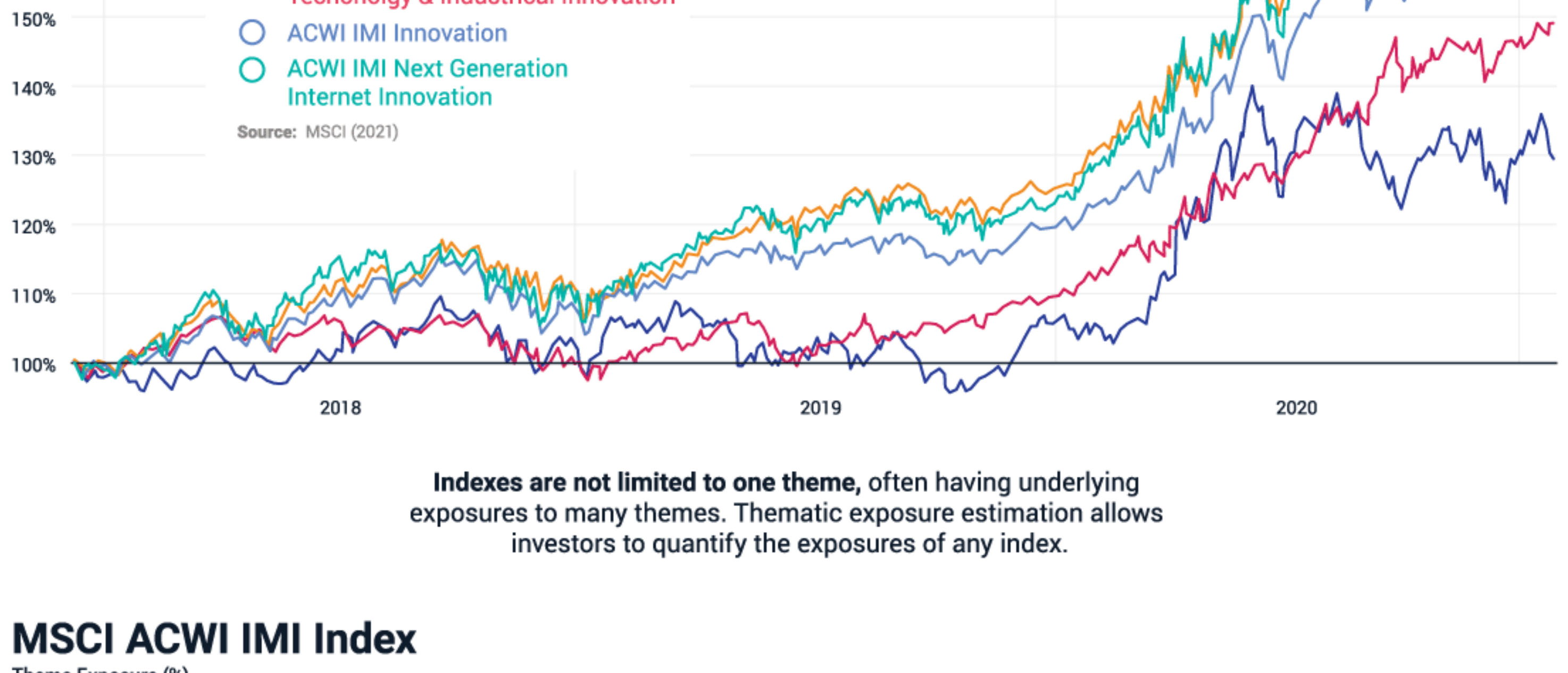
Here's how MSCI goes from a broad thematic idea to key concepts that represent business activity and related keywords.

### Future Mobility



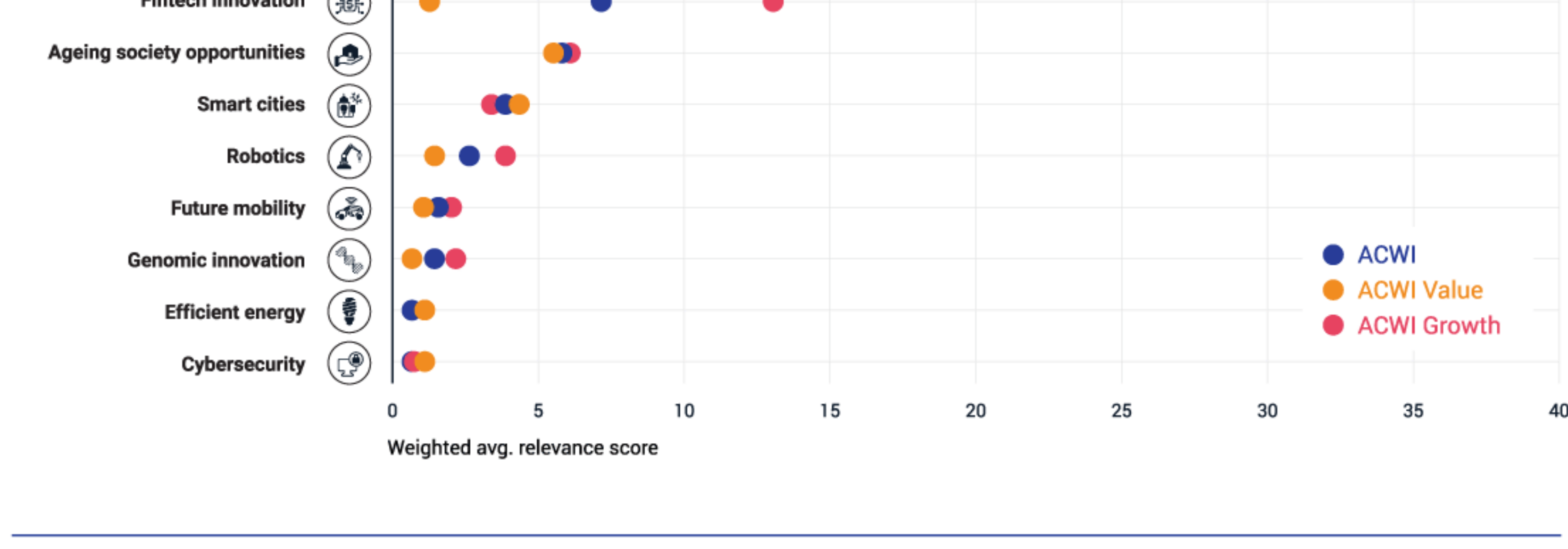
## Relative performance of MSCI ACWI IMI Innovation thematic indexes

Compared to MSCI ACWI IMI



Indexes are not limited to one theme, often having underlying exposures to many themes. Thematic exposure estimation allows investors to quantify the exposures of any index.

## MSCI ACWI IMI Index

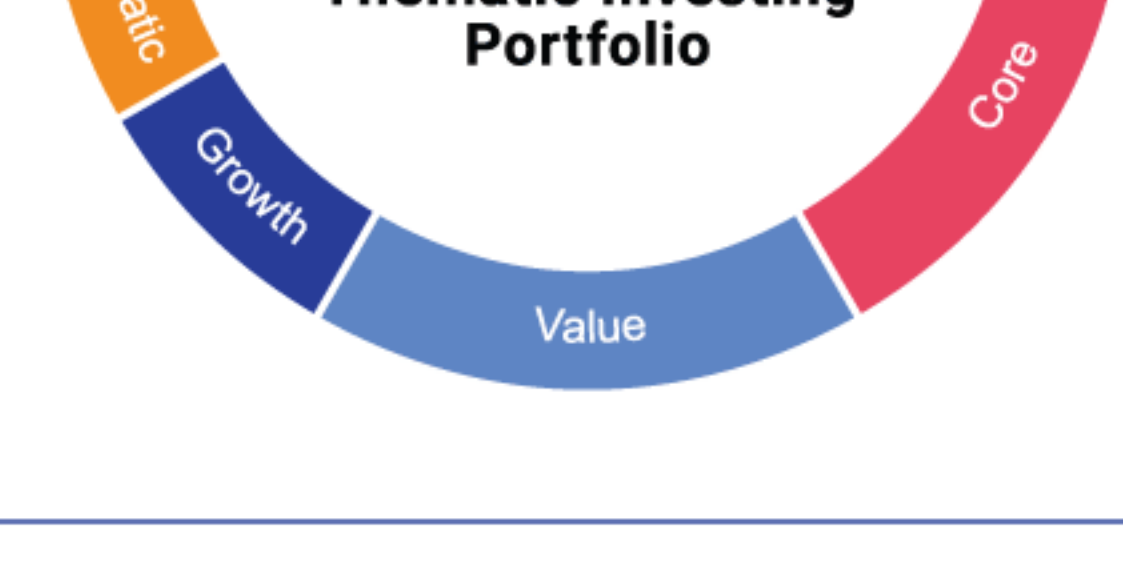


## The Thematic Investing Opportunity

The future world is being shaped by emerging technological, macroeconomic, and geopolitical megatrends that have already started to unfold.

Traditional portfolios only offer partial exposure to megatrend themes through growth allocation.

Thematic investing takes a more focused approach, allowing for specific themes to be targeted or combined to achieve desired outcomes.



## Utilize systematic modeling and a rules-based index methodology to unlock thematic investing.

Deep research and insightful experts define tomorrow's investable trends impacting your portfolio today.

Powering better investments for a better world. [msci.com](https://www.msci.com)

