

## Affin Hwang Aiman Global Multi Thematic Fund

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# What is the appeal of thematic investing?

In Collaboration With

Schroders

**Thematic funds** focus on powerful, long-term global trends which are transforming the world and creating a wealth of investment opportunities.

These imbalances could be between populations and resources such as climate change, a response to which is the energy transition theme. They could also be between supply and demand in individual industries where there is unmet demand or inefficient supply, the response to which is the disruption theme as innovators challenge the status quo.

These types of imbalances are often linked. The theme of healthcare innovation, for example, is a response to demographic imbalances as well as to supply inefficiencies within the healthcare industry itself.

Thematic funds, in our view, should therefore invest in those companies with the ingenuity to innovate and help address these imbalances.

### How do you identify a theme?

Firstly, we consider whether the theme is driven by human ingenuity igniting innovation to address imbalances in the world. When we have identified potential themes, we then assess them using a number of criteria:

1. It is critical that **they have longevity and so they need to be structural in nature** rather than cyclical or short-lived fashions.

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At Schroders, we believe that the purpose of a thematic fund is to invest in powerful investment themes where human ingenuity ignites innovation to address imbalances in the world.

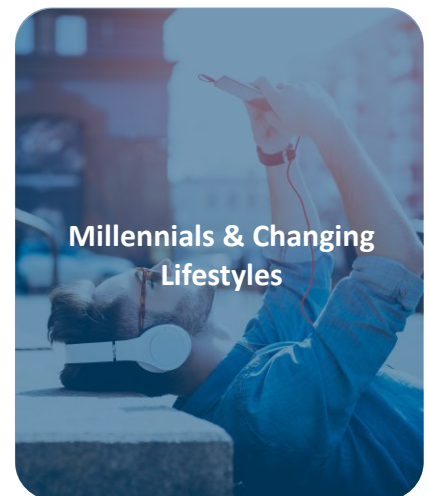
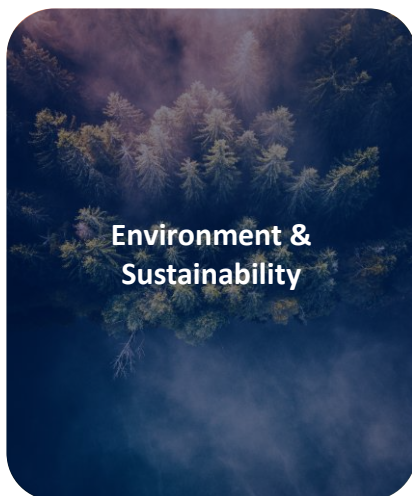
In this respect, it is often very useful to look at what we call the ‘history of the future’ because many of the most powerful future themes are those which have driven innovations in the past. Indeed, since ancient times, human ingenuity has helped to transform the world and the way we live and work with innovations in areas like manufacturing, consumer behaviour, healthcare and entertainment.

2. The themes also **need to have valuation upside** because we are investing in shares rather than in themes in the abstract.

3. Finally, the themes we choose must also have a **pool of stocks to select from that is neither too narrow nor too broad**. If they are too narrow, they deny the portfolio manager the flexibility to chart their way through evolving themes. If they are too broad, they lack the precision which clients seek when they invest in a particular theme.

At Schroders, our Data Insights Unit of data scientists is critical in helping us build these investment universes. The team is invaluable in bringing to our attention fascinating companies exposed to our favoured themes which have not yet been fully recognised by the market.

In terms of popularity, themes which have particular resonance for us include climate change, urbanisation, disruption, energy transition, healthcare innovation, manufacturing innovation and changing lifestyles.



## Why is thematic investing growing in popularity?

Thematic investing is increasingly attractive because it provides active long-term exposure to powerful and persistent themes that are transforming our planet and daily lives. This type of investing allows clients to invest with precision in trends which are important to them. Indeed, as clients’ intellectual and emotional connections to themes have strengthened, thematic funds are increasingly becoming a part of investors’ thinking.



Through such funds, investors can gain exposure to those less well-known undervalued companies within long-term themes whose growth prospects are not yet recognised in their share prices.

Alongside this search for investment return, many thematic funds offer exposure to a number of themes with sustainability at their heart. Themes such as climate change, energy transition and healthcare innovation play a part in this respect. In any theme, it is imperative that companies have a sustainability mind set if they are to prosper in the long run.

As powerful as these themes are though, they do not operate in a vacuum. The returns made by thematic investments can be influenced by other variables such as the wider economic environment and the waxing and waning of particular investment styles within markets.

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