

# What is Thematic Investing?

***Thematic investing allows people to align their investments with their beliefs.***

Understanding the investment world can feel daunting with what can seem like a never-ending variety of choices across stocks, bonds, and much more.

But what if you want to express your viewpoints through your investments? Well, the good news is you can. Thematic investing allows people to put their money into themes that align with their passions and beliefs, while also providing greater diversification than investing in single company stocks.

While a typical investment may involve looking at specific firms or industries to invest in – think social media (Snap or Meta Platforms) or pharmaceuticals (Pfizer or Eli Lilly) – investing thematically provides individuals with a way to invest in trends that are transforming the way we live, work and play.

## **Why invest in thematic trends?**

Perhaps you feel strongly about climate change and are a proponent of electric vehicles. Maybe you are captivated by the possibilities of Artificial Intelligence (AI) and Machine Learning (ML). Or you are passionate about improving farming and agriculture to support the growing population. Thematic investing can provide a way to identify the innovative companies leading these industries and channel your interests into investing.

This type of investing is growing in popularity, as there are currently 198 thematic ETFs traded on the U.S. markets with assets under management over \$133 billion, according to [GlobalX ETFs](#). The mutual fund universe is even larger, at \$595 billion in assets under management, according to [Morningstar](#).

Changes today are occurring at lightning speed. Think about how different the world is today versus just a few years ago. User models are disrupting current industries and creating entirely new landscapes.

Thematic trends involve companies that may be the innovators of tomorrow. Twenty years ago, who would have imagined a car ride app service would disrupt the car service industry? Or that marketers would need to shift their advertising budgets from traditional media to social media platforms?

The trend toward investing in an environmentally sound manner is equally transformative. Concerns over climate change are being echoed globally with initiatives for net zero emissions turning the transition into a potential investment opportunity.

While it may be satisfying to focus on a specific area of interest, it's important to remember not to put all your eggs in one basket. If the subject behind your theme suffers a market downturn, it makes sense to have investments in other areas to balance it out. Make sure to talk to your investment professional about diversifying your portfolio.

### **What are examples of thematic investments?**

Exchange traded funds (ETFs) or mutual funds are common ways for investors to invest in thematic trends. ETFs are vehicles that track the investments in an index,

often for a lower fee. They are fully liquid and are traded on a stock exchange, meaning shares can be purchased or sold throughout the day. Thematic ETFs offer the opportunity to invest based on a particular theme, and then hold companies that should benefit from that trend through custom indices. They can be active (the fund manager makes active decisions on the underlying portfolio allocation) or passive (buy and hold).

### **Ready to Invest Thematically?**

Thematic investing allows you to follow your passions and invest in areas that you care about. But with so many options covering a broad range of topics across various vehicles, how can you find the best way to align your investments with your goals?

Learning your Financial Personality may be a way to start. Discover your financial personality through a quick online assessment, and I'll be happy to talk you through thematic ETFs and other investments that align with your financial personality.