



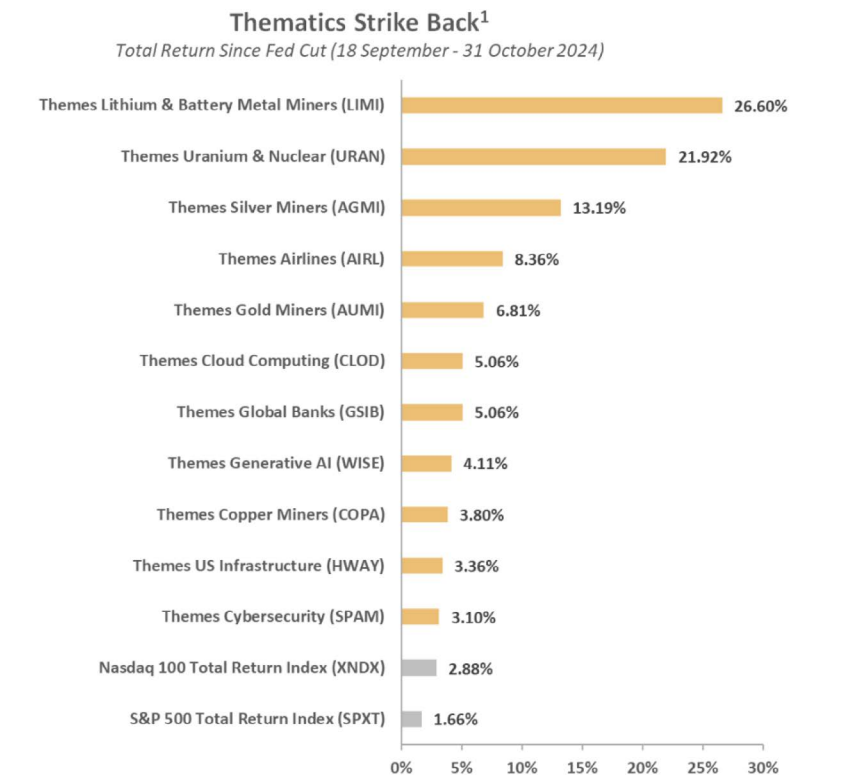
# Thematics Strike Back

THOUGHTS FROM THEMES | Date: October 31, 2024

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Not so long ago with an election not so far away, a new saga of fund wars have begun, and thematic strategies are striking back in a big way. The return of the doves has awakened a new hope that the US will avert the revenge of a recession without reviving the phantom menace of inflation.

Cinematics aside, thematics are delivering significant outperformance relative to market benchmarks as science fiction rapidly becomes reality and financing that future becomes cheaper. Since the Fed's 50 bps rate cut on 18 September, the following Themes ETFs have outperformed both the S&P 500 (+1.66%) and the Nasdaq 100 (+2.88%):



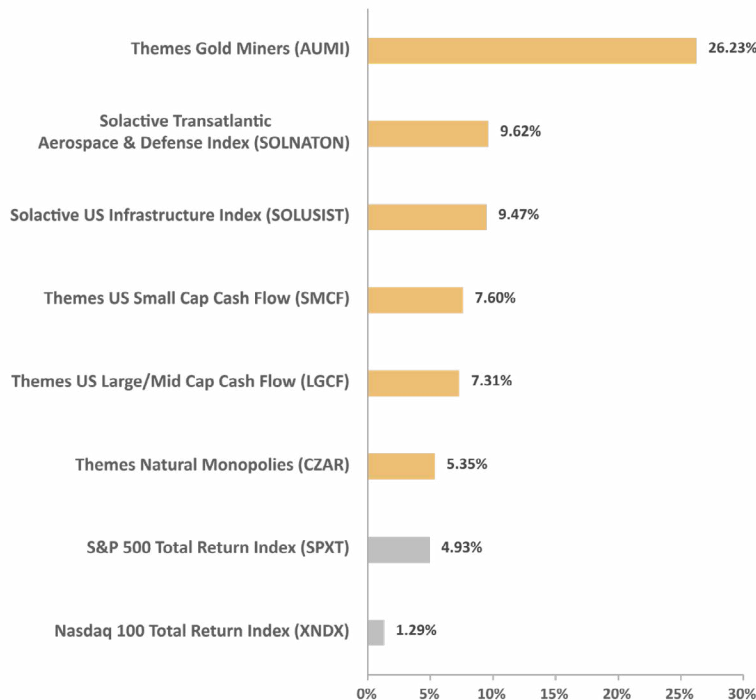
Source: Bloomberg, as of October 31, 2024

In just over a single month, the recently launched **Themes Uranium and Nuclear ETF (URAN)** (+21.92%) has delivered greater performance than the entire year-to-date returns on the S&P 500 (+20.97%) and the Nasdaq 100 (+18.99%). In a page out of science fiction turned reality, tech giants Microsoft, Google,

and Amazon have all announced they intend to utilize nuclear power to fuel the voracious energy demands of their data centers and artificial intelligence ambitions, spurring significant demand for uranium and nuclear infrastructure. **Lithium and Battery Metal Miners (LIMI)** (+26.60%) are undergoing a similar renaissance in the wake of significant acquisitions and consolidations to meet increased lithium demand. As earnings and valuations of major benchmarks become relatively stretched, thematic may provide further performance potential for portfolios going forward.

### Playing Both Sides of the Political Aisle<sup>1</sup>

Total Return Since Start of Q3 (1 July - 31 October 2024)



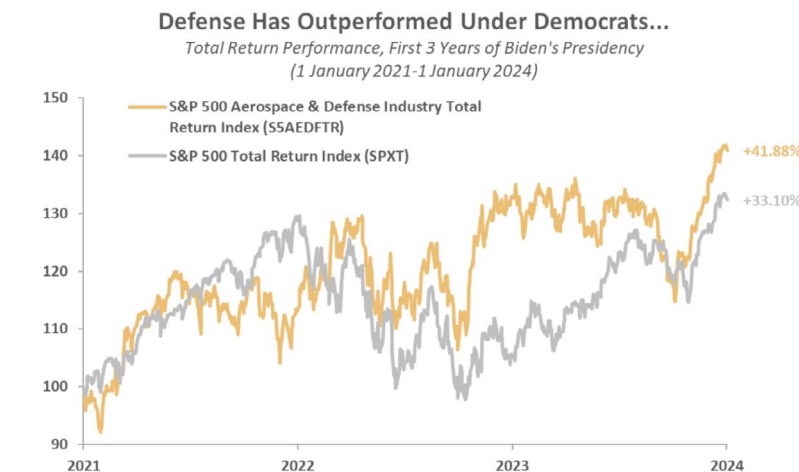
Source: Bloomberg, as of October 31, 2024

## Playing Both Sides of the Political Aisle

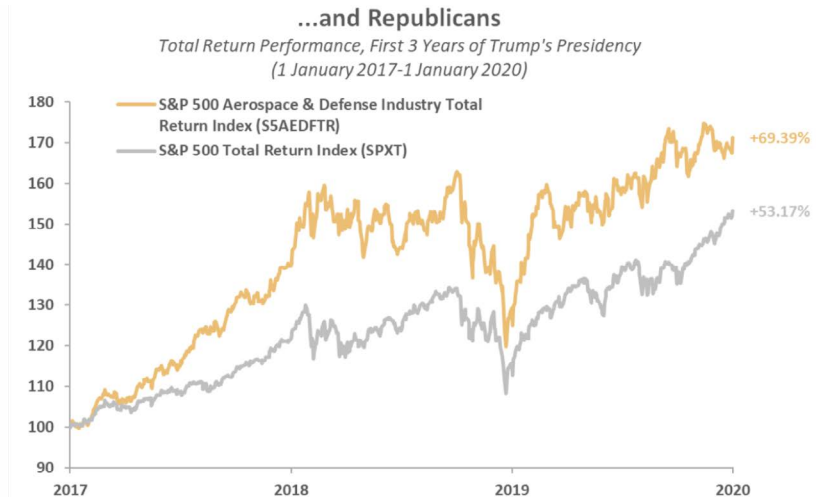
While the presidential race remains too close to call with many models showing a dead heat, certain investment strategies have outperformed major benchmarks in the run-up to election day, revealing the areas of common ground on both sides of the political aisle. Despite their differences, both candidates and parties share support for expanding middle class tax cuts, aerospace and defense, as well as housing and infrastructure. Since the beginning of the third quarter and the formal nomination of both presidential candidates, gold miners (+26.23%), aerospace and defense (+9.62%), US infrastructure (+9.47%), large/mid cap US cash flow (+7.31%), small cap US cash flow (+7.60%), and natural monopoly (+5.35%) strategies have outperformed both the S&P 500 (+4.93%) and the Nasdaq 100 (+1.29%).

The Strategies:	The Takeaways:
<u><a href="#">Gold Miners (AUMI)</a></u>	The US national debt is expected to swell under either candidate, propelling gold to new all-time highs; gold miners continue to outperform the price of gold bullion.
<u><a href="#">Transatlantic Defense (NATO)</a></u>	Both candidates support bolstering defense spending; the aerospace and defense sector has outperformed major benchmarks during Republican, Democratic, and divided regimes.
<u><a href="#">US Infrastructure (HWAY)</a></u>	Both candidates have expressed support of infrastructure and addressing housing affordability via new construction; additionally, the 2021 Bipartisan Infrastructure Law remains a powerful tailwind for construction companies.
<u><a href="#">US Large/Mid Cap Cash Flow (LGCF)</a></u> <u><a href="#">US Small Cap Cash Flow (SMCF)</a></u> <u><a href="#">Natural Monopolies (CZAR)</a></u>	Whether via higher tariffs or taxes, companies may face increased costs under either a Republican or Democratic administration; companies with higher free cash flow and economic moats remain relatively better positioned to absorb additional expenses.

Whether the election yields a Democratic, Republican, or divided regime, the aerospace and defense sector is a notable example of outperformance throughout each of these three scenarios. The first three years of both the Biden and Trump presidencies spanned both unified and divided governments (i.e., the executive and legislative branches controlled by the same vs. opposing parties). Both Biden and Trump enjoyed unified governments in the first two years of their respective presidencies, before suffering midterm losses that yielded divided government. In each of these scenarios, the aerospace and defense sector outperformed the S&P 500:



Source: Bloomberg, as of October 31, 2024



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<sup>1</sup> All data sourced from Bloomberg unless otherwise specified as of 31 October 2024. All ETF performance is shown on an ETF price total return basis, net of all fees. The inception date of AURL, SPAM, and WISE is 8 December 2023. The inception date of AUMI, LGCF, SMCF and CZAR is 13 December 2023. The inception date of GSIB is 15 December 2023. The inception date of AGMI is 3 May 2024. The inception date of HWAY is 12 September 2024. The inception date of COPA, LIM1, and URAN is 24 September 2024. The inception date of NATO is 11 October 2024. The inception date of the Solactive Transatlantic Aerospace and Defense Index (SOLNATON) is 14 June 2023. The inception date of the Solactive United States Infrastructure Index (SOLUSIST) is 28 June 2023. Index performance is shown on a post-inception, total return basis (i.e., with gross income reinvested, where applicable). Cumulative return is the aggregate amount that an investment has gained or lost over time. Annualized return is the average return gained or lost by an investment each year over a given time period.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. High short-term performance, when observed, is unusual and investors should not expect such performance to be repeated. Investors cannot invest directly in an index. Indices may change over time. Indices are not an investment and, therefore, have no investment performance history. Index performance does not include risks, fees, or other costs. Past index performance is no indication of future results for the index or for any investment.

The Solactive United States Infrastructure Index (SOLUSIST) identifies companies that derive their revenues from building materials/equipment, construction, logistics, or engineering services.

The Solactive Transatlantic Aerospace and Defense Index (SOLNATON) identifies aerospace and defense companies headquartered in North Atlantic Treaty Organization (NATO) member countries.

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