



Global Thematic Equity Investing

Thematic investing is at the core of portfolio management at Chevy Chase Trust. We believe that adherence to a thematic investment process delivers superior results over wealth-relevant time horizons.

What is Thematic Investing?

Thematic investing involves capitalizing on powerful secular trends, disruptive ideas, innovations and economic forces that are constantly reshaping the world. Thematic investing builds portfolios of companies positioned to exploit these transformational changes and, just as importantly, avoids companies that will be disrupted by creative destruction.

How We Do It.

Chevy Chase Trust's research team is organized around themes rather than narrow, industry sub-sectors. We believe that our in-depth research on social, economic and technological changes builds a deeper understanding of the underlying drivers of value creation and risk. By immersing themselves in investment themes, Chevy Chase Trust research analysts develop a forward-looking lens into transformational shifts and form stronger convictions around their investment decisions.

Identifying and researching secular themes is our starting point. Once we've established an investment theme, we conduct in-depth analyses on companies positioned to benefit from the theme. We assess each company's strategic direction, competitive positioning, valuation, financial condition and management. Every portfolio company is the product of fundamental analysis.

Why It Works.

"The idea of the future being different from the present is so repugnant to our conventional mode of thought and behavior that we, most of us, have a great resistance to acting on it in practice."

- Mark Twain

It is difficult to envision change. The behavioral finance term for this condition is "anchoring." Anchoring is making decisions based on known facts and past results even though those facts may have little or no bearing on future outcomes. As a result of this human tendency, markets generally overemphasize present data and short-term trends and underestimate and undervalue the impact from longer-term structural changes.

Traditional investment frameworks structured around benchmarks often have limited success for another fundamental reason. The short-term focus on quarterly returns relative to indices works against one of an investor's greatest advantages, a long-term investment horizon. The very nature of a process built around benchmarks or specific styles is by definition backward-looking and fails to incorporate emerging trends and forward-looking perspectives. In contrast, a thematic investment approach seeks to capture, across asset classes and around the world, opportunities created by secular changes. Very few themes are constrained to one industry or one geographic region, which is why traditional research often fails to uncover the breadth of investment possibilities inherent in a major trend.

The End Result.

Our thematic portfolios don't look like most other portfolios. They don't conform to standard industry classifications based on market capitalization, geography, style or specific benchmarks. Today's macro themes are unprecedented and powerful. Themes such as U.S. global wealth concentration, next generation automation and supply chain transformation, molecular medicine, and the age of heterogeneous compute provide us with a conceptual framework to construct portfolios that, we believe, are favorably positioned for investment success.