

Global Thematic Equity Investing

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Thematic investing is at the core of portfolio management at Chevy Chase Trust. We believe that adherence to a thematic investment process can deliver 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 that Chevy Chase Trust believes are positioned to exploit these transformational changes and, just as importantly, seeks to avoid companies that Chevy Chase Trust believes 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 we believe are 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 We Do It.

"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, Chevy Chase Trust believes that markets may 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 may have limited success for another fundamental reason. The short-term focus on quarterly returns relative to indices can work 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 of our themes are constrained to one industry or one geographic region, which is why traditional research may not 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. We believe today's macro themes are unprecedented and powerful. Themes such as Increased Wealth Concentration, Next-Generation Automation and Supply Chain Transformation, The Advent of Molecular Medicine, and the Age of Heterogenous Computing provide us with a conceptual framework to construct portfolios that, we believe, are favorably positioned for investment success.

Investing involves risks, including the risk of loss of principal. The level of risk in a client's portfolio will correspond to the risks of the underlying assets. A client and the portfolio manager may agree to asset allocation targets as part of determining the client's investment objective, but achieving and maintaining such target allocations will depend on various assumptions and projections, all of which involve known and unknown risks and uncertainties, and actual results and future events may differ materially from such assumptions and projections. Decisions by a portfolio manager as to the timing of reallocation of client assets among asset classes or within an asset class could cause the client's portfolio to underperform relative to other client portfolios, including those with similar investment objectives. Clients with different investment objectives, allocation targets, tax considerations, brokers, account sizes, historical basis in the applicable securities or other considerations will typically be subject to differing investment allocation decisions, including the timing of purchases and sales of specific securities, all of which cause clients to achieve different investment returns. Foreign investing involves special risks, including the potential for greater volatility and political, economic and currency risks. Please refer to Chevy Chase Trust's Form ADV Part 2 Brochure, a copy of which is available upon request, for a more detailed description of the risks associated with Chevy Chase Trust's investment strategy.