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safety of employees and customers, diagnostics, safe transports, etc ... and it is here to stay as a key priority for people and companies. The recent ransomware against Colonial Pipeline in the US highlights the needs in cybersecurity space. Unfortunately, it is not an isolated case and we are witnessing surging cyberattacks which are becoming increasingly sophisticated both against individuals, corporates or even government agencies. More and more Portfolio Managers now address the cybersecurity topic in their discussions with c-executives of the companies they invest in, and it is clearly a growing threat for corporates.

On aggregate, the investment universe related to safety's theme has sufficient scope to provide diversification from a geographic, sector or market cap standpoint. It also allows to build a resilient portfolio at any point in time of the economic cycle with a good mix of cyclicals and more defensives stocks. Not all the themes can be addressed through active management, but we think that safety is a good hunting ground for fundamental stock pickers to navigate opportunistically across different markets' environments.

Thematic investing brings a complexity that requires expertise in this field. We think **Thematics AM with their Safety fund is well positioned as a pure player.** Themes and megatrends are the DNA of the company, and Founding Partners used to manage collectively in excess of USD 20Bn in thematic funds prior to launch their own Asset Management company. Portfolio Managers Frédéric Dupraz and Matthieu Rolin, display a solid track record and skillset in identifying enablers and structural winners in the safety area. Moreover, despite investing in a fast-growing universe, where fads and hype is often around the corner, we like the valuation discipline of the investment team. Last but not least, ESG is deeply integrated across the whole investment process. The proprietary framework incorporates positive and negative screening, controversies to mitigate ESG risks. Holdings' sizing is defined using thresholds that take ESG scores into consideration. Finally, shareholder engagement with companies on ESG issues and proxy voting are core elements of their active ownership and engagement approach.



At WS Partners, we have been running thematic portfolios for nearly 3 years, and the identification of winning themes was a critical starting point. More recently, **COVID-19 pandemic accelerates shifts towards megatrends**, particularly those linked to technological, demographic or environmental change. Hence accurate research and megatrend selection is key. In a changing world, investors are constantly looking for compelling new investment, and it explains the strong demand and inflows into thematic funds last year.

By definition, a theme is long-term and forward looking and should focus on how future changes will shape the world and companies. Thus, it must exhibit higher structural growth for **business linked to the theme.**

**Safety ticks all the boxes as a long-term winning theme.** It is everywhere and all the time surrounding us during our day from personal to professional lives. Obvious examples are data protection, cybersecurity, secured payments and mobile shopping, health and

## THEMATICS SAFETY FROM NATIXIS AFFILIATE



**Matthieu Rolin**  
Senior Portfolio Manager at  
Thematics AM



**Frederic Dupraz**  
Partner at Thematics AM

### How do you define the investment opportunity around safety?

MR: "There are a number of underlying drivers that make safety a durable and highly attractive investment opportunity. Firstly, safety is a primary human need that remains an utmost priority for both businesses and governments across the globe. Safety related investments also present a richly diversified and resilient opportunity set representing a \$ 600 bn market growing at 11% annually. The fact that safety also relates to both the digital world and the real world also ensures that the investment universe's reach extends to different parts of the economy. In a nutshell safety is everywhere, all the time affecting all of us in the way we go about our professional and personal lives. At Thematics AM we have identified 6 market segments that embody the investment opportunity: connect (safety chips, cybersecurity, data centers...), shop

(digital payments, payment processors) eat (clean processing, testing), move (automotive safety), live (access control, pest control) and work (personal safety, industrial safety) that allow us to benefit from the entire safety and security value chain. We look to source opportunities not only through companies that demonstrate an established position within each segment but also businesses that demonstrate significant leadership positions in one or more parts of it. Emphasizing leadership as a key consideration provides with vision on future leaders and enables us to further enrich our investment universe. In aggregate this represents a proprietary investable universe of 250 to 300 companies that are providers or developers of Safety and Security products, services, solutions and technologies."

### What is your specific approach to portfolio construction?

FD: "Our fundamental and bottom-up stock selection process is benchmark agnostic, as we think a forward-looking portfolio is best suited to identifying profitable, well-capitalised companies in the global Safety value chain that benefit directly from long-term secular trends. Our portfolio also cuts across traditional classifications, be they geographical, sectoral or market capitalization considerations. As a result, our portfolio has a low overlap and a high active share in relation to global equity indexes, therefore adding diversification to an existing global equity exposure. Our portfolio construction approach is guided by a disciplined and repeatable process: firstly we qualify our thematic investment universe and quantify associated secular growth opportunities, then the focus turns to idea generation and security selection and last but not least we dedicate our time to position sizing and company engagement. Position sizing is mainly driven by risk-reward and encompasses considerations such as business quality, valuation assessment and ESG and trading risk factors."