

## **Exencial Thematic ETF Strategy**

Our Thematic ETF portfolio focuses on identifying sustainable, game-changing secular trends, and building a diversified portfolio of ETFs which are directly exposed to these themes. Importantly, our research process distinguishes short-term fads from sustainable, long-term trends. To accomplish this important filtering process, we leverage our existing research and portfolio management methodology for the Core Equity strategy. Some good examples of secular trends are the build out of the Internet in the mid to late 90s, social networking, the move to mobile devices, and the increasing role and importance of “Big Data”.

### **Discussion of risk in the Thematic ETF Strategy:**

This portfolio is relatively concentrated, holding 10-15 ETFs. At the same time, the overall philosophy of this portfolio lends itself to significant exposure to technology-related sectors. Both factors are likely to make this portfolio more volatile than the overall market.

### **Biotechnology**

As demographic trends point to an aging population, the need and the cost for healthcare services will continue to rise. As such, health problems in the areas of cancer, cardiovascular, autoimmune, and infectious diseases are sources of growth for biotech companies.

### **Cyber Security**

As we become increasingly interconnected and more aspects of our daily life “moves” online, the need for cyber security increases in order to protect sensitive personal data and safeguard intellectual property. As such, we anticipate that cyber security will represent a larger portion of IT budget spending for companies and governments worldwide.

### **Cashless Consumption**

Digital transactions are expected to increase exponentially as global consumers become more accustomed to the convenience, flexibility, and efficiency of online, or mobile, payments.

### **Chinese Consumer**

China’s historic move away from manufacturing to a more services driven economy will favor personal income growth and, of course, personal consumption. In other words, as disposable income increases, so will the demand for goods and services, and overall consumer spending.

### **Robotics and Artificial Intelligence**

Increased labor costs and an aging workforce are both long-term challenges that automation and artificial intelligence intend to solve. Continuing advances in artificial intelligence and automation technology should enable more autonomous solutions that would increase economic productivity and growth.

*This Investment Strategy is not a recommendation to buy or sell any of the securities mentioned. The comments made are opinions of Exencial Wealth Advisors. No representation is made as to the accuracy or completeness of this information.*

## **Exencial Thematic ETF Strategy Cont.**

### **Global Water**

As the world's population continues to grow and emerging economies expand, the rate of water usage will continue to accelerate, which will bring greater challenges to how this increasingly scarce global resource is managed. We believe scarcity will drive investment and innovation.

### **Semiconductors**

From personal computers to gaming and smartphones, semiconductors/microprocessors have been at the epicenter of all major technological innovations. We expect that trend to continue as the demand for higher power chips increases, driven by secular growth in areas like Autonomous Driving, Internet of Things, and Datacenters.

### **Aerospace and Defense**

Global geopolitical instability should continue to support our investment in Aerospace and Defense. Throughout the developed world, defense expenditures have increased as countries appear to be engaged in a global arms race.

### **Rare Earth Metals**

We expect that demand for rare earth minerals will remain robust as their properties make them essential in the production of a vast array of products such as electric vehicles, semiconductors and advanced smart weaponry. They have become a key part of today's modern world and we expect that their applications will continue to grow.

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