

# How does RSHO fit in a portfolio?

## Why should I invest in American reshoring?

The American Industrial Renaissance has emerged as what we believe to be one of the most meaningful forces shaping our economy in some time. Driven by a confluence of factors - rising geopolitical tensions, the fracturing of globalized economy, and increasingly fragile supply chains, the American economy has begun the process of de-risking and diversifying to increase economic resilience. As a result, reshoring of American industry appears to have become a dominant theme for both the private and public sector. This secular change is being felt across all parts of the U.S. economy, from commercial services to technology and even pharmaceutical ingredients, often creating winners and losers within all sectors and industries.

Reshoring is not only a change in manufacturing location, but an acceleration of business model evolution, such as verticalization, in light of a new global economic landscape. Our recently launched Tema American Reshoring ETF (\$RSHO) is the first and only ETF strategy solely focused on this unique secular trend that has the potential to reshape American manufacturing and industrialization.

## What exposure does RSHO offer?

We believe the reshoring of American industry presents one of the most significant opportunities for our economy and markets in decades. For those companies that prove most adaptive, we feel there is opportunity for both outperformance relative to their peers, but also in minimizing potential business model risk. Like all secular changes, reshoring is likely to dynamically evolve and create opportunity across a wide array of companies, well beyond the traditional classifications of sector or industry. While today's portfolio is largely focused on areas of the market like automation, robotics, logistics, compressors, access systems and infrastructure, the theme can broaden and mature, and we believe the role of active management will be a critical driver of success due to the need for dynamic adjustments and being hyper-selective in security selection.

While we feel that thematic investments generally deserve a more substantive role in client portfolios, we are particularly convinced of the role of reshoring due to the pervasive nature of the theme and its financial merits. Specifically, allocating to RSHO could generally improve the quality profile of the portfolio. Relative to the broader US market as represented by the S&P 500<sup>1</sup>, RSHO offers higher quality (measured by ROE<sup>2</sup>), faster growth (measured by revenue growth) at a cheaper valuation (measured by EV/EBITDA<sup>3</sup>) than the S&P 500 index. In addition, the RSHO portfolio is solely focused on North America offering a focused way to double down on this 'America-first' trend.

## How should I position RSHO within my portfolio?

The predominate way we see investor portfolios being constructed could best be described through the popular convention of "core" and "satellite". The "core" allocations,



which comprise 70-90% of total assets, tend to be tied to longer-term goals and investor constraints set through the lens of strategic asset allocation. Further, depending on the specific needs of the investor, this core tends to increasingly focus on maintaining cost and tax efficiency. The “satellite” portion of the portfolio, comprising the remaining 10-30% of assets, is invested in a mix of tactical ideas and strategic tilts (e.g., towards income producing equities for yield or factor tilts to capture potential return premia).

Many typical satellite ideas have meaningful active risk<sup>4</sup> and the potential to undermine the overarching asset allocation of the portfolio. RSHO is different with a clear quality bias, home-region focus and broad exposure to the US economy. We believe these characteristics warrant a “core” equity allocation, the need for which will likely grow as the reshoring theme permeates the entire US economy. This allocation could be funded from current US equity allocations, as RSHO likely retains the integrity of the portfolio’s asset allocation.

	Quality	Value	Growth	US focus
	ROE	EV/EBITDA	Sales Growth	Sales Exposure
RSHO	23%	11.5x	7%	Investing in America
SPX	18%	12.0x	4%	30% overseas sales

Source: Bloomberg data. Forecast are inherently limited and should not be relied upon when making investment decisions. There is no guarantee the sector will experience projected growth. In addition, there is no guarantee it will translate to positive fund performance. ROE - return on common equity, historic; EV/EBITDA 2 year forward based on consensus forecasts; Growth - average of three-year forecast sales growth by consensus as per Bloomberg; overseas sales is 2019 estimate by Goldman Sachs Investment Research

## About Tema

Tema is a SEC-registered investment adviser and investment management firm focused on active ETF investing and infrastructure, backed by Accel and Index Ventures. Tema aims to pioneer active thematic ETFs, which offer investors unique access not available in traditional passive investments. The firm provides defined exposure to innovative, underpenetrated themes through its bottom-up research process, underpinned with risk management and industry expertise. Tema is led by a team of experienced professionals and focused on delivering first-in-class exposure to the themes of its products.

For more information, please visit [www.temaetfs.com](http://www.temaetfs.com)

## Risk Information

**Before investing, carefully consider the Fund’s investment objective, risks, charges, and expenses contained in the prospectus available at [www.temaetfs.com](http://www.temaetfs.com). Read carefully before investing.**

### Important Risks

Investing involves risk including possible loss of principal. There is no guarantee the adviser’s investment strategy will be successful.

**Sector Focus Risk:** The Fund may invest a significant portion of its assets in one or more sectors, including Industrials, Materials and Utilities, and thus will be more susceptible to the risks affecting those sectors than funds that have more diversified holdings across several sectors.

The success of the Fund’s investment strategy depends in part on the ability of the companies in which it invests to reshore or onshore services to the United States. Companies may face significant legal, financial and political headwinds in the reshoring or onshoring of jobs into the United States, and these factors may be detrimental to performance.

Industrial and Utilities sector companies will likewise be subject to the risks of Government regulation, world events, exchange rates and economic conditions, technological developments and liabilities for environmental damage and general civil liabilities. In addition, many materials companies are significantly affected by the level and volatility of commodity prices, exchange rates, import controls, worldwide competition, environmental policies and consumer demand.

Tema Global Limited serves as the investment adviser to Tema American Reshoring ETF (the “Fund”), and NEOS Investments, LLC serves as a sub adviser to the Funds. The Funds are distributed by Foreside Fund Services LLC, which is not affiliated with Tema Global Limited nor NEOS Investments, LLC. Check the background of Foreside on FINRA’s BrokerCheck.

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### Endnotes

<sup>1</sup> S&P 500: The Standard and Poor’s 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges in the United States.

<sup>2</sup> ROE: Return on Equity (ROE) is the measure of a company’s annual return (net income) divided by the value of its total shareholders’ equity

<sup>3</sup>EV/EBITDA: The EV/EBITDA Multiple compares the total value of a company’s operations (EV or enterprise value) relative to its earnings before interest, taxes, depreciation, and amortization (EBITDA)

<sup>4</sup>Active risk: relates to how large the active positions the investment manager has are relative to a benchmark.