

NYSE: LUX

# Tema Luxury ETF

Luxury goods industry's most  
compelling opportunities

Q3 2023

For inquiries: [info@temaetfs.com](mailto:info@temaetfs.com)



**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.**

## **Risk Information**

Investing involves risk including possible loss of principal. There is no guarantee the adviser's investment will be successful in identifying and investing in thematic trends.

**Sector Focus Risk:** The Fund may invest a significant portion of its assets in one or more sectors, including Consumer Discretionary and Consumer Staples, 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 companies that sell luxury goods and services may depend heavily on the disposable household income and consumer spending of a relatively small segment of the general population, rather than the consumer population as a whole. Changes in consumer taste among such segment of the population can also affect the demand for, and success of, luxury goods and services in the marketplace. Consumer spending on luxury goods and services can also be adversely affected as a result of declines in consumer confidence levels, even if prevailing economic conditions are favorable. In an economic downturn, consumer discretionary spending levels generally decline, often resulting in disproportionately large reductions in the sale of luxury goods and services. Investing in foreign and emerging markets involves risks relating to political, economic, or regulatory conditions not associated with investments in U.S. securities and instruments in addition the fund is exposed to currency risk.

Tema Global Limited serves as the investment adviser to Tema Luxury ETF (the "Fund"), and NEOS Investments, LLC serves as a sub adviser to the Fund. The Fund is distributed by Foreside Services LLC, which is not affiliated with Tema Global Limited nor NEOS Investments, LLC. Check the background of Foreside on FINRA's BrokerCheck.

**Distributor:** Foreside Fund Service LLC

**For inquiries:** [info@temaetfs.com](mailto:info@temaetfs.com)

# Tema: thematic ETFs managed differently

Tema

## Our name is our mission

**Tema** (*noun*) Latin for **Theme**

**Our mission** is to democratize access to institutionally-focused<sup>1</sup> thematic investing through risk-managed, active ETF strategies.

Backed by top-tier<sup>1</sup> investors & led with expertise<sup>2</sup>



Accel

ROCKEFELLER  
CAPITAL MANAGEMENT

ZINAL  
G R O W T H



iShares  
by BlackRock



## Management team



**Maurits Pot**  
Founder and CEO



**Yuri Khodjamirian, CFA**  
CIO



**Javier G. Lastra, CFA**  
Luxury PM

## Tema ETFs product sample



Oncology



American  
Reshoring



Monopolies  
and Oligopolies

<sup>1</sup>Tema's products are created with the aim to be suitable for financial institutions, e.g., pension funds or endowment funds. These institutions often have strict investment requirements based on factors such as risk management and precision of exposure. <sup>2</sup>Index Ventures and Accel ranked among the top 10 VCs globally according to 2022 Global Venture Capital Investor Prominence Ranking report issued by dealroom.co. Criteria for evaluation are based on a comprehensive and quantitative list, including investors' success in backing unicorns (privately held startup company with a value of over \$1 billion) and future unicorns, as well as their level of deal activity in the last 12 months. <sup>3</sup>Company logos in this slide (excluding Index Ventures and Accel) showcase the past experiences of Tema's management team.

- Luxury is tech like – tending to have pricing power, underpenetrated markets, strong historic organic revenue and earnings growth

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- Luxury valuations have reverted to their long-term average creating a compelling opportunity to buy strong businesses with defensive characteristics

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- Sector index construction is poor, with excessive exposure to regular consumer stocks

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- **LUX** is managed by an experienced consumer team

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- **Tema** is an active ETF manager supported by large operational and funding partners

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Luxury goods span diverse sectors and are defined by quality, premium price points, craftsmanship, and heritage



Luxury cars

**FARFETCH**



E-commerce

ESTÉE  
LAUDER  
COMPANIES



Beauty

  
**FOUR SEASONS**



Experiences

*Cartier*



Hard luxury

  
**HERMÈS**  
PARIS



Soft luxury

  
**RÉMY COINTREAU**



Beverages

Some of the companies highlighted in this slide are holdings of the Tema Luxury ETF portfolio.  
For a full list of fund holdings [click here](#).

# Luxury goods stand out in the consumer landscape

Timeless and  
exclusive



Founded 1837



Birkin bag – invitation only

Profitable

*"What I like the most is the  
idea of transforming  
creativity into profitability."*

**Bernard Arnault**

**>25%**

EBITA\* margins

Brands travel  
and extend



Fendi Bag



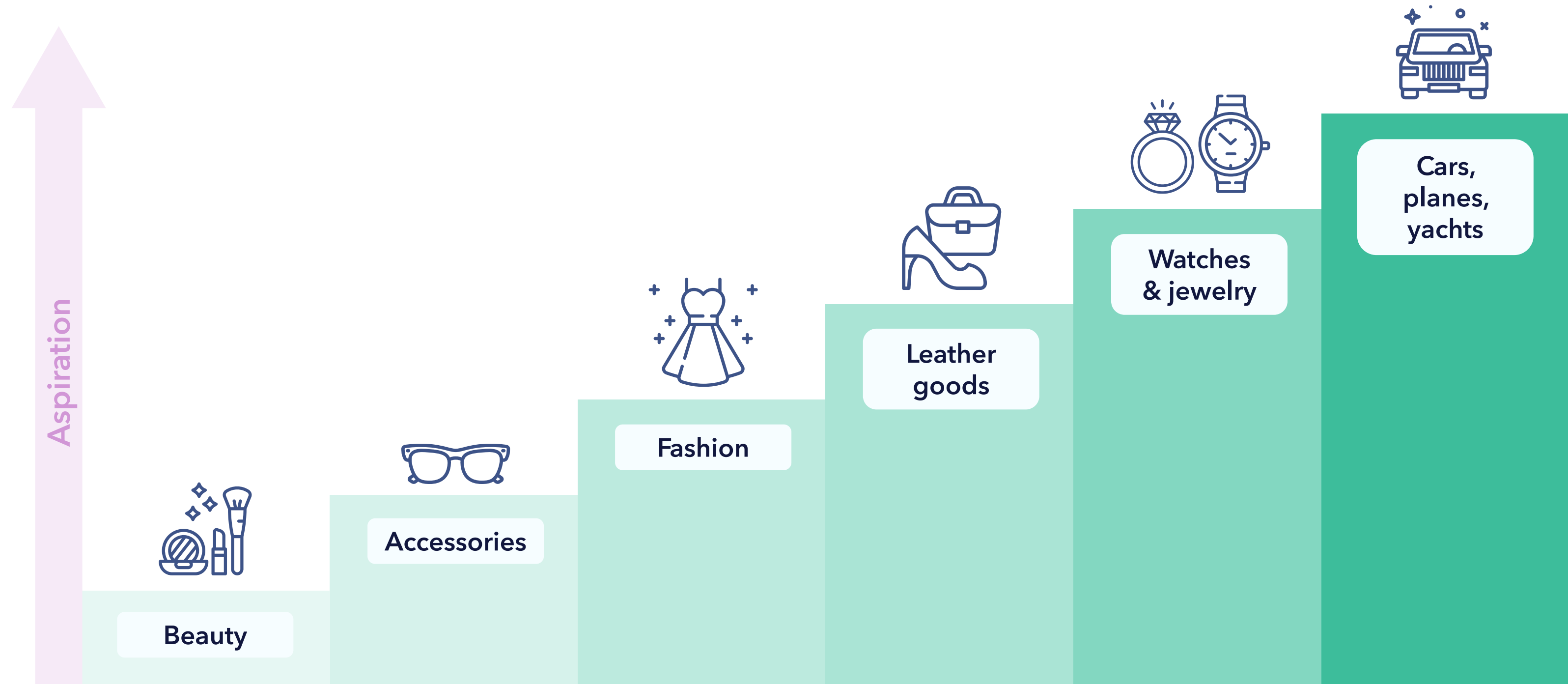
Fendi Casa



Fendi Cafe

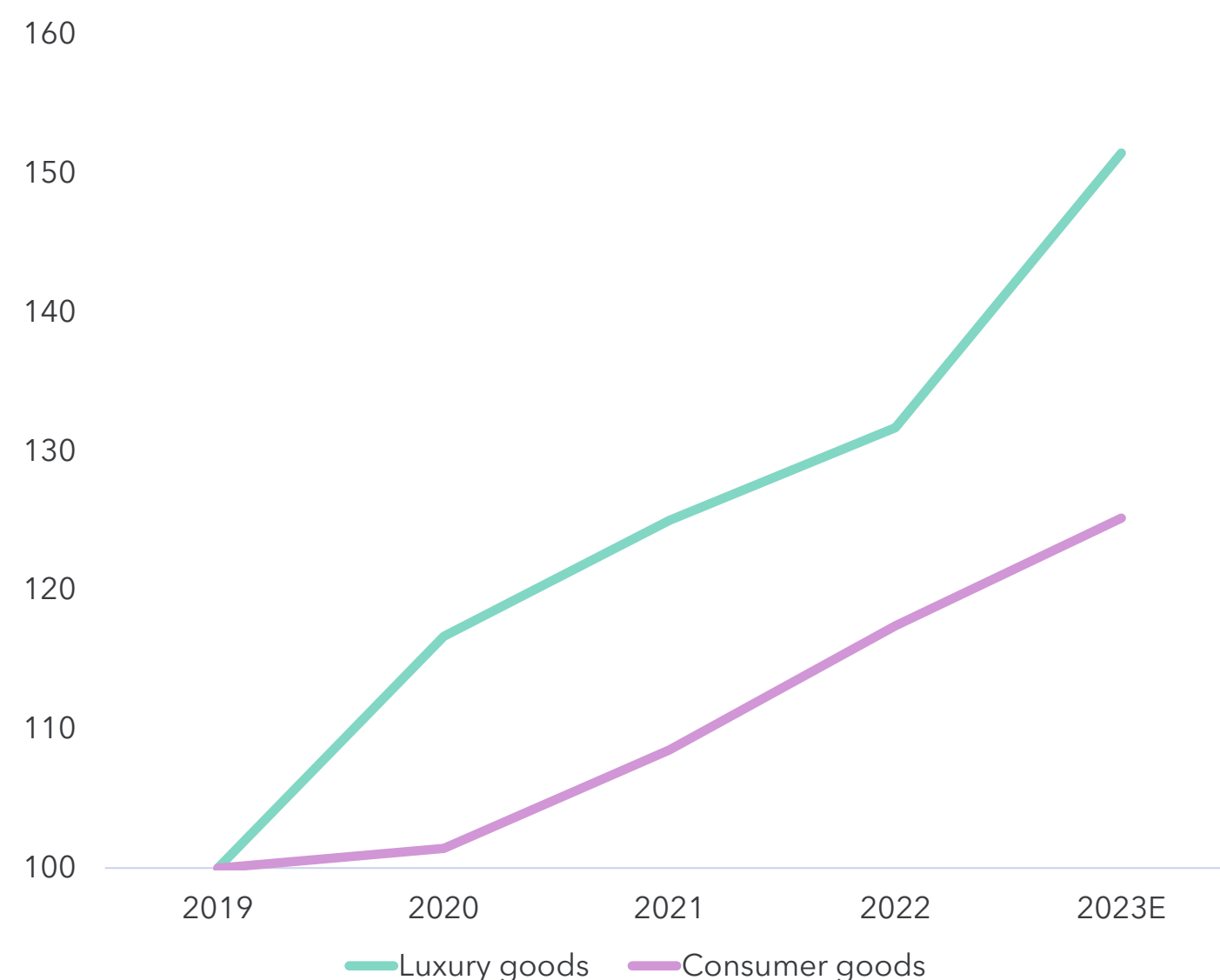
# Luxury goods are timeless and driven by aspirational behavior

Tema

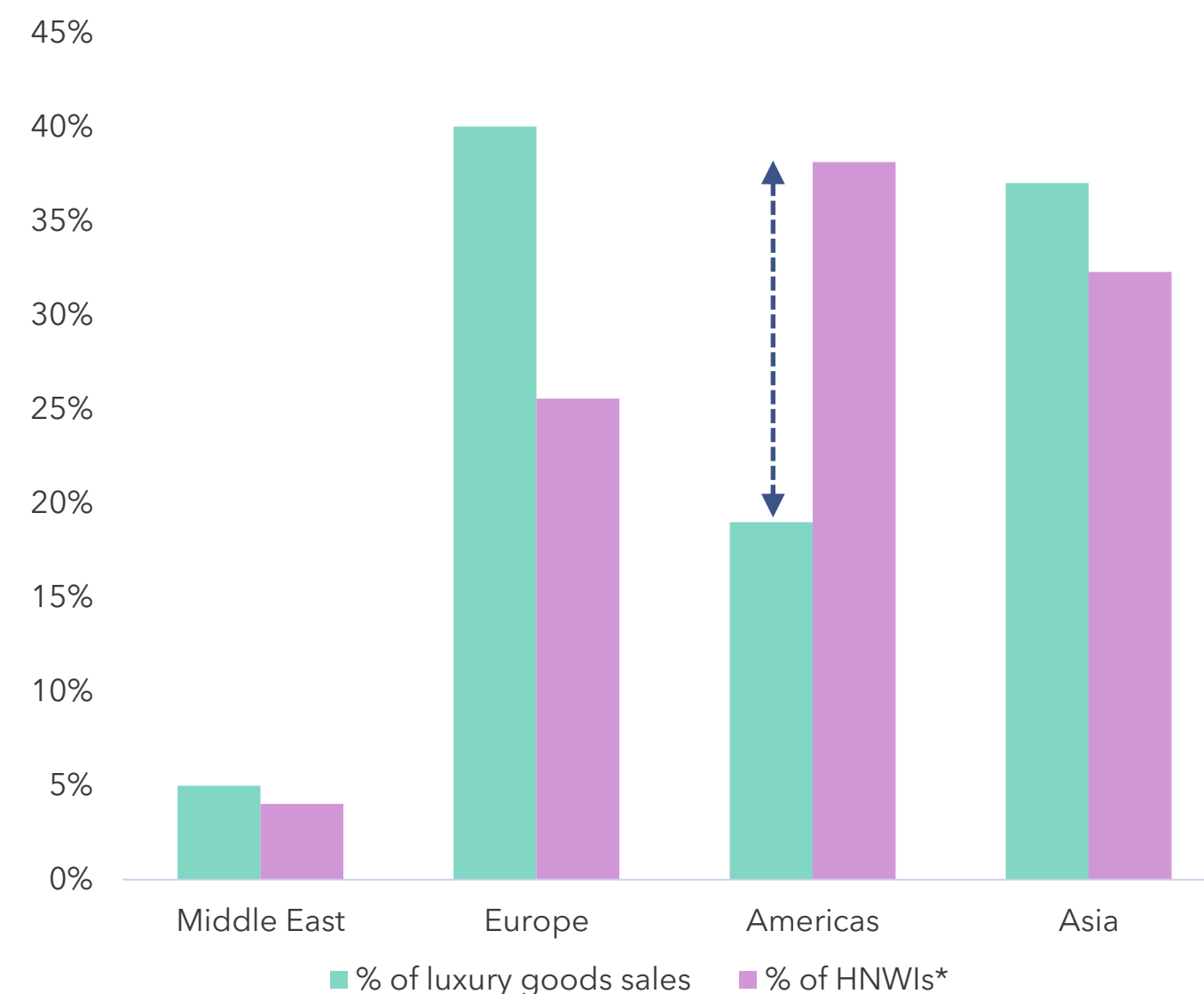


# Luxury goods can be characterized as exhibiting superior pricing power and potential untapped growth opportunities

## Price increases outpace broad consumer goods, despite a difficult economic environment



## US is still an underpenetrated luxury market



Source: LHS - Bain & Company Luxury report, December 2021 shows luxury goods average price inflation, 2023E is Citi forecast. Consumer prices shown at global CPI inflation rate, 2023E is IMF forecast | RHS - % luxury goods sales (Barclays Research) and % HNWI Wealth Report by Capgemini. \*HNWI stands for High Net Worth Individual. It is a term used to describe individuals who have a high level of wealth, typically with investable assets exceeding \$1 million USD. Forecasts are inherently limited and should not be relied upon when making investment decisions. There is no guarantee projected growth will occur. Past performance does not guarantee future results. In addition, there is no guarantee it will translate to positive fund performance.

# Why now? A defensive category with China reopening and succession plans aim to set up the next generation

Tema

## China is reopening

BUSINESS / MARKETS

### Traffic Rebound Signals Fast-tracked China Recovery

Barclays expects Mainland China's luxury market to grow by 19 percent in 2023.

By DENNI HU

FEBRUARY 28, 2023, 11:01AM



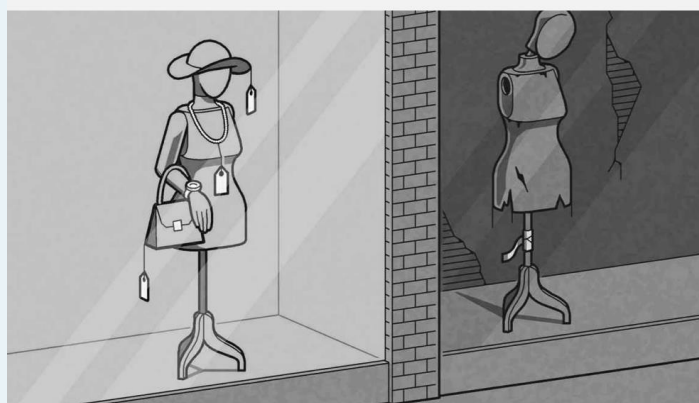
## Luxury is a resilient category historically

Opinion **Luxury goods**

### Luxury boom shows the staying power of the ultra-rich

Many of our expectations about the spending patterns of the wealthy are being confounded

RANA FOROOHAR + Add to myFT



© Matt Kenyon

## Succession leads to opportunities

**Wealth**

### The World's Richest Person is Trying to Head Off a Succession Battle

By [Angelina Rascoet](#) and [Tara Patel](#)

February 3, 2023 at 5:25 PM GMT+1



Source: WDD, Bloomberg, Company conference calls via Bloomberg, Financial Times.

Forecasts are inherently limited and should not be relied upon when making investment decisions. There is no guarantee projected growth will occur. Past performance does not guarantee future results. In addition, there is no guarantee it will translate to positive fund performance.

Strictly for distribution outside the EU/UK

8

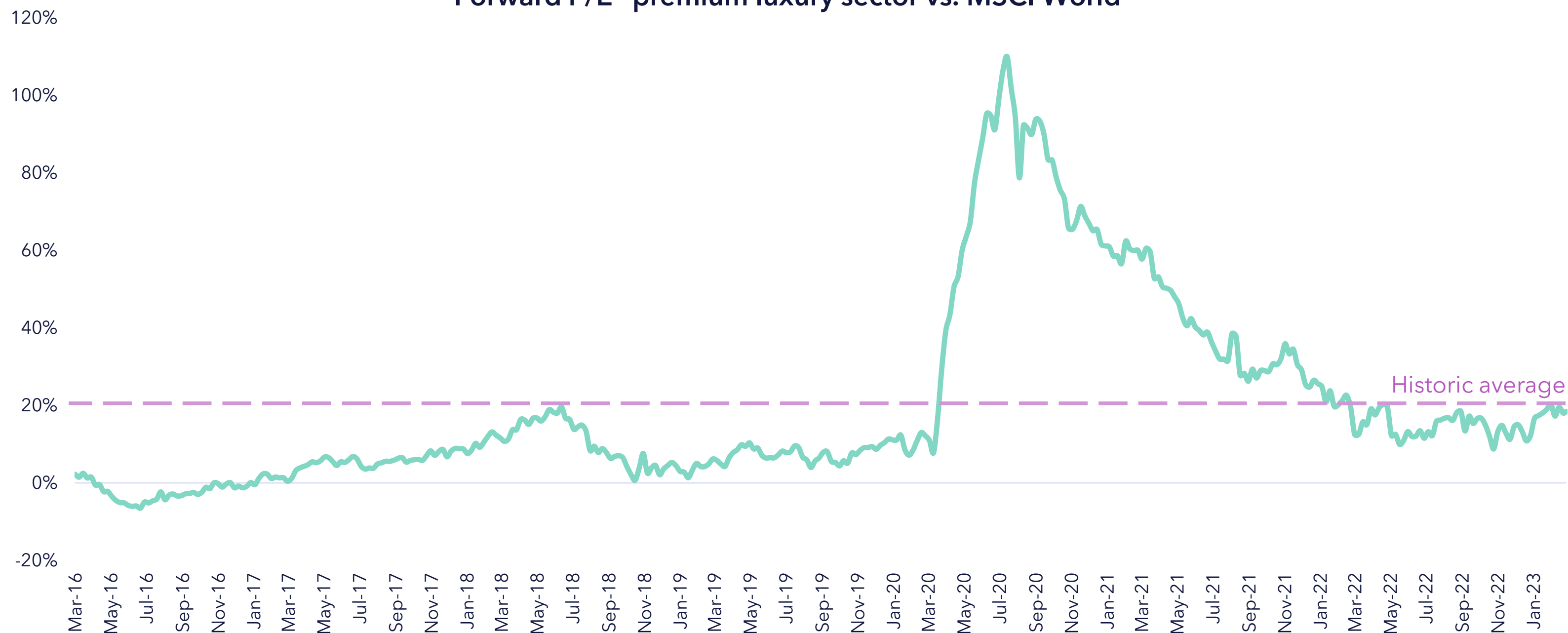
# Could luxury stocks be the new tech stocks?



# Luxury goods stocks are back at their average premium to the market – a good entry point?



Forward P/E\* premium luxury sector vs. MSCI World\*



Source: Bloomberg. Luxury sector represented by the S&P Global Luxury Index\*

Past performance is not indicative of future results. The referenced index is shown for informational purposes only and is not meant to represent the Fund.

You cannot invest directly in an index. The measures are representative of the indexes underlying holdings and are not indicative of future performance.

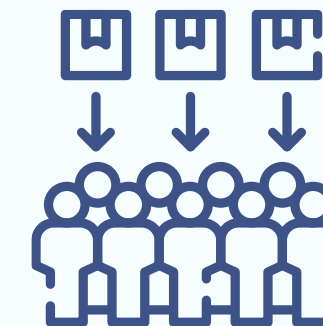
\*See Glossary in appendix for full definitions.

# Index construction in the sector is poor

## S&P Global Luxury Index top 20 holdings<sup>1</sup>

Holdings	Weighting %
LVMH	8.6
Richemont	8.0
Hermes	6.9
Mercedes	5.5
Kering	5.5
Estee Lauder	5.0
Tesla	5.0
Pernod	4.0
Diageo	4.0
Ferrari	3.8
Nike	3.5
Marriot	3.0
BMW	2.9
Lululemon	2.8
Hilton	2.6
Las Vegas Sands	1.5
Shiseido	1.5
Moncler	1.4
Burberry	1.3
Porsche	1.3

>25%



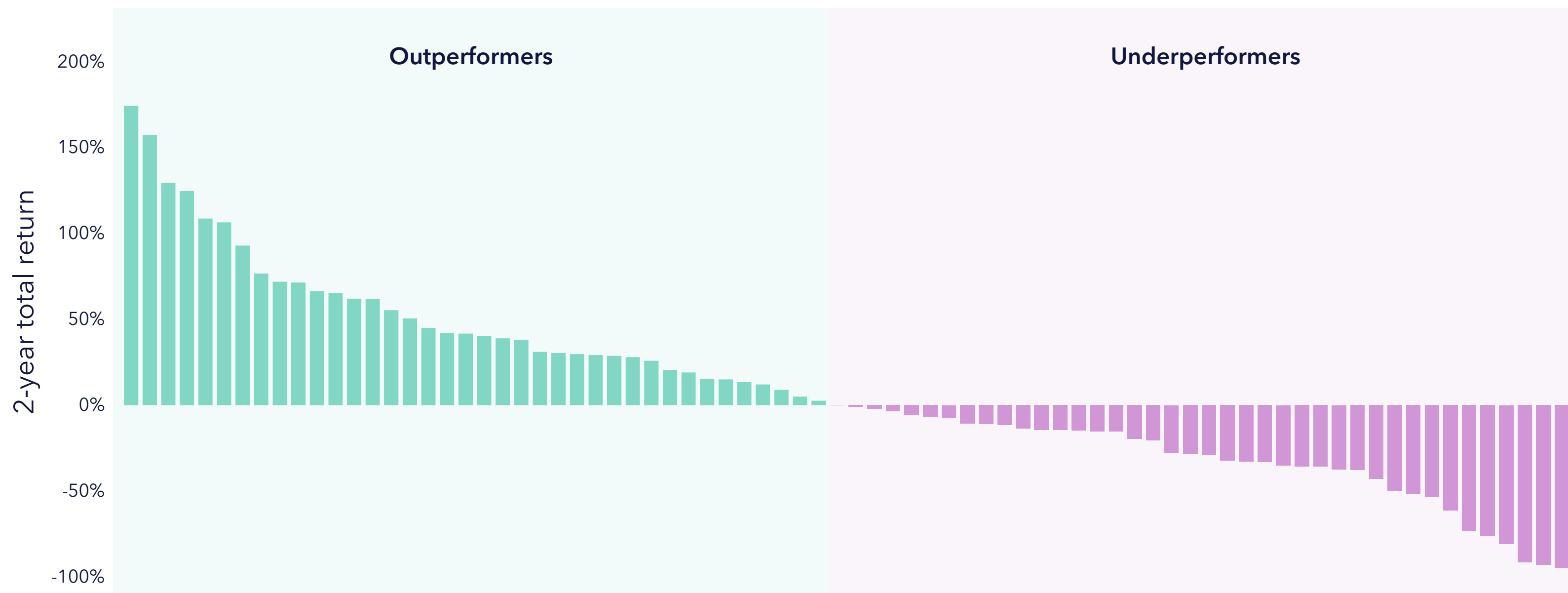
of S&P Global Luxury Index<sup>2</sup>  
are consumer stocks

**LUX will focus purely on stocks that  
have luxury at their core**

Source: <sup>1</sup>S&P Global Luxury Index factsheet. Tema own assessment of companies' business lines.  
<sup>2</sup>>25% of index's market cap weight.

# We believe the luxury industry requires an active approach given divergence of outcomes

Dispersion of S&P Global Luxury Index returns

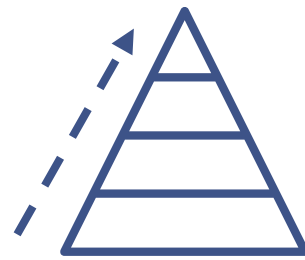


Source: Bloomberg as of 28/02/2023. 2 years starting 01/01/2021. Total return is % return of individual holdings. There is no guarantee the adviser's investment will be successful in identifying and investing in thematic trends. There is no assurance that the Fund will achieve its investment objective.

# Why Tema?



1



## Process

Bottom-up research led by a team of **experienced professionals**

2



## Product

Seek focused, **first-in-class** exposure to generational **luxury megatrend**

3



## Firm

Supported by large operational and funding partners

# Managed by an expert consumer team



**Javier G. Lastra, CFA**

Fund Manager

Over 23 years investment research experience

Javier holds BA from CUNEF Business School and Executive Program from Kellogg GSM

**Top 3 Extel investor survey ranked<sup>1</sup>**

**Head of consumer at several top tier banks (Goldman Sachs, Berenberg, Exane)**

**Goldman Sachs luxury goods sector equity research analyst**

**Associate at Balyasny Asset Management covering luxury goods companies**



**Qiong Jin**

Senior Analyst

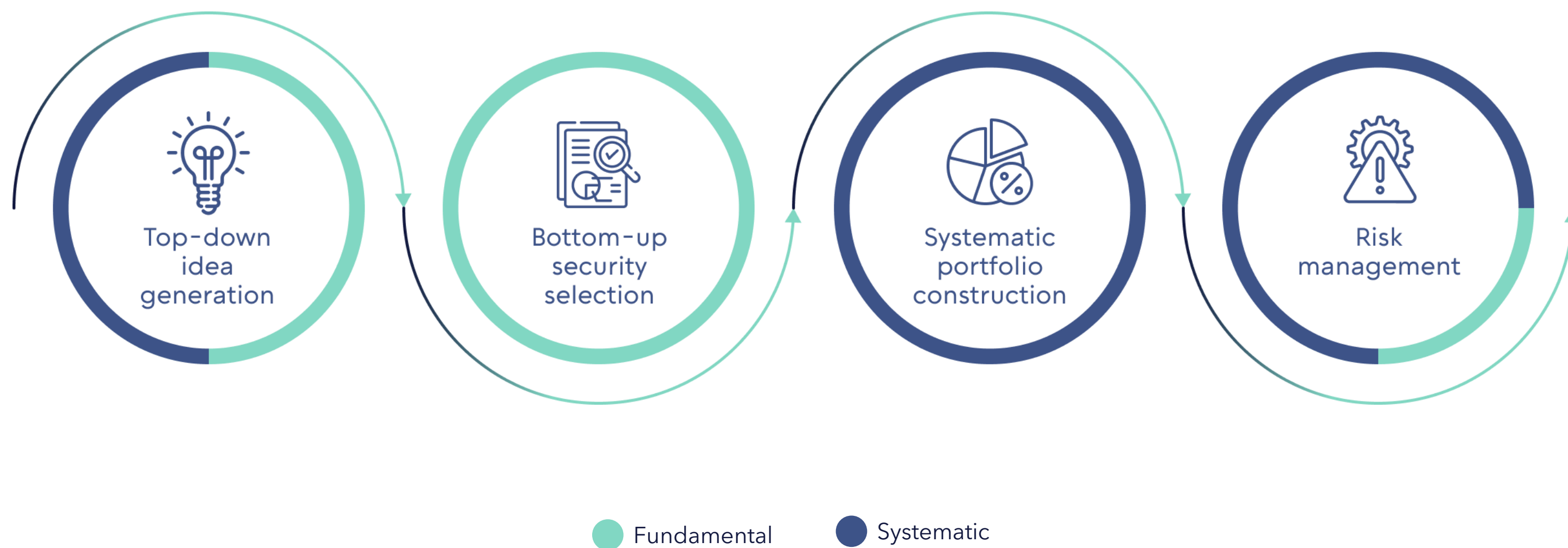
Five years of investment research and buy-side experience

Qiong holds BA from Fudan University, Masters from London Business School, and has passed her level III CFA exam

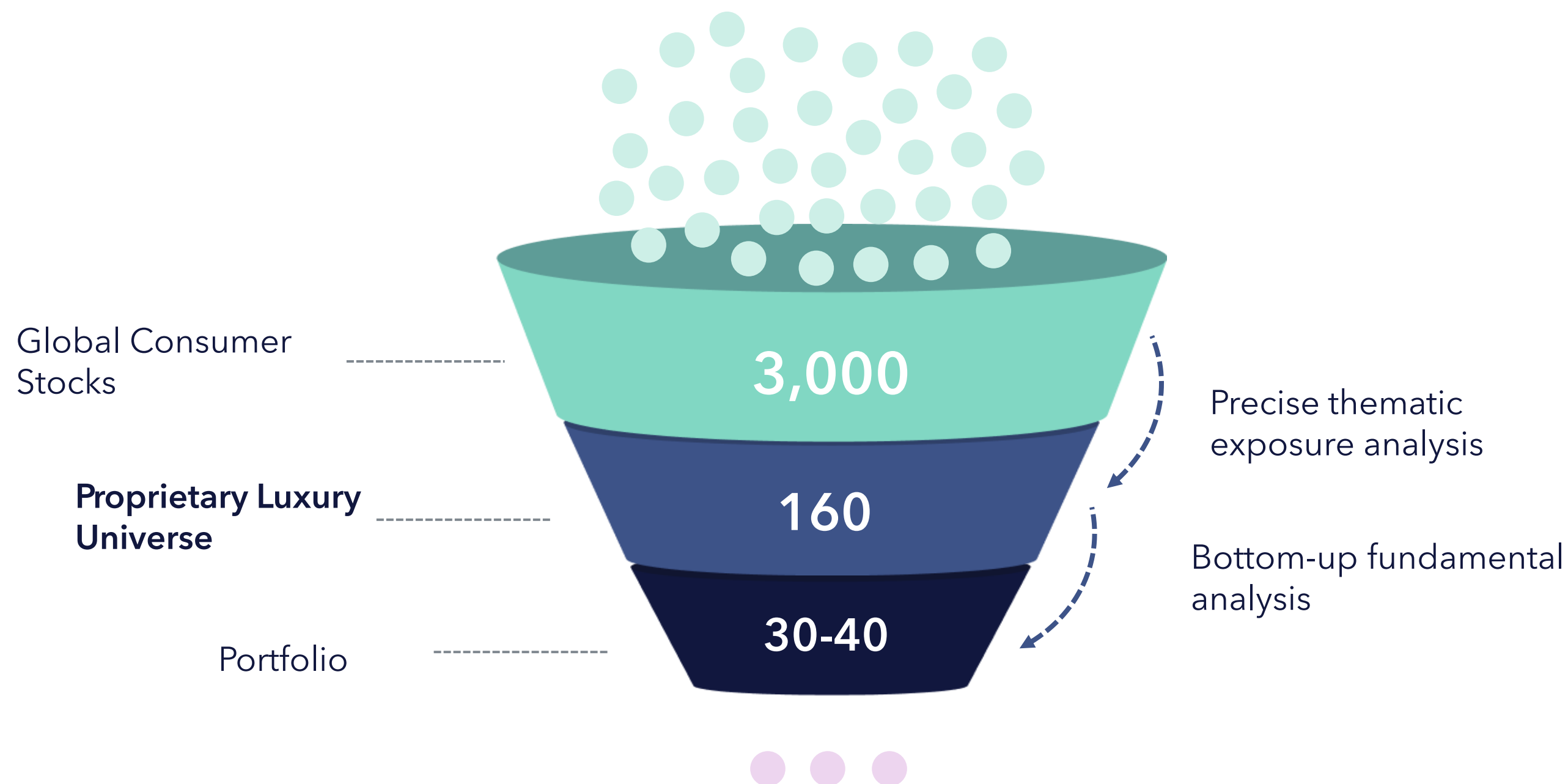
<sup>1</sup>To view ranking lists and ranking methodology, please visit the websites of Institutional Investor and IIR (iiResearch). Note: In 2018, Euromoney Institutional Investor PLC (now named Delinian Limited) has acquired 100% of the business and assets of Extel, the group which runs the annual independent survey of quality across the European equities investment community. (Source: Reuters)

# Investment process: top-down idea generation, bottom-up fundamental security selection and systematic portfolio construction

**tema**



# Idea generation: using expert led insights and quantitative tools to narrow down research set



# Security analysis: Our fundamental research assesses stocks based on **four key pillars**



1

## Operating base

Good business model  
High returns of capital  
Incentivized management

2

## Balance sheet and cash flow

Strong balance sheet  
Sustainable cash generation

3

## Valuation

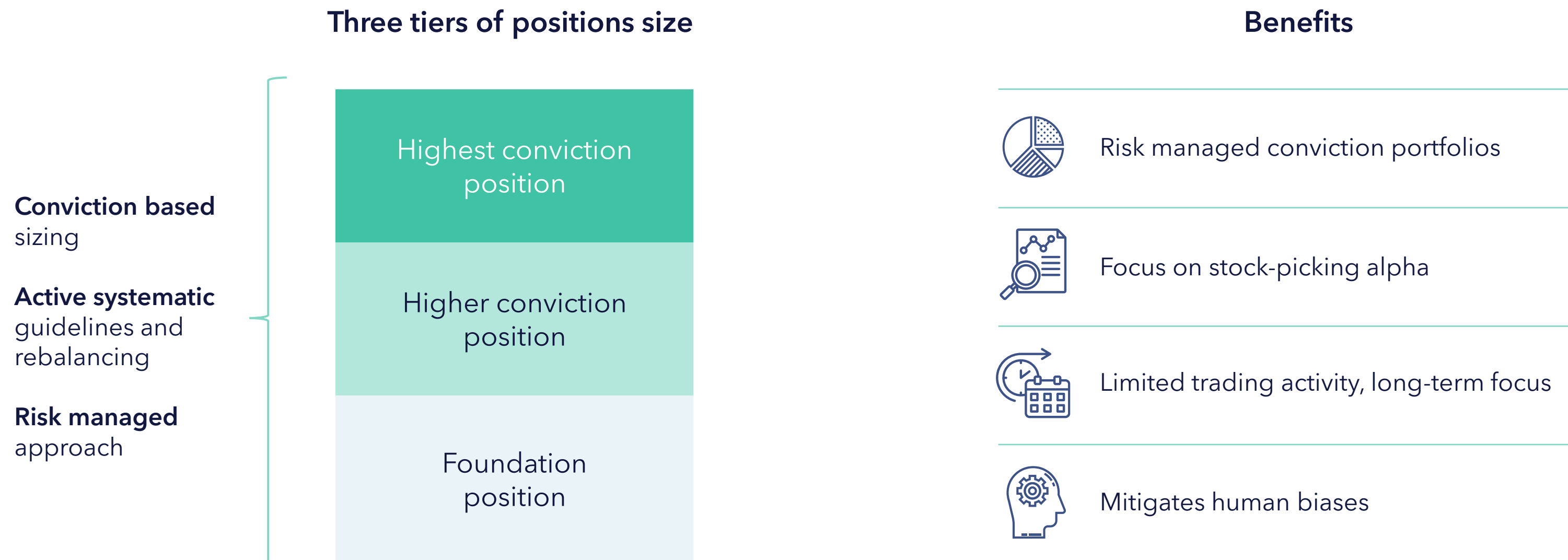
Cheap vs. historic multiples  
Cheap vs. peers and fundamentals

4

## Tema's edge

What is our edge?  
How is our view different to the market?

# Portfolio construction: active systematic principles have the potential to drive considerable benefits to investors



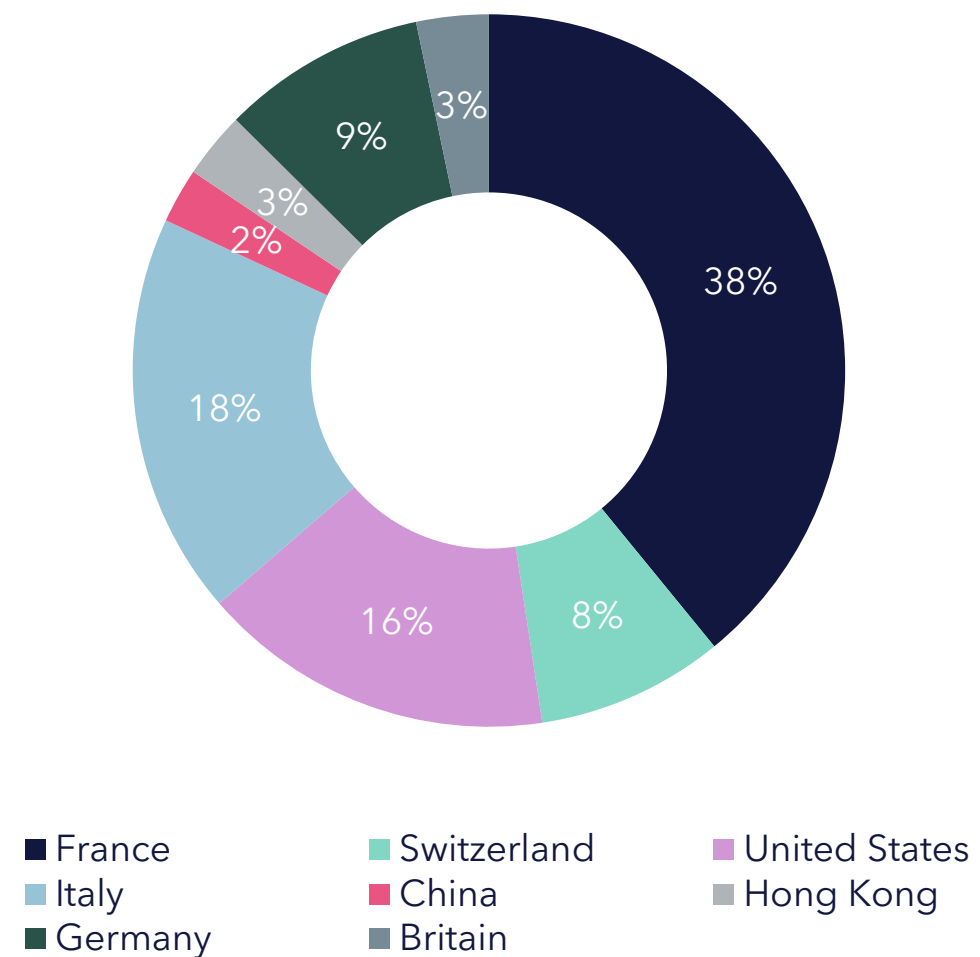
## Risk oversight: we monitor risk from multiple viewpoints



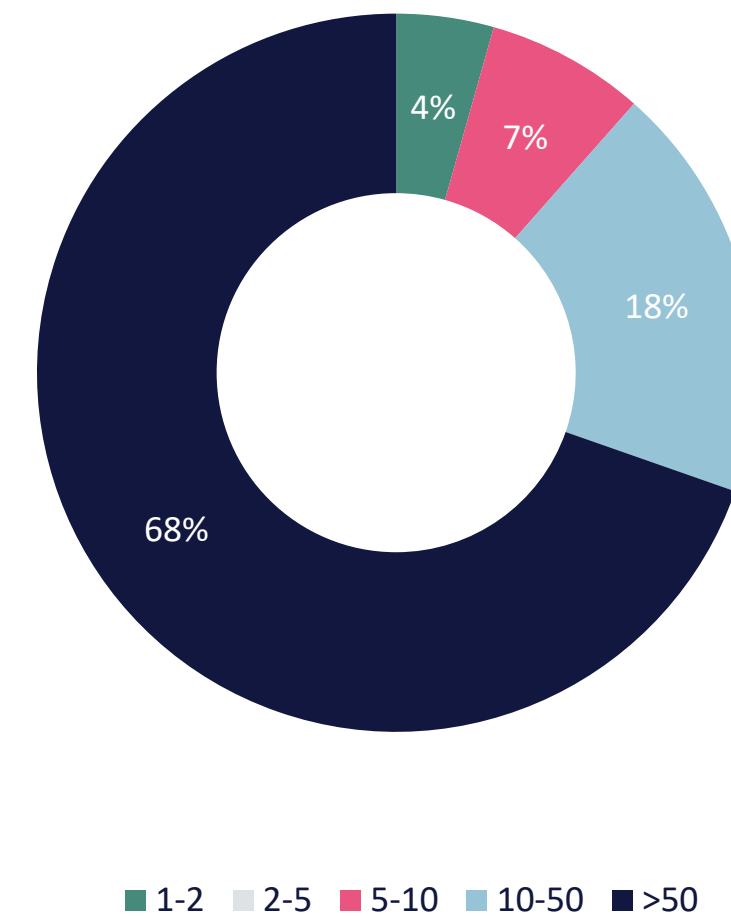
Risk factor	Risk assessment	Mitigations
Economic downturn	Monitor a dashboard of macroeconomic and alternative data sources	Fund exposure to be adjusted in part based on economic assessment
Disruption	Trade press (Business of Fashion, Women's Wear Daily), fashion trend analysis, KOL transcripts	Invest behind firms with good track record of organic and inorganic capital allocation to capture new trends
China exposure	Assess firm level revenue geographic exposure, monitor fund level exposure	Balance risks with exposure to unpenetrated markets e.g. Middle East, US

# Current portfolio positioning

Country weighting



Market cap bands (\$ Bn)

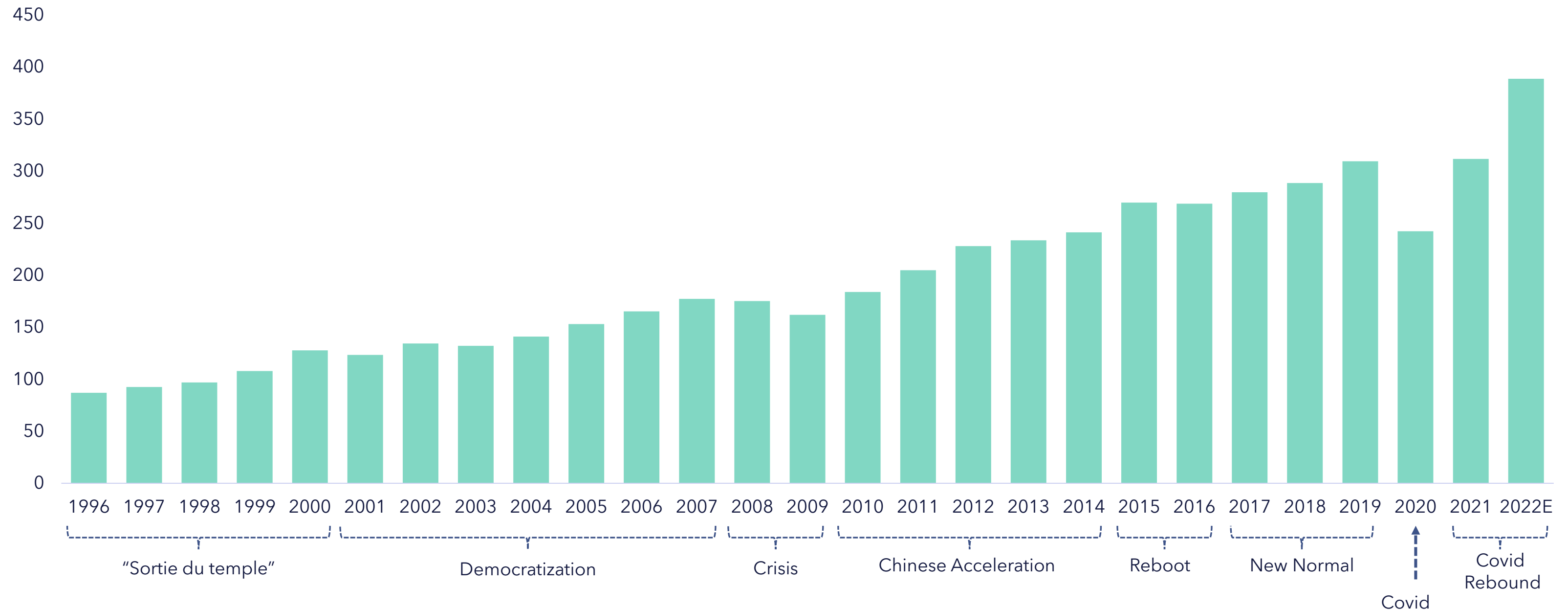


31 holdings • c\$37 Bn median market cap • c\$141 M mean Average Daily Value Traded\* (ADVT) per holding

# Appendix

# Long-term growth with mild cyclicality

Global Personal Luxury Goods Market Value (\$ Bn)

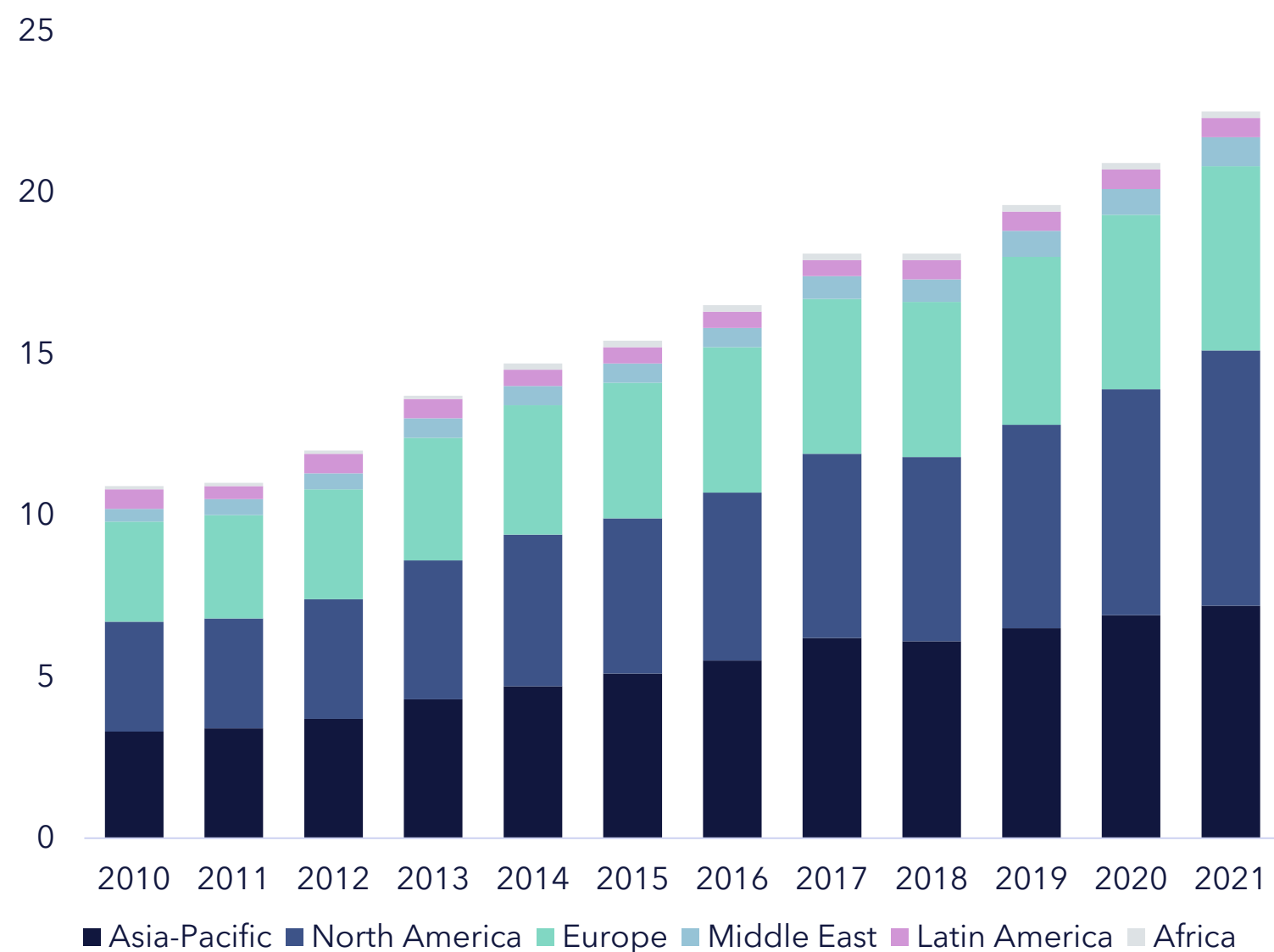


Source: Bain & Company Luxury report, November 2022. According to Bain & Company, The Global Personal Luxury Goods Market Value (€ Bn) refers to the estimated value, in billions of Euros, of the worldwide market for personal luxury goods. This market includes products such as high-end fashion, accessories, cosmetics, watches, and jewelry, among others. Euro values converted to \$ at a fixed exchange rate which is the 30/04/2023 last rate.

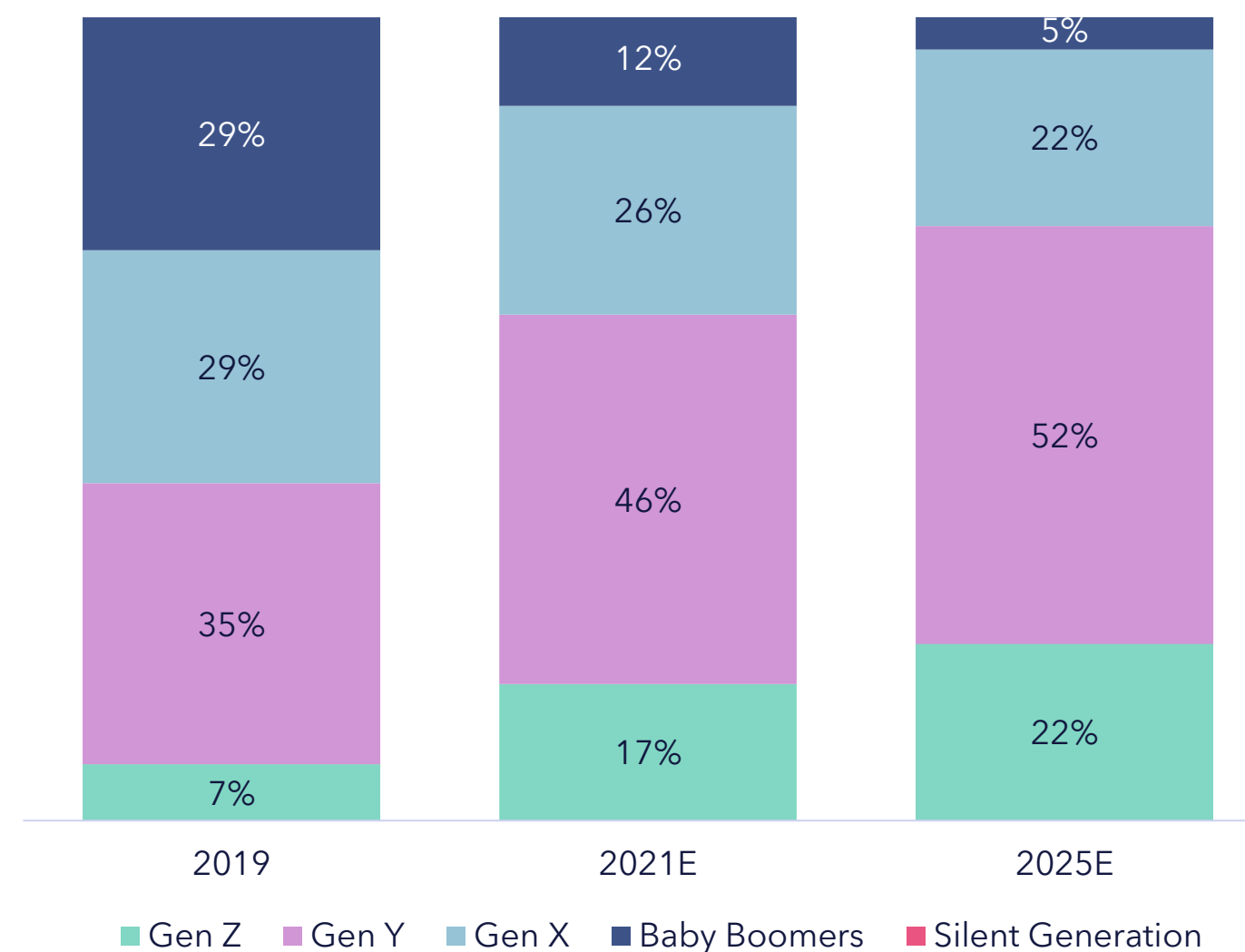
# 23m HNWI<sup>1</sup> in the world commanding \$86tn of wealth



Number of HNWI is increasing in emerging markets (#M individuals)



Generation<sup>2</sup>: younger cohorts to become more dominant in luxury



Source: LHS - Capgemini Wealth Report (2022), <sup>1</sup>HNWI stands for High Net Worth Individual. It is a term used to describe individuals who have a high level of wealth, typically with investable assets exceeding \$1 million USD; RHS - Bain & Company 2021 report.

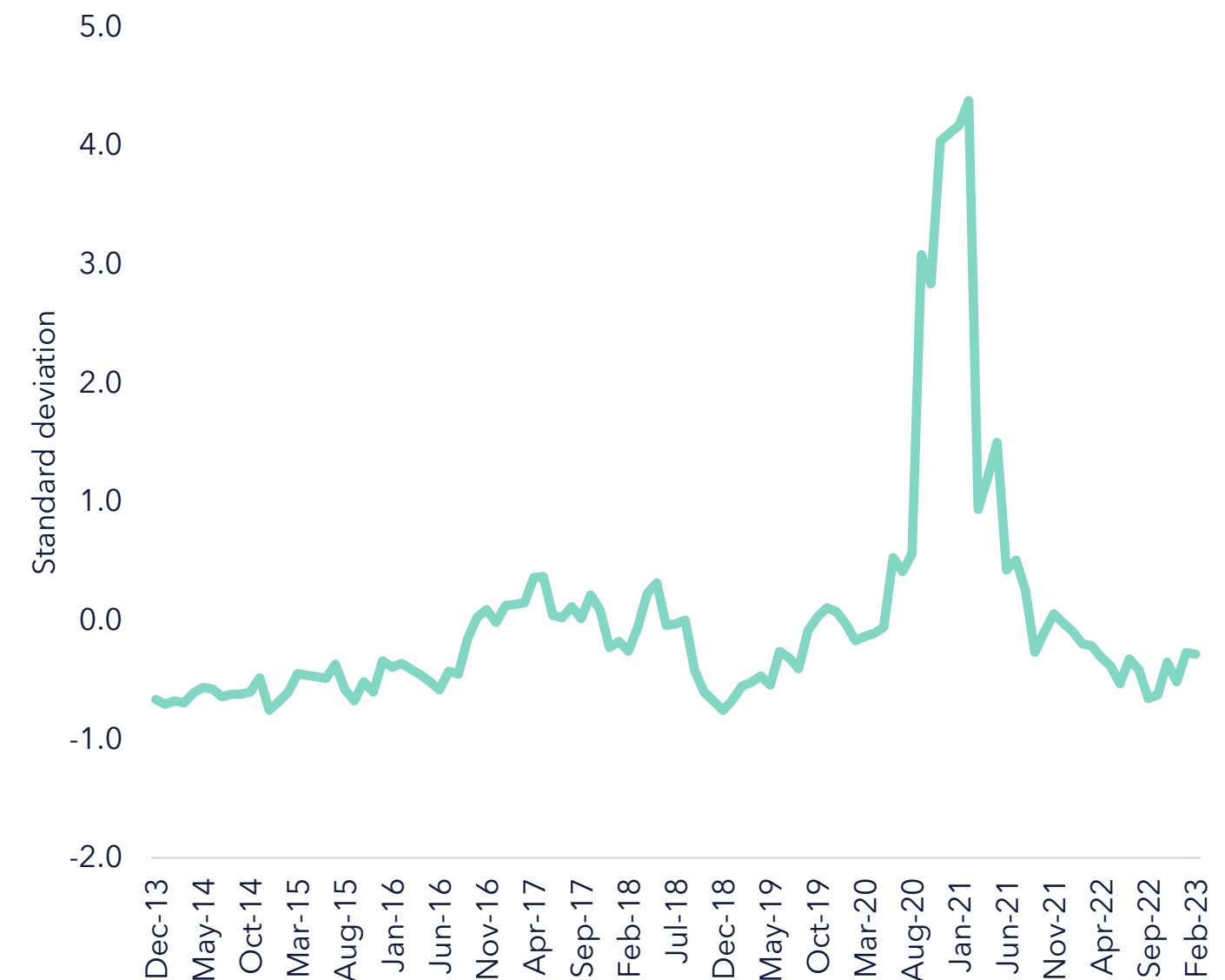
<sup>2</sup>Baby Boomers: People born between 1946 and 1964. Silent Generation: People born between 1928 and 1945. Gen X: People born between 1965 and 1980. Gen Y (Millennials): People born between 1981 and 1996. Gen Z: People born between 1997 and 2012

# Luxury stocks are cheap when compared to their own history

67% of luxury stocks are trading below their own historic P/E average, up from 55% a years ago

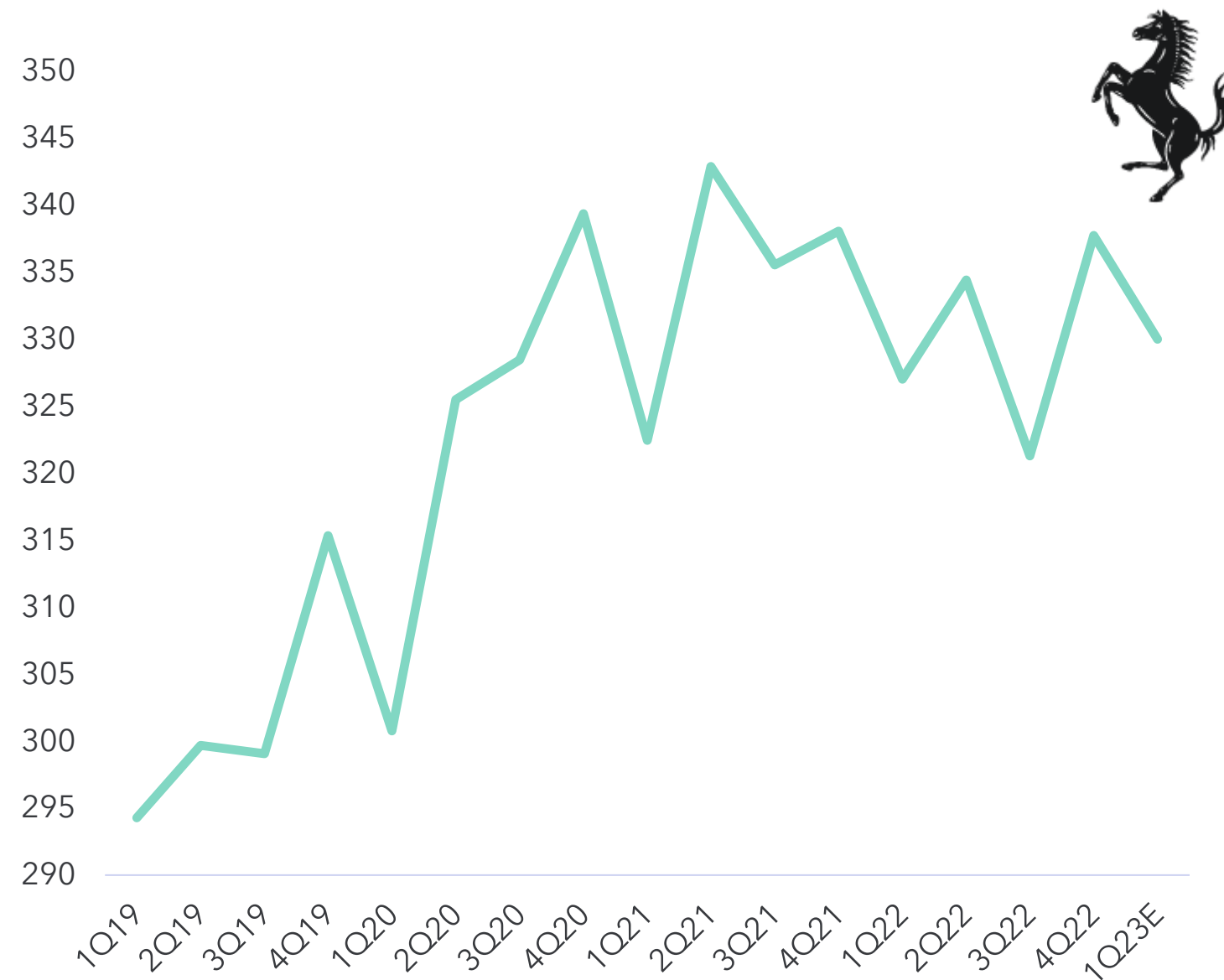
Trade Range	6 Years Ago	1 Year Ago	Today
-1 standard deviation	5%	14%	24%
Below Avg	64%	55%	67%
Above Avg	29%	38%	26%
+1 standard deviation	7%	7%	12%

Top three players are at cheap valuations vs. their own history

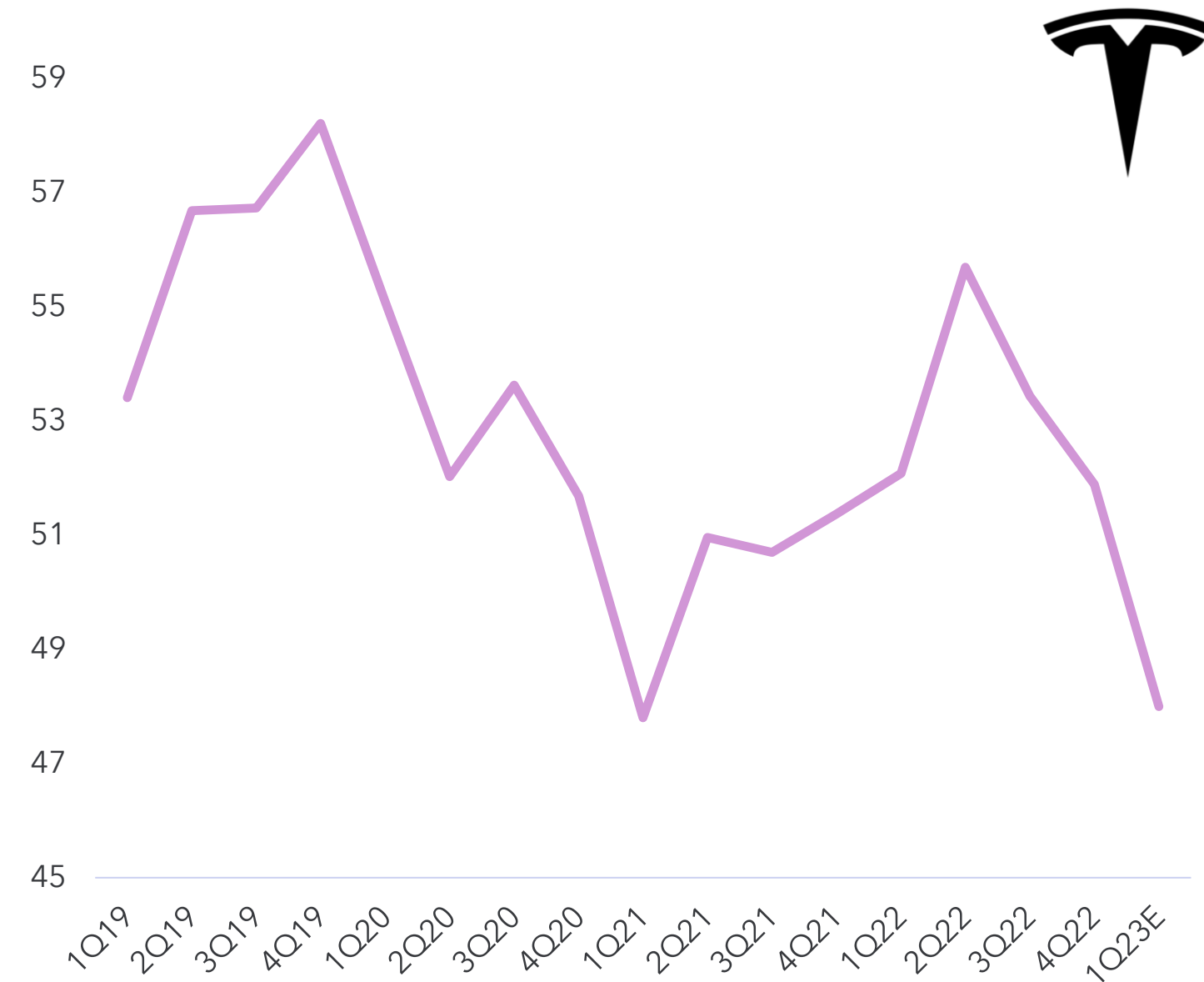


# Tesla has been cutting prices, not a sign of a luxury brand

Ferrari average car price (\$ k)



Tesla average car price (\$ k)



# Case study: Richemont, the global leader in hard luxury sector



## Idea Generation

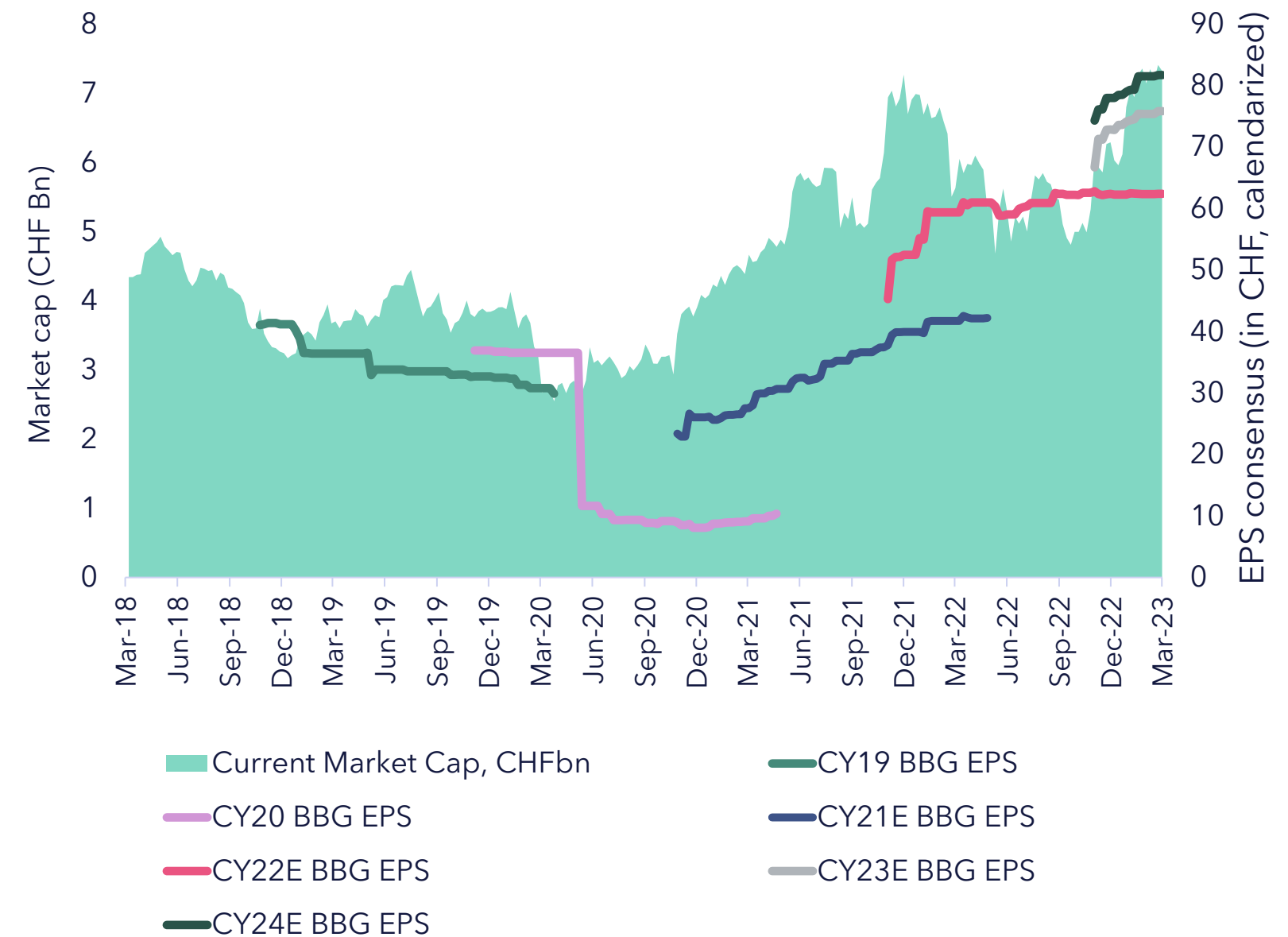
- **Iconic brands** like Cartier and Van Cleef & Arpels
- **Family business** (50% voting rights)
- **Consistent** growth rate 15% (10-year CAGR) through economic cycles.
- **Outstanding execution** on core business drives an attractive potential re-rating



## Security Analysis

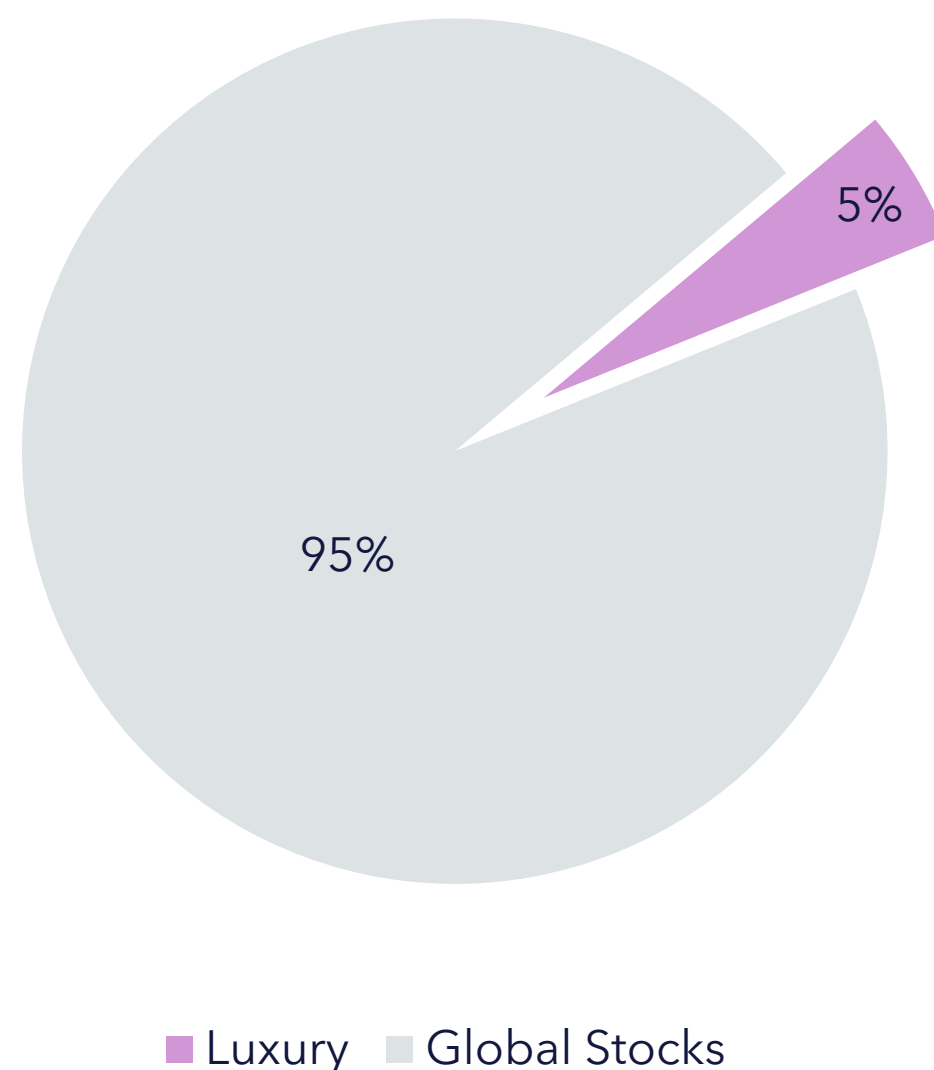
- **Operating base:** A solid group with focus on core jewelry and disposal of its loss-making YNAP business
- **Balance sheet/cash flow:** net cash position, 80-90% FcF\* conversion
- **Valuation:** 18x P/E 03/23E, 10% discount to sector avg. despite the best growth profiles
- **What is our edge?** Well positioned to play China re-opening given its higher regional sales exposure at 29% vs. peers (LVMH 15%, Hermes 16% and Kering 24%)

## EPS upgrades momentum



# Luxury is probably underrepresented in allocations and has positive characteristics including a higher Sharpe ratio

Luxury is 5% of global market cap



Luxury has positive portfolio characteristics

Portfolio characteristics	Global stocks	Luxury stocks
Return (post GFC*)	+223%	+412%
Std. Dev	0.96%	1.28%
Sharpe Ratio (unit of return per unit of risk)	0.43	0.51

**ADTV**

Average daily traded value – a measure of liquidity for individual stocks. Unless otherwise stated, this is calculated as the average daily volumes traded in the past 6 months x the most recent USD price.

**Alpha**

Alpha ( $\alpha$ ), used in finance as a measure of performance, is the excess return of an investment relative to the return of a benchmark index.

**AUM**

Assets Under Management

**CAGR**

Compounded annual growth rate between 2 points in time

**CPI**

A Consumer Price Index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households. Changes in measured CPI track changes in prices over time

**EBITA**

EBITA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. It is a financial metric used to evaluate a company's profitability by measuring its operating income before accounting for non-operating expenses such as interest on debt, taxes, depreciation, and amortization of assets.

**EPS**

Earnings per share (EPS) is a company's net profit divided by the number of common shares it has outstanding

**ESG**

Environmental, Social & Governance

**ETF**

Exchange-Traded Fund

**EU**

European Union

**Free Cash Flow or FcF**

Free Cash Flow – calculated as cashflow from operations less capital expenditure (CAPEX)

**GFC**

The global financial crisis of 2008 was a severe economic downturn that originated in the United States and quickly spread to other countries

**MSCI World Index**

The MSCI World Index captures large and mid-cap representation across 23 Developed Markets across North America, Europe and the Asia Pacific. The index has c. 1,500 constituents and is market-cap weighted

**P.a.**

Per Annum

**P/E**

Price/Earning Ratio

**R/R**

Risk / Reward Ratio

**S&P Global Luxury Index**

The S&P Global Luxury Index measures the performance of 80 companies engaged in the production, distribution, or provision of luxury goods and services drawn from the S&P Global BMI (the “Index Universe”).