
TEN THEMES FOR 2021

Jeremy Schwartz – Global Chief Investment Officer
01/12/2021

To kickstart our *Behind the Markets* podcast in 2021, we had the pleasure of chatting with John Davi of Astoria Portfolio Advisors about the 10 themes he's incorporating into his model portfolios for 2021.

Notable themes we discussed include:

- **Commodity-Focused Equities**
 - Davi likes natural resource-related stocks such as gold mines, copper mines, and international equivalents, given relatively low [valuations](#) and an uptick in [inflation](#) expectations coming out of the economic shutdown.
- **Cyclical Rotation Sectors Paired with Growth-Oriented Thematics**
 - Davi likes sectors like Energy, Financials and Industrials for a cyclical acceleration in 2021. [Small caps](#) are also another way he is expressing this idea.
 - After past downturns like 2000, 2008 and 2015 with Greece, the cyclical sectors tended to perform better coming out of the trough.
 - Davi thinks banks in particular bring a margin of safety, given they trade at steeper discounts to the market, and with [rates](#) climbing higher, they should perform better.
 - Davi is pairing cyclicals with growth-oriented thematic funds like Clean Energy, Genomics and Biotech to bring idiosyncratic risk to his diversified portfolios.
- **China and Emerging Markets**
 - While there is certainly headline political risk, Davi likes China as a long-term tactical allocation tied to the growing consumer class over next 10 years and the more technology-driven themes in China. Davi likes how China consumer names trade at a discount to the [S&P 500](#) with superior long-term growth characteristics.
 - Regulatory risk: While China was in the news with the Trump Administration's executive order last week, Davi sees the new administration being less motivated to raise conflict and thinks we'll see lower pressure in trade wars.
- **Alternatives**
 - Davi's ETF models include alternative assets for their [hedging](#) characteristics, and he looks for funds with negative [correlations](#) to equities. These diversifiers can be assets like gold, but Davi looks at [merger arbitrage](#) strategies and other [long/short low-volatility](#) strategies.

This was a great conversation as to how Astoria is looking at 2021 and the 10 themes guiding their allocations. You can listen to the full discussion below.

Behind The Markets Podcast: John Davi

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

Commodity: A raw material or primary agricultural product that can be bought and sold.

Valuation: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Inflation: Characterized by rising price levels.

Growth: Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Small caps: new or relatively young companies that typically have a market capitalization between \$200 million to \$2 billion.

Interest rates: The rate at which interest is paid by a borrower for the use of money.

S&P 500 Index: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

Currency hedging: Strategies designed to mitigate the impact of currency performance on investment returns.

Correlation: Statistical measure of how two sets of returns move in relation to each other. Correlation coefficients range from -1 to 1. A correlation of 1 means the two subjects of analysis move in lockstep with each other. A correlation of -1 means the two subjects of analysis have moved in exactly the opposite direction.

Merger Arbitrage: An event-driven investment strategy that involves exploiting pricing inefficiencies that exist between markets for the same security after a company merger or acquisition, in order to generate a profit.

Long (or Long Position): The buying of a security such as a stock, commodity or currency, with the expectation that the asset will rise in value, the opposite of Short (or Short Position).

Short (or Short Position): The sale of a borrowed security, commodity or currency with the expectation that the asset will fall in value, the opposite of Long (or Long Position).

Low Volatility: Characterized by lower standard deviation of price over time. This term is also associated with the Low Volatility Factor, which associates lower volatility stocks with better risk-adjusted returns vs the market over time.