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WisdomTree Europe

7 Ways Investors Might Position Themselves in 2023

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7 ways investors might position themselves in 2023

February 2023

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7 ways investors might position themselves in 2023

Where might animal spirits take us this year?



The markets are moved by
animal spirits, and not by reason.

John Maynard Keynes

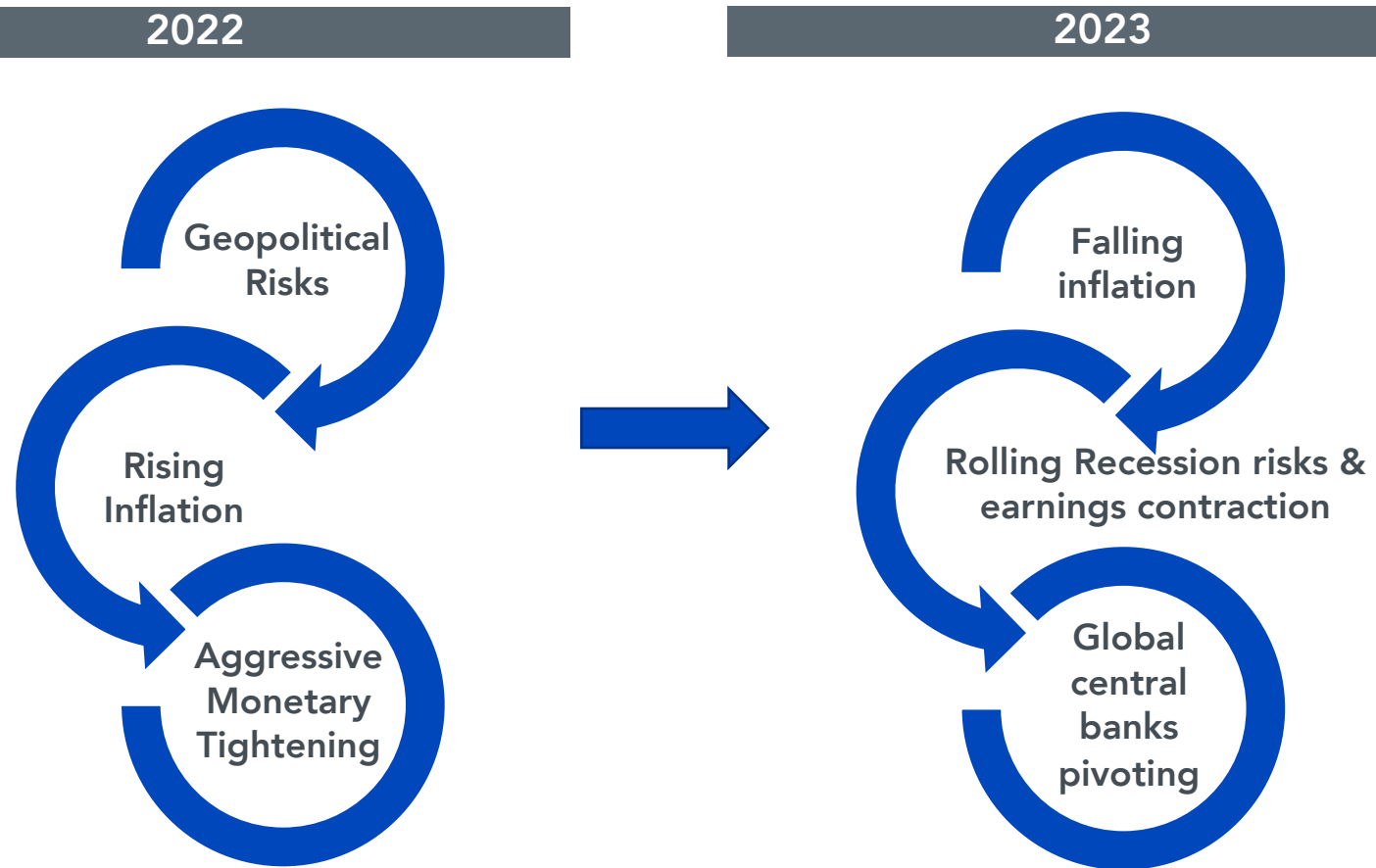
quotefancy

Source: Quotefancy.com



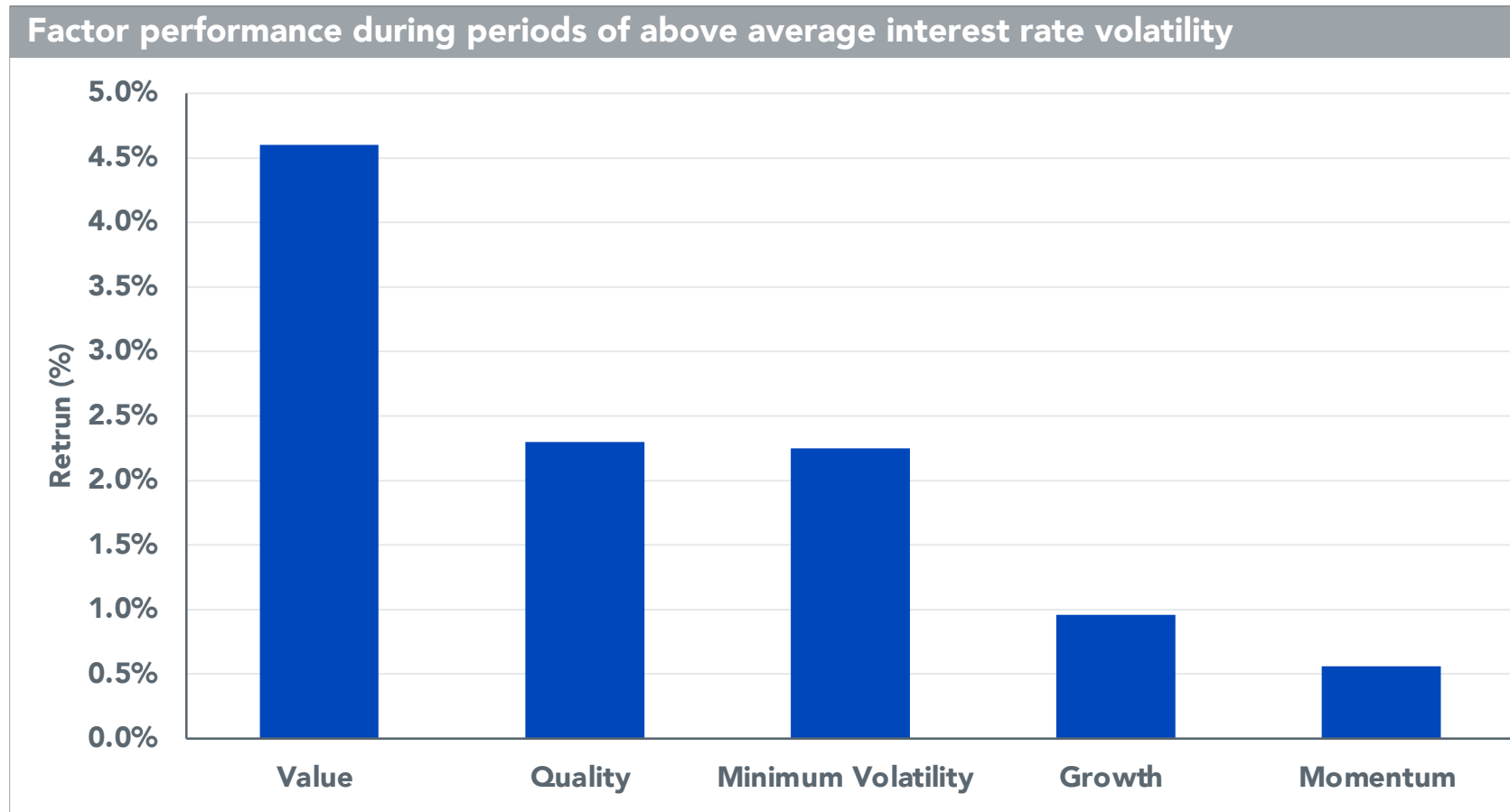
1. Investors may look to play both defence and offence

Financial market performance dictated by



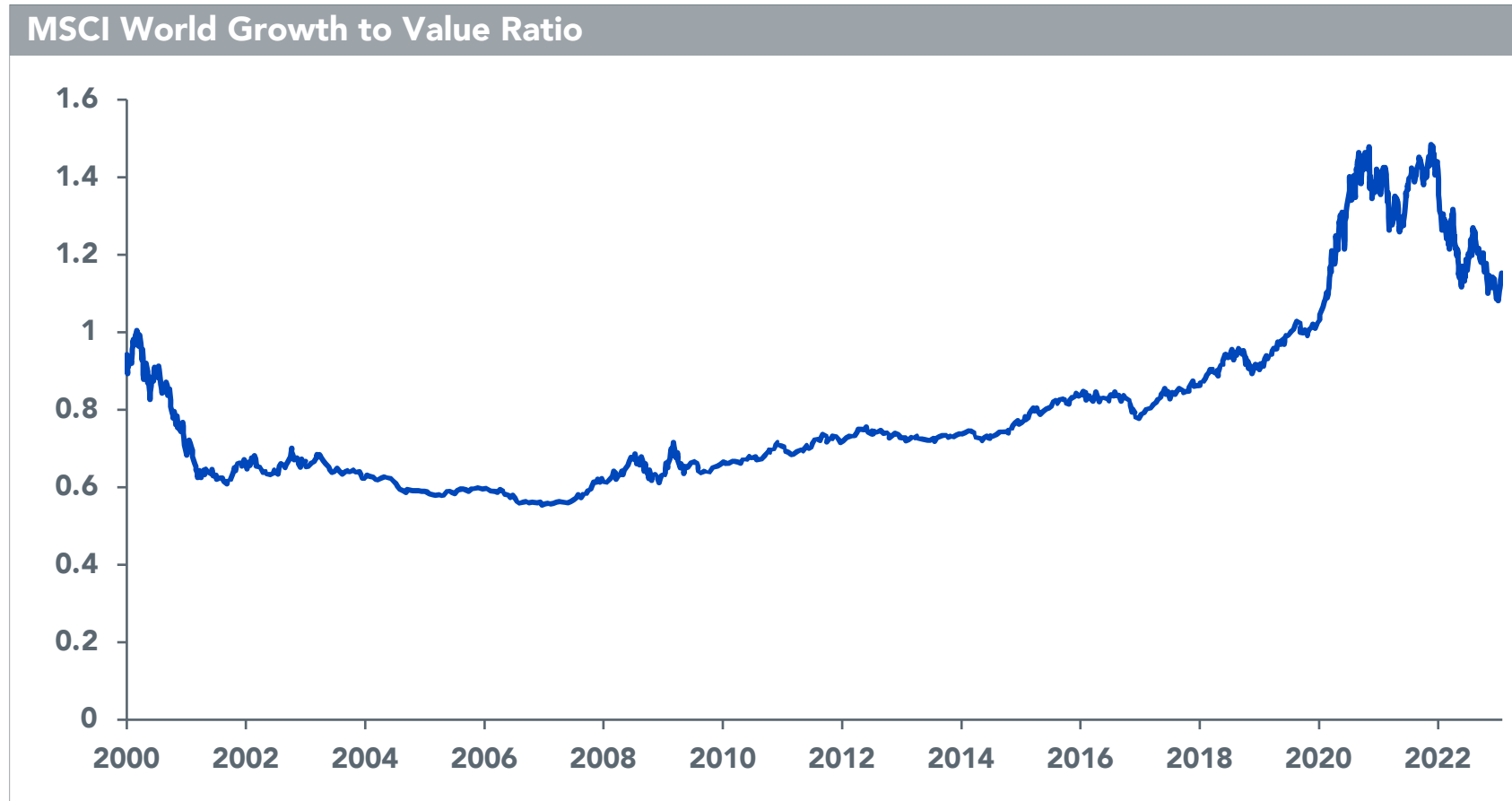
Source: WisdomTree as of January 2023.

Does the value rotation have further to go?



Source: Source: WisdomTree, Bank of America Securities, Bloomberg, data from 1 Jan 1990 to 31 Jan 2022; annualised relative performance versus equal weighted index. **Historical performance is not an indication of future performance and any investments may go down in value.**

An entry point into growth again?

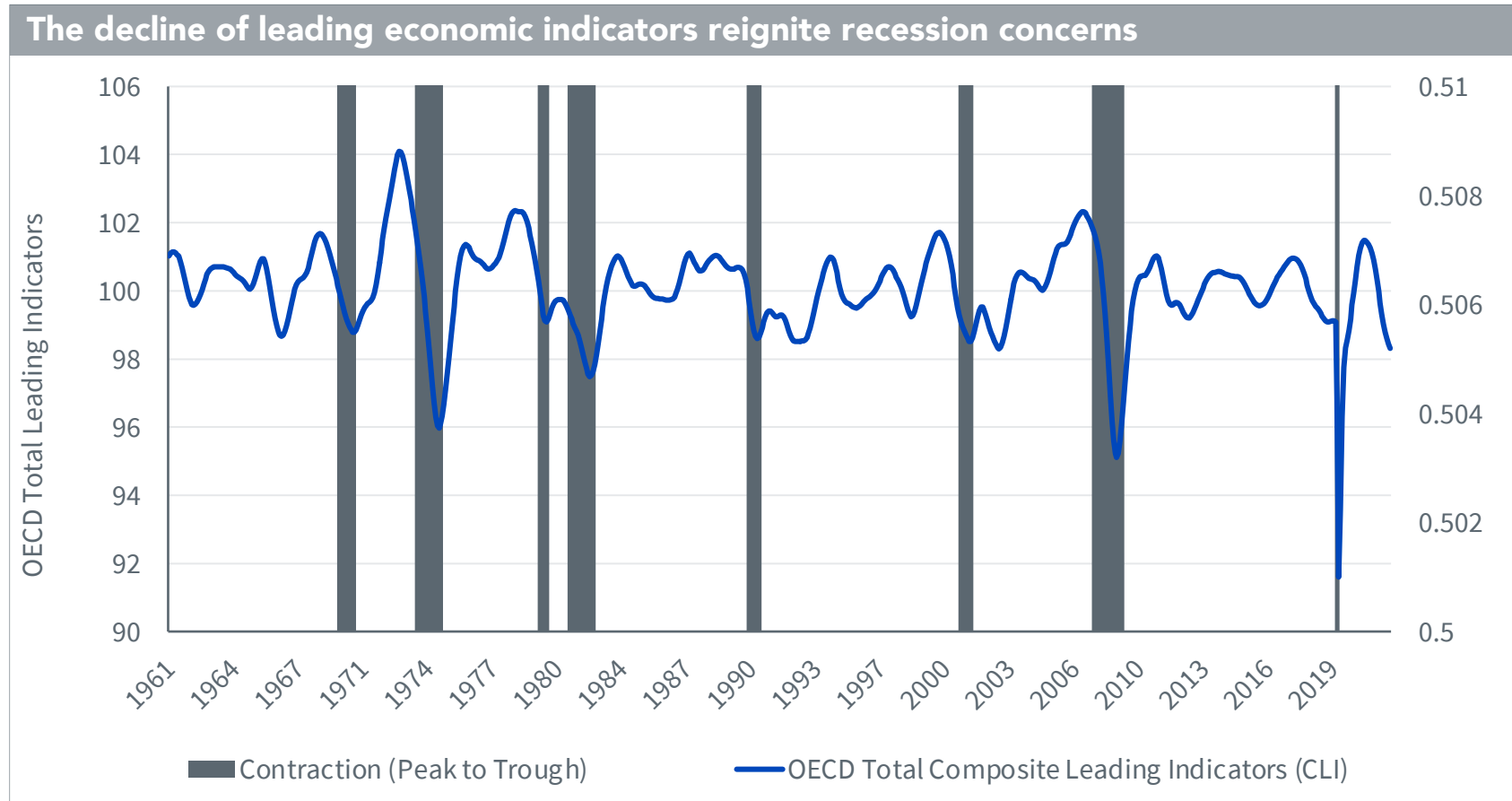


Source: WisdomTree, Bloomberg. Data from 01/01/2000 to 30/01/2023. MSCI World Growth and MSCI World Value Indices used. **Historical performance is not an indication of future performance and any investments may go down in value.**



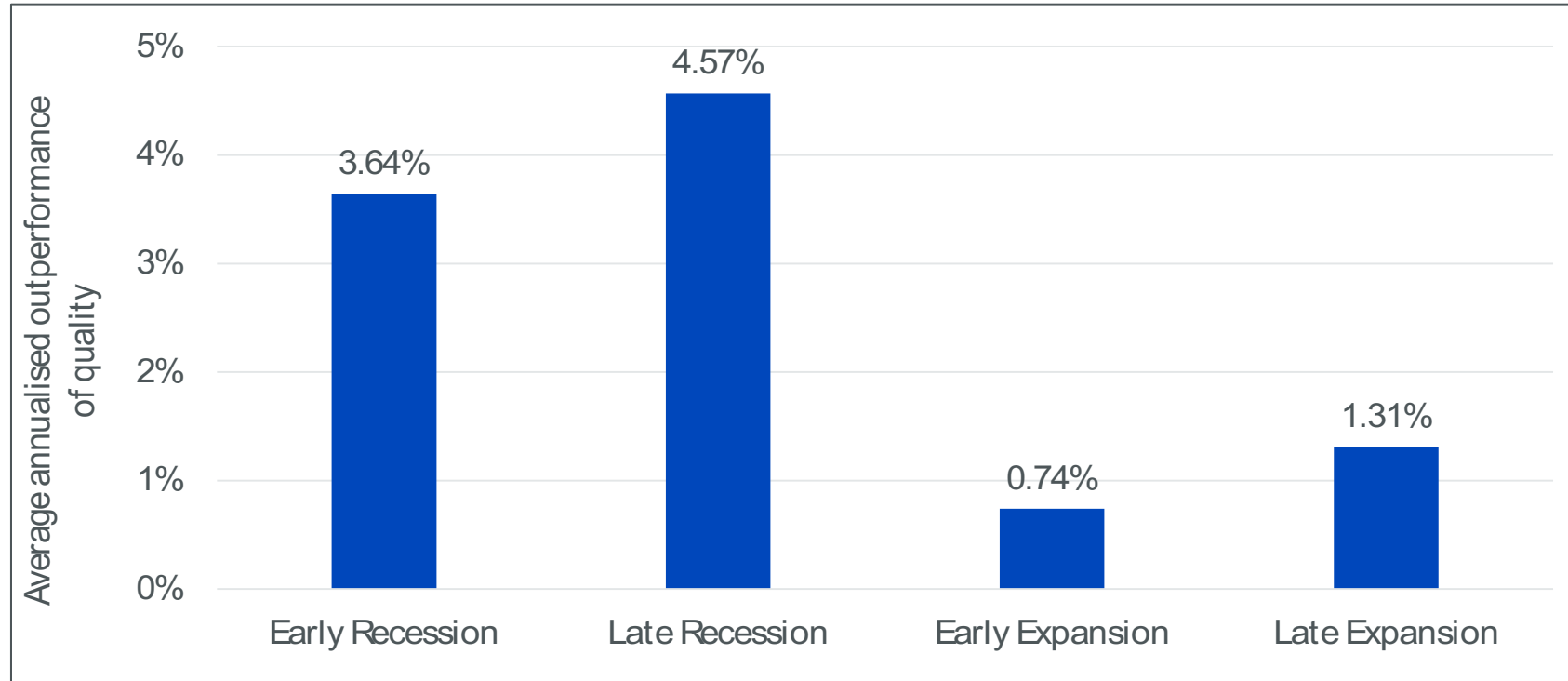
2. Investors will likely prepare to navigate more volatility

A soft landing?



Source: Bloomberg, National Bureau of Economic Research, WisdomTree as of 30 November 2022. OECD stands for Organisation for Economic Co-operation and Development. **Historical performance is not an indication of future performance and any investments may go down in value.**

Quality tends to outperform across the business cycle and does well early in the recession

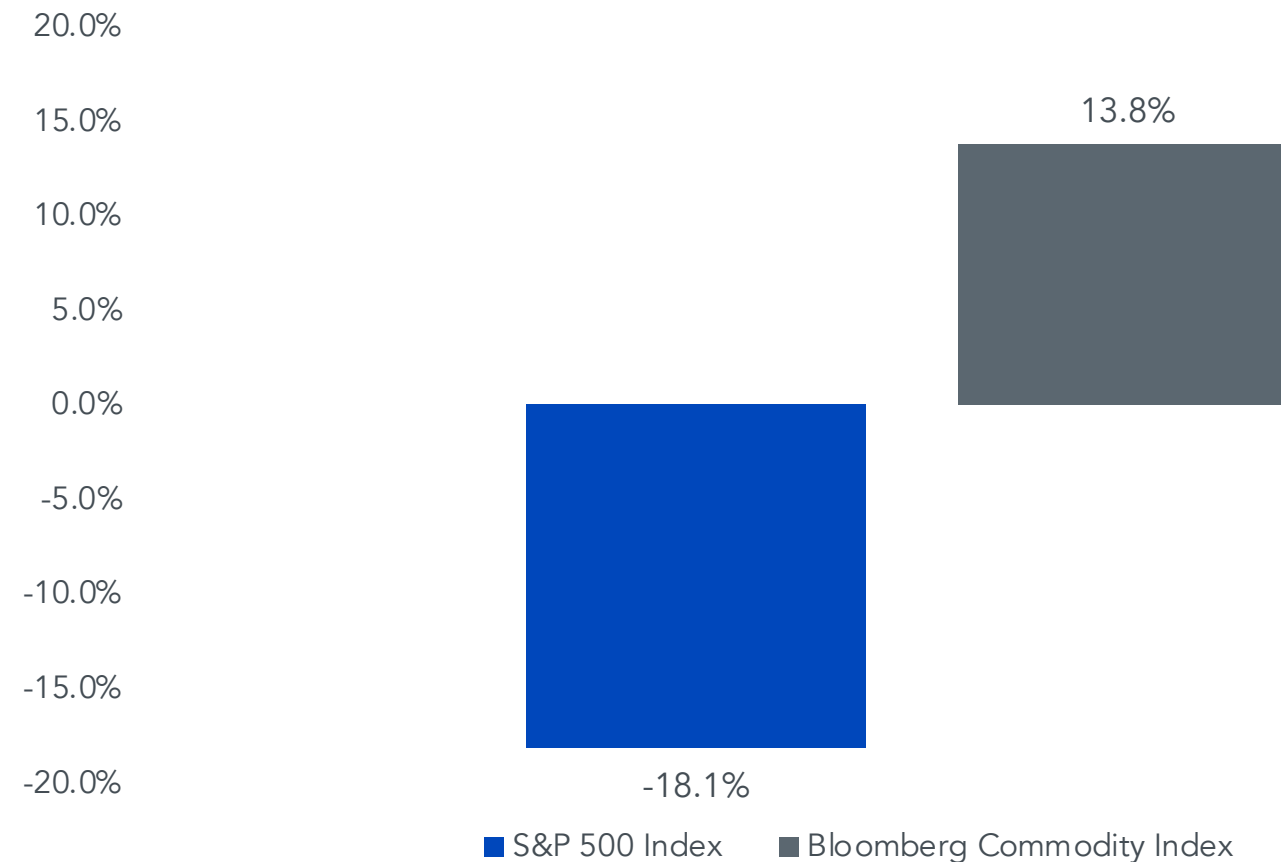


Source: Kenneth French data library. July 1963 to November 2022. Data is calculated at a monthly frequency. Stocks are selected to be above the median market cap, with 'Quality' representing the top 30% by operating profitability. The portfolios are rebalanced yearly at the end of June. The market represents the portfolio of all available publicly listed stocks in the United States. All returns are in USD. Operating profitability for year t is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year-end in $t-1$. You cannot invest in an index. **Historical performance is not an indication of future performance and any investments may go down in value.**



3. Investors will closely monitor the commodity
supercycle

The credentials of commodities as diversifiers were on full display in 2022

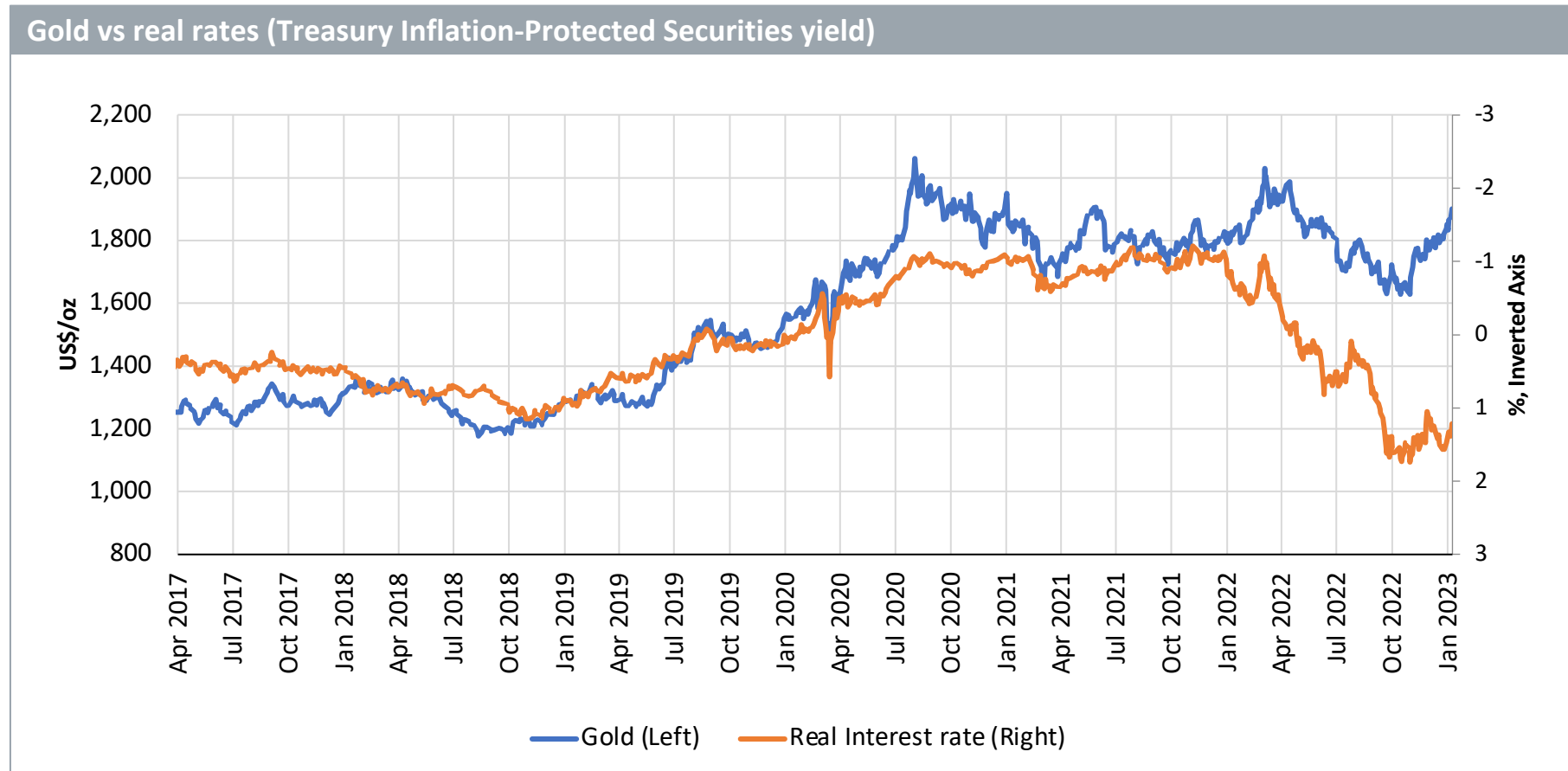


Source: Bloomberg. Returns shown for the period 2022. Total return indices used. **Historical performance is not an indication of future performance and any investments may go down in value.**



4. Gold could be in fashion again

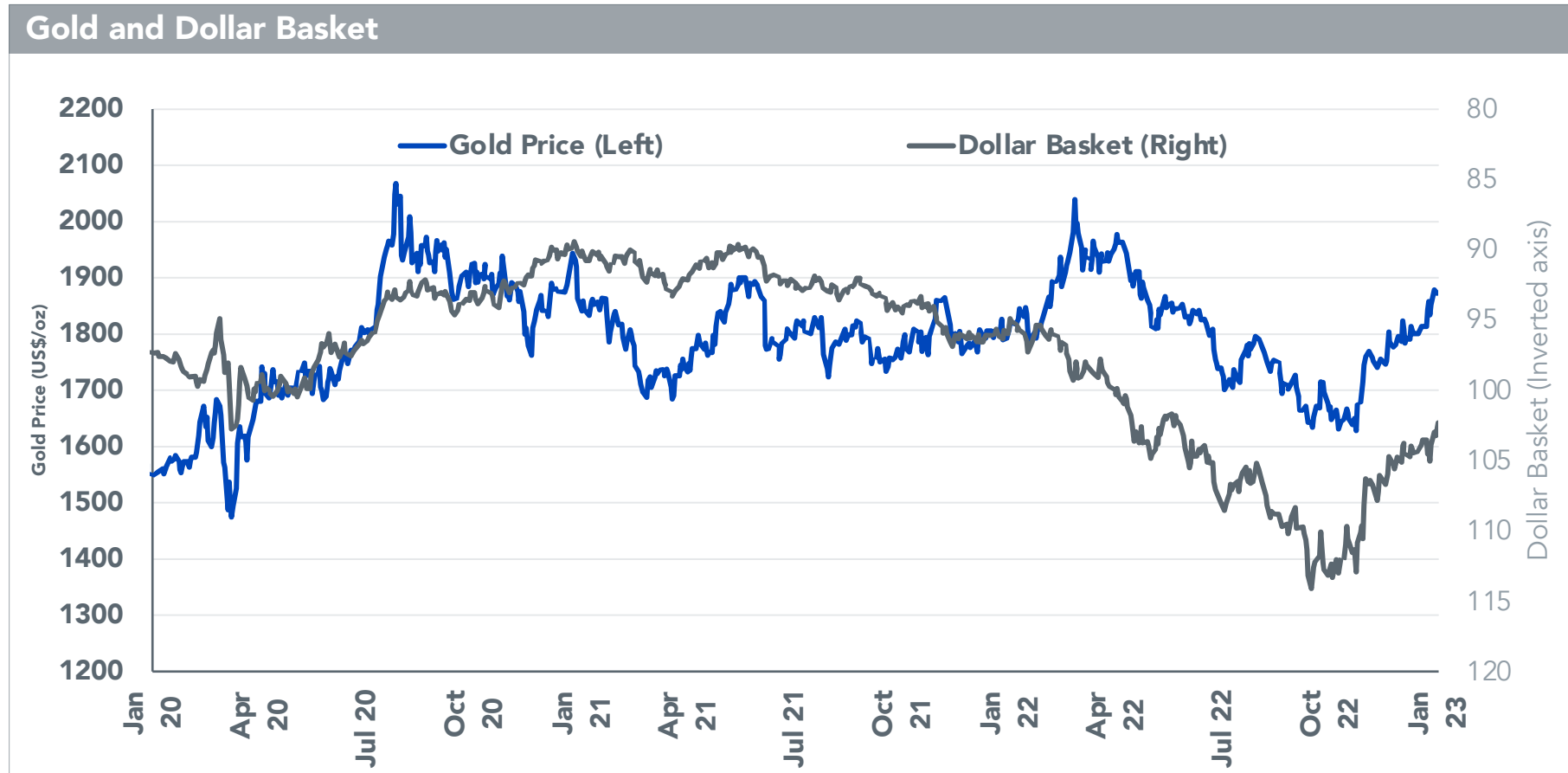
Falling real rates are supportive for gold



Source: WisdomTree, Bloomberg. 01 April 2017 – 12 January 2023.

Historical performance is not an indication of future performance and any investments may go down in value.

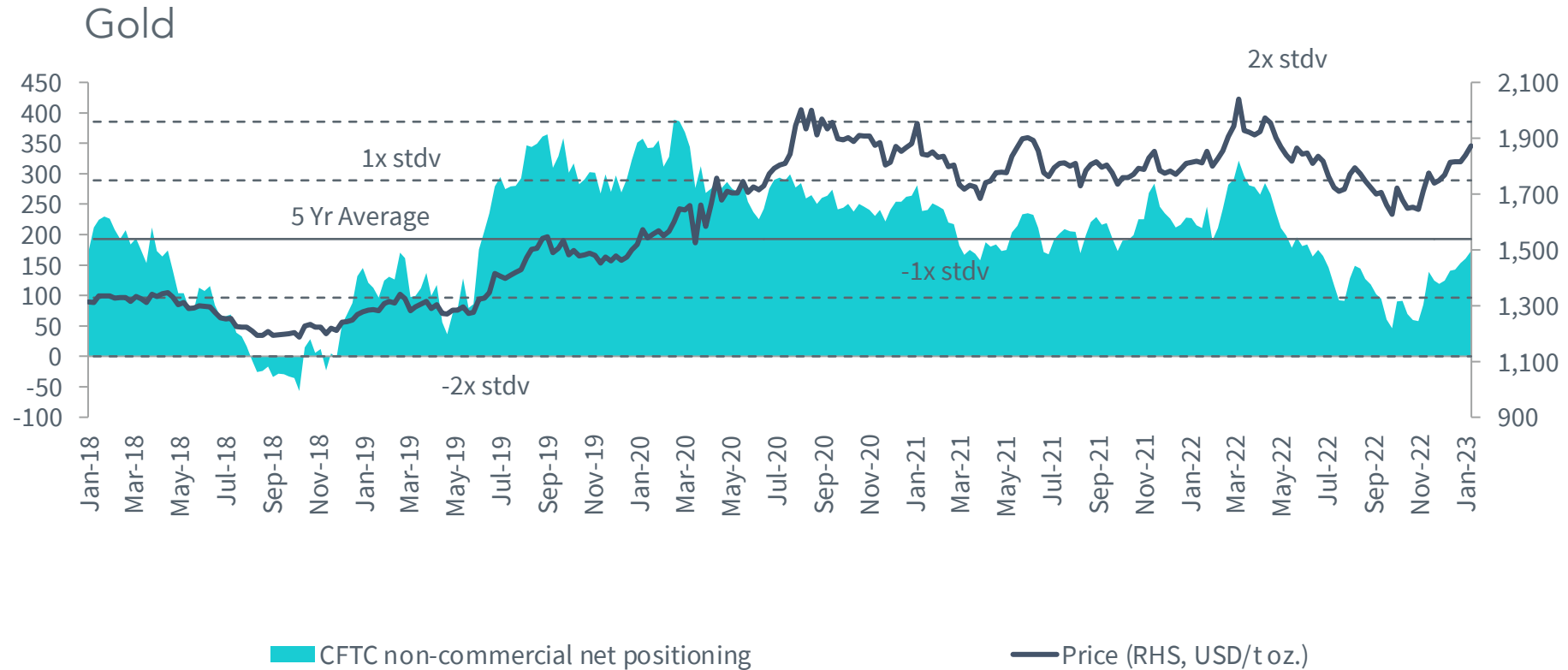
Depreciating dollar is supportive for gold



Source: WisdomTree, Bloomberg. 01 January 2020 – 12 January 2023.

Historical performance is not an indication of future performance and any investments may go down in value.

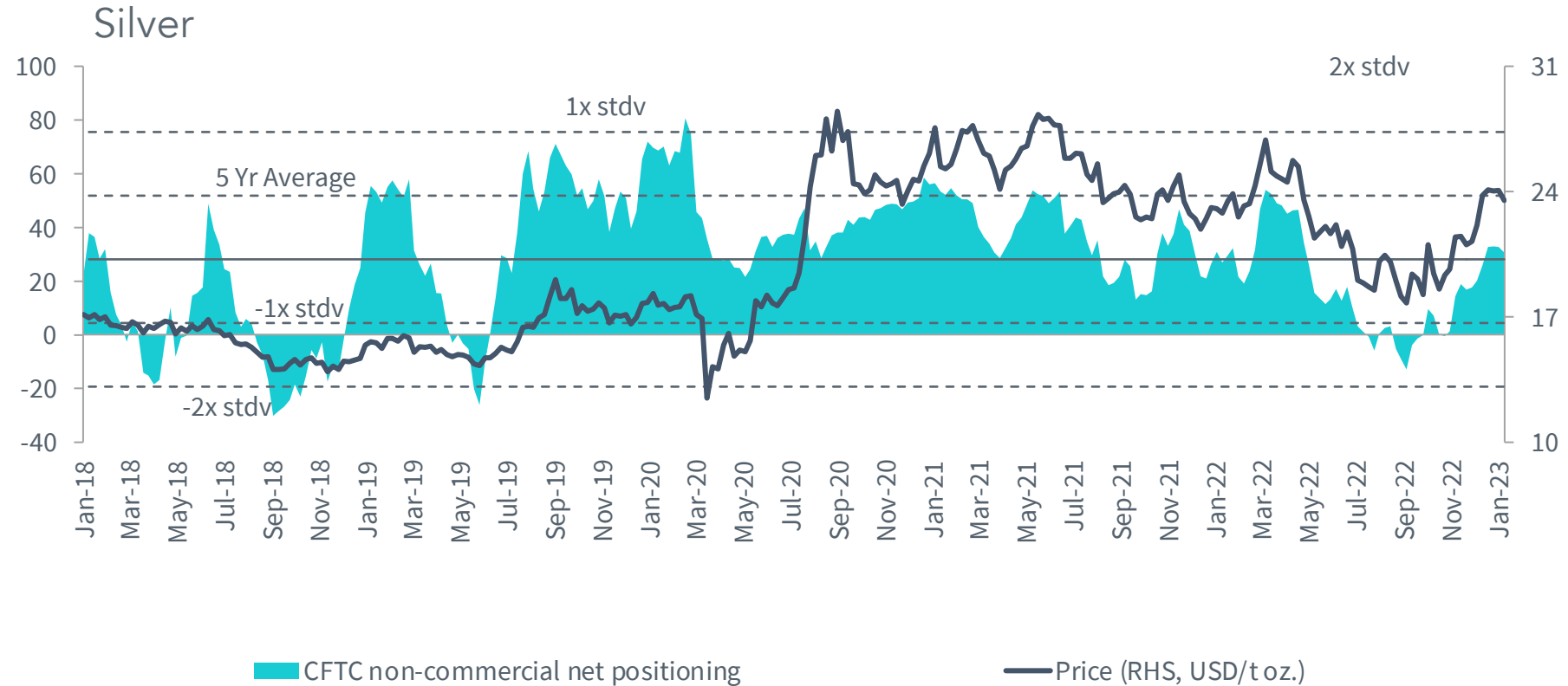
A notable shift in sentiment for gold



Source: WisdomTree, Bloomberg as of 13 January 2023. Stdv is standard deviation.

Historical performance is not an indication of future performance and any investments may go down in value.

The silver lining

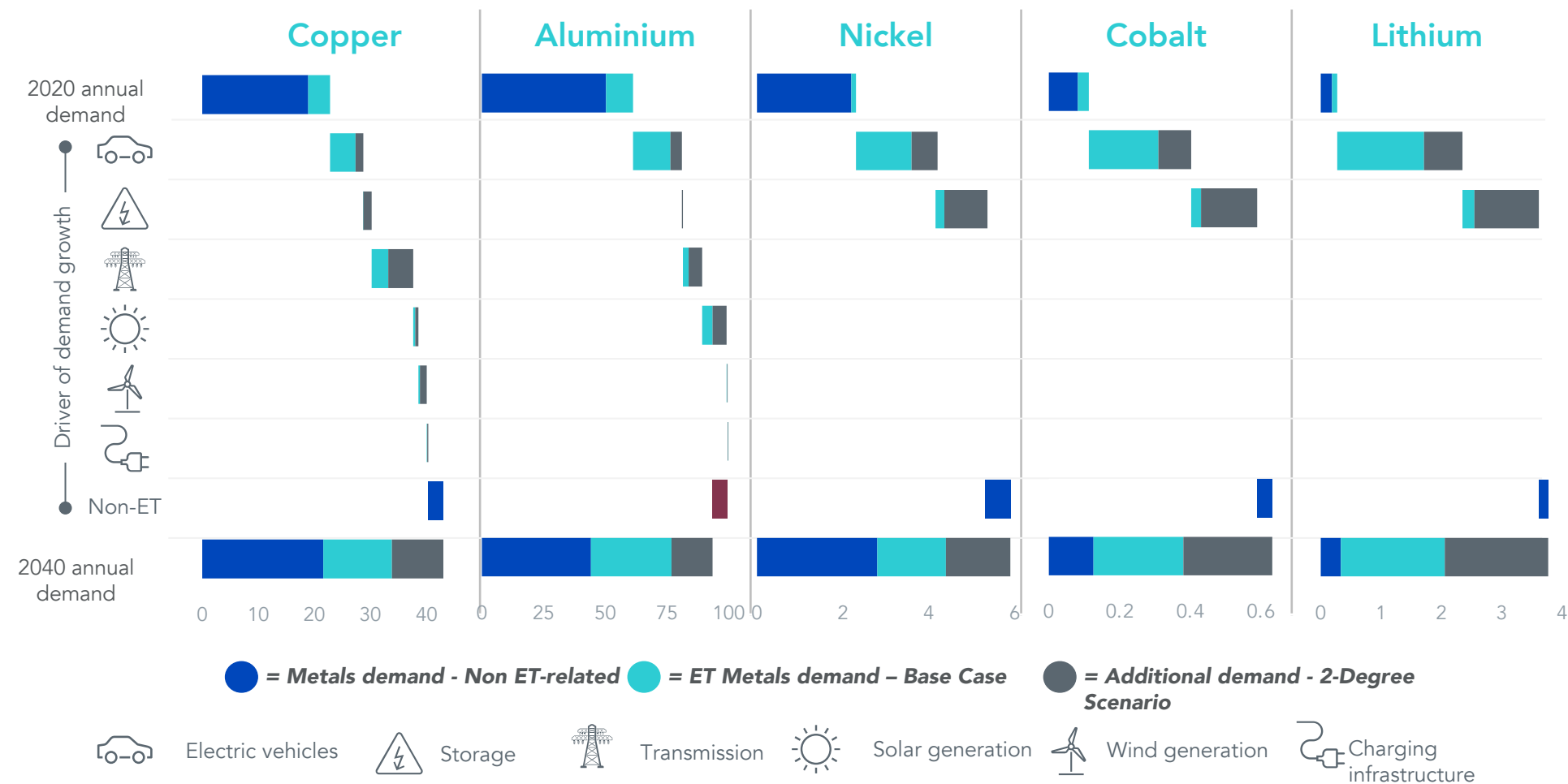


Source: WisdomTree, Bloomberg as of 13 January 2023. Stdv is standard deviation.
Historical performance is not an indication of future performance and any investments may go down in value.



5. Demand for industrial metals could rise

The Energy Transition could be the largest driver of metal demand



Source: Wood Mackenzie, 2022. ET = energy transition. Data presented in Millions of Tonnes. Non –ET demand growth for aluminium in 2040 expected to be negative (represented in red). Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.

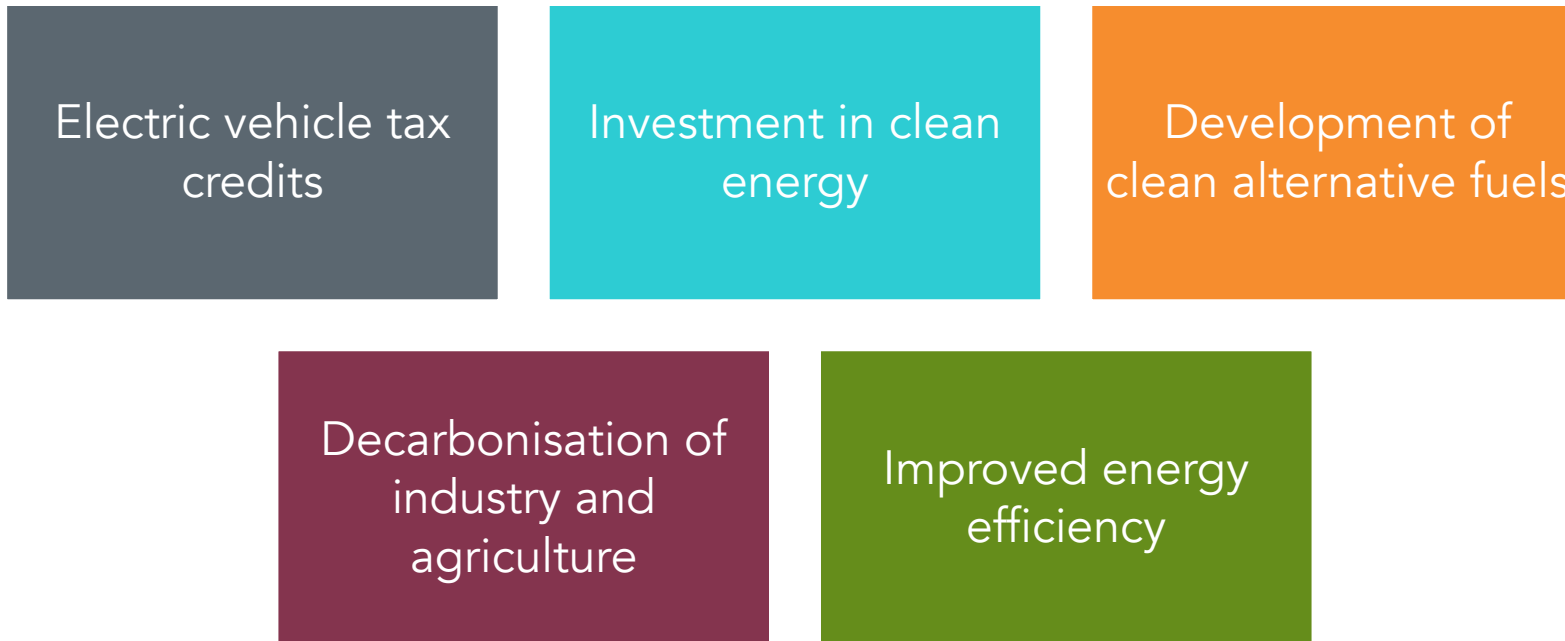


6. Investment in the energy transition will accelerate

The single biggest climate investment in US history

The US 'Inflation Reduction Act 2022' aims for 40% emissions reduction by 2040

\$369bn committed to climate change:



Source: Democrats.senate.gov, 2022.

For the energy transition to be successful, we need to invest in all promising solutions



Renewable
s

Biofuels

Batteries

Recycling

Green
hydrogen

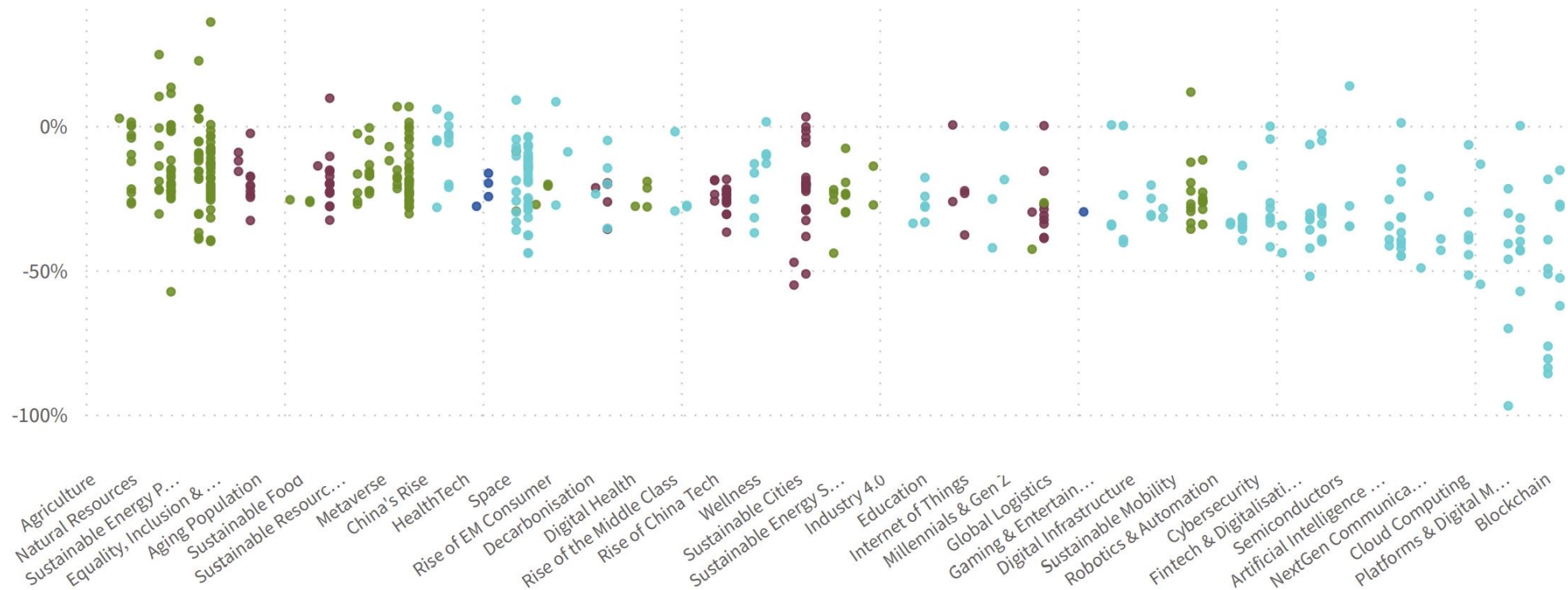
Carbon
capture

Source: WisdomTree, 2023.



7. A greater focus will be on execution

Dispersion of 2022 performance of all ETFs and mutual funds by themes in Europe



Source: WisdomTree, Morningstar, Bloomberg. All data as of 31st December 2022 and based on WisdomTree's internal classification of thematic funds. Performance is based on monthly returns from Bloomberg and Morningstar. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Questions

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