Theia Insights

Theia Insights Thematic Factor Model

Dynamic and fine-grained thematic factors for global equity, powered by Theia Insights' knowledge graph
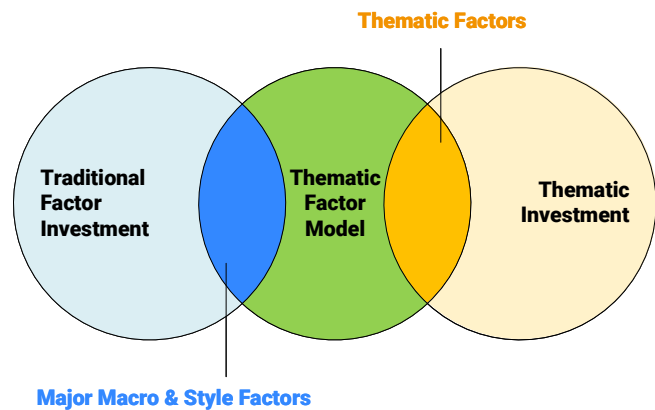
Background

- Due to **disruptive innovations** and unprecedented technological advancements, the investment landscape is ever more rapidly evolving. Investors must therefore incorporate more **forward-looking thematic perspectives** into their portfolio construction and risk management.

- Factor risk models attribute stock returns to statistical risk factors and quantify each stock's sensitivity to these factors to enable risk management and guide investment decisions.

- Current major players in Factor Risk Models are based on **traditional industry classification**. While they leverage over-sophisticated macroeconomic and style factors, they use coarse industry factors and **no thematic factors**.

- The limitations restrict their capacity to accurately reflect **real-world industry** and **theme dynamics**, hindering the discovery of emerging **investable opportunities**.

Key Features

- **Granularity**: Evaluate risks factors for portfolios and single stocks in detail.

- **Supported by TIIC**: Combine with Theia Insights Industry Classification (TIIC) to see "**who does what by how much**".

- **Extensive coverage**: Global equity factor model with macroeconomic, major style & over 200 thematic factors.

- **Time-Zone Overlapping Framework**: Harness insights from stock markets across time zones.

- **One-to-many mapping**: Each company can have more than one thematic factor if exposed to multiple industry themes.

- **High updating frequency**: Sensitivity measures for all factors calculated daily.

- **Thematic story-telling**: Provide forward-looking thematic insights and narratives into portfolio performance and risk analysis.

Theia Thematic Factor Model

Theia Thematic Factor Model provides granular and dynamic industry and theme analysis with over **200 thematic factors**, enabling targeted risk management, stock selection and attribution, unmatched by traditional factor models.
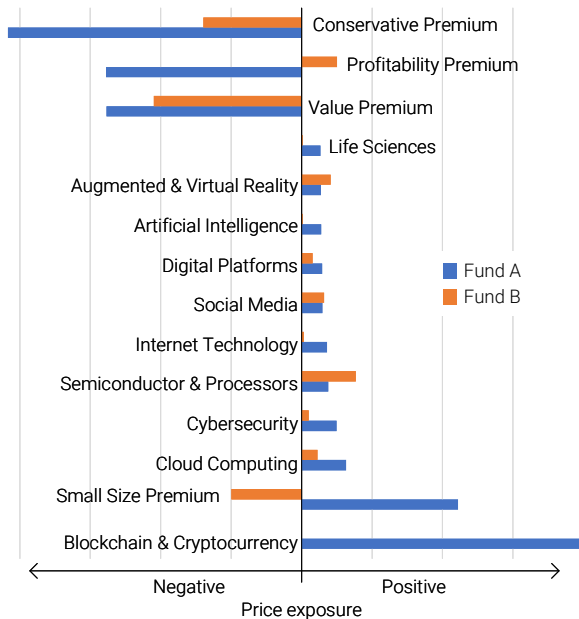

▲ Theia Insights Thematic Factor Model combines the strengths from both traditional factor investment and thematic investment, which deepens understanding of the underlying drivers of alpha generation and risk.

▼ Example exposures for American Express (AXP) on 12 Sept 2023. Theia Insights Thematic Factor Model shows that AXP is more sensitive to the Travel theme than Banking.
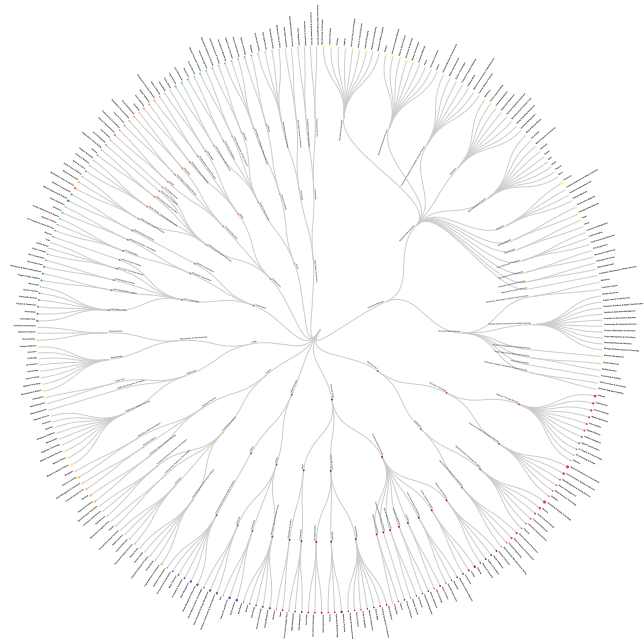
	Factor	Price Sensitivity
Major Macro & Style Factors	Market Factor	159.31
	Small Size Premium	8.09
	Value Premium	77.88
	Profitability Premium	−15.07
	Conservative Premium	−22.07
Selected Thematic Factors	Travel	53.56
	Banking	16.49
	Finance & Lending	10.05
	Marketing	18.21

Use Cases

- **Active Management and Alpha Generation**: Develop active strategies on emerging, rising or declining themes, theme rotation, theme ripple or other alpha strategies.

- **Thematic Investing**: Identify companies with significant price exposures to industry and ESG themes.

- **Portfolio Construction and Optimization**: Construct portfolios & dynamically adjust allocations based on daily sensitivity measures.

- **Return Attribution and Benchmarking**: Explain portfolio performance to specific thematic factors. Benchmark thematic composition and risk profiles against competitors or indexes.

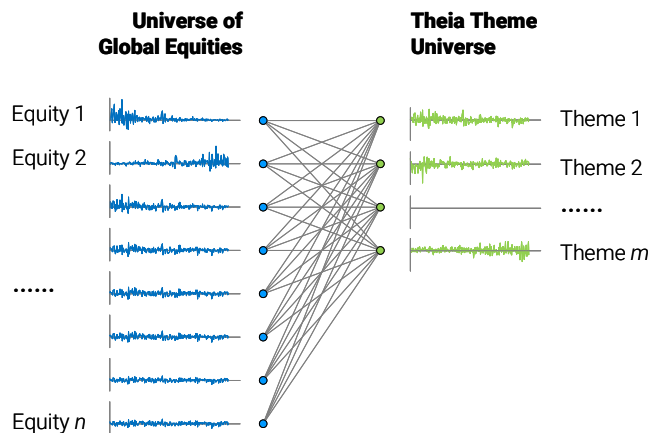- **Risk Management**: Perform granular risk analysis at both portfolio and stock levels.

▲ Theia Insights' dynamic knowledge graph powers Theia Insights Thematic Factor Model. The knowledge graph shows the top 4 levels of TIIC structure. Driven constantly by new raw data, TIIC is self-learning and ever-evolving.

▼ Theia Insights Thematic Factor Model provides fine-grained, forward-looking and dynamic thematic factors for the universe of global equities. Theia Insights Thematic Factor Model is designed to reveal hidden investable opportunities and uncover previously unseen risks.

▲ Compare price exposures of Fund A vs Fund B. Results are generated using Theia Insights Thematic Factor Model.

No man is an island, entire of itself;
Every man is a piece of the continent, a part of the main.
- John Donne

About **Theia Insights**

Theia Insights is a deep tech company building future-proof AI solutions in Industry Classifications, Thematic Risk Models, and Portfolio Analysis — the foundational technologies for the global investment community.

To learn more, please visit https://www.theiainsights.com, or email hello@theiainsights.com.