

# TalkingPoints

## Mapping the Growing Thematics Landscape with Indices























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### 1. How does S&P Dow Jones Indices (S&P DJI) define thematics?

Thematics encompasses trends that are anticipated to unfold over the long term — though definitions can vary and evolve. As an independent index provider, S&P DJI’s role extends beyond measuring markets, and we aim to offer a breadth of choices to investors. Our definition of thematics is comprehensive, embracing both niche topics and broad concepts across the thematic landscape. From drone technology to the larger clean energy value chain, we offer a wide range of thematic solutions. We focus on identifying themes poised to drive growth and investment opportunities across financial markets, spanning various domains such as innovative technology, sustainability, healthcare and demographics. Many of these themes are anticipated to catalyze significant transformation or disruption across their respective sectors.

### S&P DJI Thematic Indices: Performance Snapshot

<b>S&amp;P Global Semiconductor Index</b>  YTD: 12.3% 5Y: 30.1%	<b>S&amp;P Listed Private Equity Index</b>  YTD: 4.3% 5Y: 16.1%	<b>S&amp;P Global Clean Energy Index</b>  YTD: -14.9% 5Y: 15.1%	<b>S&amp;P India Tech Index</b>  YTD: 1.4% 5Y: 14.3%	<b>S&amp;P Global Luxury Index</b>  YTD: -1.7% 5Y: 14.2%
<b>S&amp;P Kensho Global Space Index</b>  YTD: 1.0% 5Y: 13.1%	<b>S&amp;P Global Water Index</b>  YTD: 3.8% 5Y: 13.1%	<b>S&amp;P Kensho New Economies Composite Index</b>  YTD: -4.5% 5Y: 12.9%	<b>S&amp;P Commodity Producers Oil &amp; Gas Exploration &amp; Production Index</b>  YTD: 11.3% 5Y: 12.4%	<b>S&amp;P Kensho Robotics Index</b>  YTD: -3.6% 5Y: 12.3%
<b>Dow Jones U.S. Select Medical Equipment Index</b>  YTD: 2.0% 5Y: 10.7%	<b>S&amp;P Global Natural Resources</b>  YTD: 1.9% 5Y: 10.4%	<b>Dow Jones Internet Composite</b>  YTD: 4.7% 5Y: 10.4%	<b>S&amp;P Commodity Producers Gold Index</b>  YTD: 7.6% 5Y: 9.8%	<b>S&amp;P Commodity Producers Agribusiness Index</b>  YTD: -0.5% 5Y: 8.5%
<b>DJ Brookfield Global Green Infrastructure Index</b>  YTD: -8.0% 5Y: 8.1%	<b>S&amp;P Global Infrastructure Index</b>  YTD: 0.5% 5Y: 6.5%	<b>S&amp;P Kensho Global Digital Health Index</b>  YTD: -5.9% 5Y: 4.9%	<b>S&amp;P Kensho Global Hydrogen Economy Index*</b>  YTD: -3.6%	<b>S&amp;P Global Essential Metals Producers Index*</b>  YTD: 7.7%

Source: S&P Dow Jones Indices LLC. Year-to-date data as of April 30, 2024. Five-year data as of Dec. 28, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.  
\* These indices were launched in 2023 and do not yet have a five-year track record.

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## 2. What is the next phase of indexing thematics, and what's driving innovation and growth in this space?

Historically, thematic investing has primarily been the domain of active management, owing to its unique characteristics. This is because effectively navigating thematic exposures requires identifying and defining emerging trends, as well as understanding the intricate value chains associated with these themes, which often extend beyond traditional business hierarchies. There is also the need for agility to adapt as themes evolve over time.

Fortunately, thanks to recent advancements, the indexing toolkit has greatly expanded, providing S&P DJI with access to vast specialist datasets and cutting-edge technologies like artificial intelligence (AI). These resources enable us to develop thematic index solutions that better address investor needs. Moreover, within S&P Global, we benefit from a wealth of expert knowledge across diverse domains such as sustainability, commodities, and mobility. Leveraging this expertise, we have been able to create indices that seamlessly blend superior insights with rules-based portfolio construction and independent administration, offering thematic purity.

We believe that this combination of data, technology and expert knowledge will continue to propel the growth of thematic indexing and contribute to democratizing thematic investing, making it more accessible and impactful for market participants.

## 3. How do you spot an emerging megatrend, and where do geopolitics fit in?

As part of the thematic product team, our focus is on creating ideas and developing concepts that resonate with the marketplace. This process is not only driven by thorough research and analysis conducted by our team, but also by actively listening to the needs of our clients and end users. At S&P DJI, we categorize our offerings into four distinct areas that represent commonly recognized megatrends: innovative technology, environment & real assets, healthcare & wellness, and society & demographics. Our [S&P Global Kensho New Economy Indices](#) are an example of innovation-centric index solutions we offer.

Various factors are considered when identifying a megatrend, and we constantly review them to ensure they align with investor needs. The influence of geopolitics can have an effect over the short term. For instance, we've observed the Russian-Ukraine conflict drive prices of agriculture-related companies in the short to medium term. However, its medium term effects, such as increased inflation and interest rates, have had broader impacts on thematic trends globally.

## 4. What is the process when creating a thematic index?

We utilize a standardized framework for the creation of most thematic indices, although the specifics of each step may vary depending on the index being developed. Some thematic concepts are more straightforward to create than others. Once we've identified a theme, the first crucial step is establishing its scope. This involves defining which aspects of the theme to encompass — a process that may involve some degree of subjectivity. Once the scope is finalized, we proceed to determine the most suitable approach for constructing the index. This stage entails assessing various datasets to select the most relevant companies that accurately represent the theme. Additionally, we may leverage advanced methodologies such as natural language processing (NLP) to identify companies pertinent to the theme. The final phase is index construction, where we define features such as weighting schemes and set liquidity thresholds to ensure the index's efficacy for market participants.

## 5. What are some of the key index innovations that you've seen in recent years?

The indexing toolkit has seen significant enhancements in recent years, particularly in the realm of thematic solutions. The availability of new datasets and advanced technology has expanded our capabilities far beyond what was possible two decades ago. We now have access to a vast array of datasets ranging from established classifications to highly specialized ones. We are also leveraging data and expertise from within S&P Global, such as S&P Global Commodity Insights and S&P Global Mobility, as we continue to develop innovative thematic solutions.

Artificial intelligence, including NLP and machine learning (ML), has also played a pivotal role in our advancements. Our NLP platform, S&P DJI Global Kensho Indexing Solutions, enables us to harness these technologies effectively by introducing greater transparency and reducing subjectivity in the creation of thematic indices. By enhancing the accuracy and relevance of our indices, we're able to make thematic solutions more accessible and inclusive.

## 6. How does NLP play a part?

The integration of NLP in index creation has revolutionized the analysis of unstructured text data, enabling a more efficient approach. Consider the traditional method of analysts manually sifting through extensive filings and reports to gain insight into a company's products and services. Replicating this process for hundreds or thousands of companies would be cumbersome and prone to human error. However, the advent of NLP technology has transformed this task. By leveraging continuously refined industry models, NLP links companies to specific themes, streamlining the analysis process.

We harness S&P DJI's NLP platform, S&P DJI Global Kensho Indexing Solutions, in conjunction with analyst oversight, to develop innovative solutions. Additionally, our series of S&P Kensho indices — the S&P Kensho New Economies — demonstrate the value of NLP in identifying companies' involvement in emerging areas that may not be readily identifiable through revenue-based screening.

## 7. What's the role of indices in the energy transition?

Thematic indices play a vital role for investors navigating the transition to a low-carbon economy, encompassing not just renewable energy and clean technology firms, but also those involved in mining metals that are critical for successful energy transition.

For example, the widely recognized [S&P Global Clean Energy Index](#) features companies actively engaged in renewable energy generation and clean technology innovation. Similarly, the [S&P Global Essential Metals Producers Index](#) includes companies involved in extracting and producing critical materials like lithium, cobalt and rare earth elements essential for driving the energy transition. For broader climate-related exposures, our [S&P PACT™ Indices](#) (S&P Paris-Aligned & Climate Transition Indices) are compatible with a 1.5°C global warming scenario and other climate-themed objectives.

Investing in products tracking thematic indices provides investors with transparent access to a diverse range of companies driving the energy transition. These indices serve as performance benchmarks, enabling investors to evaluate the effectiveness of their sustainability related strategies and make informed investment decisions. In essence, thematic indices may not only support environmental objectives but also offer opportunities for long-term growth in companies pivotal to advancing the global energy transition.

## 8. How do indices track the alternatives space?

Depending on how we define alternatives, as an index provider, S&P DJI actively tracks this space in various ways and is expanding into benchmarking private assets. S&P DJI has collaborated with [Cambridge Associates](#) to develop high-quality aggregate fund-level benchmarks covering private equity, venture capital, real estate and private credit. These benchmarks draw data directly from fund managers' quarterly financial statements.

We have a long history of tracking listed companies in these segments through indices such as the S&P Global Listed Private Equity Index and the [Dow Jones Brookfield Infrastructure Indices](#), [S&P Global Infrastructure Indices](#) and [S&P Real Estate Indices](#). Our coverage of commodities is also extensive, notably with the leading broad commodity benchmark the [S&P GSCI®](#).

Additionally, we have indices that monitor the most well-established digital currencies like Bitcoin and Ether, as well as over 250 other coins in our [S&P Cryptocurrency Broad Digital Market Index](#).

**Explore** S&P DJI's thematic indices.

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