TEN THEMES FOR 2021

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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 on Wharton Business Radio · Behind The Markets Podcast: John Davi

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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.