

BEST ETFs & MUTUAL FUNDS

Strategas' Bohnsack Taps Themes With ETFs

Research firm pursues ever-changing trends with family of funds

Q&A

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For Nicholas Bohnsack, CEO and co-founder of Strategas Asset Management, it's natural to package research from sister company Strategas Securities into an ETF. That gives retail investors access to some of the best ETFs otherwise only available to institutions.

With two ETFs under its belt for Strategas, Bohnsack says it's just the beginning. The New York-based firm has two more funds in the works. And it doesn't plan to stop there, he says.

Bohnsack founded SAM in 2014 with co-founder Jason DeSena Trennert, chief investment officer. Prior to that, together with Don Rissmiller (chief economist) they also created Strategas Securities, an institutional brokerage and advisory firm, in 2006.

Strategas Securities grew to become a well-known macro research firm. It focuses on a variety of macro themes such as economy, policy, artificial intelligence and investment strategy. Also, supply chains and health care innovation.

So it was a logical step to create ETFs based on that expertise. But instead of focusing on just one theme for an ETF, the founders decided to combine and rotate themes. They wanted to take advantage of the best developments in the markets.

"One of the interesting fea-

tures of the thematic ETF market is that they're almost all monolith," said Bohnsack. That means that "the ETF is really following one particular theme. "So we thought the value proposition in the marketplace was to introduce a concept that we refer to as 'thematic rotation.' "

So, Strategas' funds have exposures to three to five themes at a time, "that we could rotate through as the business cycle evolves and devolves," he added.

In early 2022, SAM launched two ETFs that have grown to a combined \$100 million in assets: Strategas Macro Thematic Opportunities ETF (SAMT) and Strategas Global Policy Opportunities ETF (SAGP).

Bohnsack spoke with IBD on the features of both funds, the company and its economic outlook.

Investor's Business Daily:

How was the firm created and with what purpose?

Nicholas Bohnsack: Strategas Asset Management (SAM) was founded in 2014 in response to client demand to invest alongside our Strategas Securities top-ranked macro research.

Today SAM manages a suite of seven thematic managed strategies and tactical global asset allocation portfolios based on the firm's research. In 2018 Strategas was acquired by Baird Financial Group. Strategas is run independently from Baird (as a separate broker-dealer and separate RIA).

IBD: What kind of clients does the firm cater to?

Bohnsack: The firm's investors include institutions, wealth management firms, family offices and financial advisors.

IBD: How much in assets under management does Strategas



Strategas Asset Management CEO Nicholas Bohnsack is bringing trend research on economic development to investors using a family of ETFs.

currently have?

Bohnsack: The firm's assets under management (figure) was about \$675 million as of May 2023.

IBD: Your company provides a variety of equity and fixed income strategies — why did you launch ETFs as well?

Bohnsack: Strategas' research is focused on thematic investing. Recognizing both the tax

efficiency and their ease of use, the firm launched two ETFs — the Strategas Macro Thematic Opportunities ETF (SAMT) and the Strategas Global Policy Opportunities ETF (SAGP) — to leverage the concept of "thematic rotation."

Our ETFs are invested in the companies which we believe have the greatest potential to benefit from the macro themes

our research leads us to have the highest conviction in, at any point in time. As the business and political cycles evolve, “thematic rotation” allows our funds to shift with thematic momentum and allows investors to avoid unnecessary trading.

IBD: Please describe your two ETFs.

Bohnsack: The Strategas Global Policy Opportunities Fund combines the firm’s proprietary “lobbying intensity” investment return framework with its recommended asset allocation. The result is a portfolio leveraged to the public policy initiatives viewed as potentially having the greatest positive impact on corporate profits with tactical tilts toward the most favorable asset classes, such as domestic vs. international or large vs. midcaps and small caps.

Strategas considers lobbying a nontraditional and largely unrecognized factor in company analysis. The fund is politically agnostic, with the belief that the selected securities work regardless of which party is in power, creating a natural thematic shift given changes in composition of government.

We are currently invested in four themes in the SAGP ETF: First, health care innovation. Next, defense spending. Third, tax policy and lastly supply chains and manufacturing.

The Strategas Macro Thematic Opportunities Fund leverages the firm’s research-driven approach to employ a “thematic rotation” strategy that invests in its highest conviction event-driven and episodic themes.

After a macro-thematic trend is identified for potential consideration in the fund, the portfolio team uses several analyti-

cal tools – including technical, fundamental, qualitative and quantitative analyses. (It uses them) to identify the security characteristics that it believes are most highly correlated to the macro-thematic trend.

As of June 2023 the fund is invested in five themes: First, Artificial Intelligence. Next, recession protection. Third, cash flow aristocrats. Fourth, de-globalization, and lastly energy security.

IBD: How do the funds differentiate themselves from other, similar best ETFs (if there are any)?

Bohnsack: We are not aware of any other products that use research-driven thematic rotation. With SAMT, most thematic ETFs are single-themed. Our fund rotates through themes as the business cycle evolves and themes gain or lose thematic momentum. And SAGP is a policy-based strategy. Most ETFs in the policy space are politically based. SAGP is politically agnostic. The fund’s thematic exposures are chosen to take advantage of the current composition of government, regardless of which party is in power.

IBD: Do you plan on launching other ETFs in the future?

Bohnsack: Yes. Two additional funds based on Strategas research are in development.

IBD: What is your economic outlook?

Bohnsack: Strategas places the odds of the U.S. heading into a recession at about 75% within the next year. If history is a guide, the stock market has never bottomed before a recession. Ultimately, we believe a simple framework is useful to gauge the durability of any signs of nascent economic reacceleration, and the concomitant market advance carries the day.



Strategas Global Policy Opportunities considers government spending.

First (we look at whether) inflation and the volatility of inflation expectations (have) been arrested back to a level acceptable to both investors and policymakers. Currently the Fed seems intent on raising rates further after a pause at their June meeting. This is similar to Canada and Australia who recently restarted their rate hiking campaigns after a pause.

Next, (have) valuations reset to levels historically commensurate with both the higher prevailing level of interest rates and intense pressure on margins? Currently they have not. As interest rates have continued to move higher, so too have equity prices. At the same time the consensus outlook for corporate profits remains optimistic.

Lastly (we evaluate) if organic drivers of growth emerged durable enough and capable of generating the required returns to call capital from both corporate operators and investors. Artificial intelligence has interesting potential, and is a theme in

SAMT. But is AI enough to keep the economy out of recession? We have our doubts.

From a portfolio perspective we believe tactical shifts toward an increasingly defensive position are prudent to best inoculate capital from the weaker macro conditions. Within equities we maintain above-benchmark allocations to international equities vs. domestic, value vs. growth and large vs. small though AI has the potential to support growth pockets and small caps.

IBD: What advice would you give investors today?

Bohnsack: Respect the tape but be wary of historical precedence. The market has never bottomed before a recession. So caution is warranted despite performance of the narrow equity market to date this year. Environments like we believe we’re in now underscore the importance of sticking to a long-term plan but having the flexibility to make important adjustments along the way.

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