

Ageing Population: when a major demographic trend becomes an investment opportunity

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At Generali Investments we believe it is important to focus on relevant structural trends and investment themes, presenting a growth potential that is largely driven by real economy factors.

Two years ago, the Generali Investments SICAV (GIS) SRI Ageing Population sub-fund has been launched, combining our proprietary SRI (social & responsible investing) framework with the long term demographic theme of the ageing population trend.

Indeed, by 2040, the worldwide population aged 60+ is expected to more than double, reaching almost 2 billion people (a growth of +2.5% annually over the period).

An ageing population is undoubtedly a huge challenge for societies but it also represents an enormous market and investment opportunity as seniors – the “Grey power” – hold an increasing proportion of global revenues.

Longevity, as an investment theme, presents clear opportunities for companies well positioned to benefit from this structural demographic and economic change. Indeed, over the coming years, ageing population related market segments such as oncology¹ (+8.8%), anti-agers¹ (+6.9%), global pensions & savings assets (+6%) or even dental implants (+8.2%) are expected to show a higher and less volatile growth respective to that of the overall economy.

To capture those opportunities, we decided to focus on 3 thematic investment pillars (with their sub-segments).

HEALTHCARE

Valuations became attractive after a difficult 2016 impacted by investors’ concerns about pricing pressure and uncertainties around the US Presidential election.

2017 was quite different: pharmaceutical companies have in their pipeline – as well as in their ongoing clinical trials – drugs which, in our view, will support positive earnings growth over the coming years.

In addition, the Healthcare sector also comprises companies specialised in Medical Equipment and Services – dental implants, hearing aids or diagnostics for instance. Med-Tech players do benefit from



HEALTHCARE

Older people require more solutions and treatments for their medical conditions

Pharma & Biotech
Healthcare Equipment & Services
Scientific Publications



PENSIONS & SAVINGS

Ageing population drives higher demand for life insurance and pension related products

Life & Health Insurance
Asset Gatherers



CONSUMERS

Elderly consumers push demand for specific products & services

Personal Care / Travel & Leisure
Senior Living / Media
Automation, Security & Technology
Supplements & Ingredients
Social Status / Convenience Stores

an ageing population and are less sensitive to concerns over pricing. Furthermore, many European companies within this industry are global leaders thanks to their innovative products, showing an annual growth rate close to +10% and strong profitability levels.

PENSIONS & SAVINGS

An ageing population drives higher demand for life insurance and pensions related products. Indeed, with the gradual retreat of publicly funded retirement systems, individuals increasingly need private pensions’ solutions. Furthermore, companies within this investment pillar do benefit from the increasing interest rates environment. Over the past months, the prospects of stronger economic growth, higher inflation expectations and a shift from monetary to fiscal policy drove interest rates upwards, which is very positive for financial companies’ earnings and valuations.

CONSUMERS

Seniors have specific needs in terms of products and services, whether it is in the leisure sector (cruise operators), safety (retirement homes, alarm systems), or luxury for instance (higher average expenditure per senior person compared to the overall population). This thematic pillar also covers companies catering for the “well-being” of future seniors, so as to prepare for a longer and healthier life.

We are also convinced that using our ESG (environmental, social and governmental) approach in the context of the ageing population theme creates additional value for investors: the mid to long-term approach of Socially Responsible Investing has indeed clear synergies with the demographic shift’s time horizon, as well as with our low-turnover and high conviction investment approach.

Companies with a sustainable development policy and with a sound governance structure are indeed more likely to be rewarded by their customers and to present lower risks for investors. Having a dedicated team of SRI analysts with a proprietary methodology is a real value-add for the fund managers.

At Generali Investments we demonstrated over the past 2 years that combining the ageing population theme with our SRI approach and with the alpha generation from our fund managers made a great deal of sense and delivers a strong over-performance compared to core European equity indices.

FOOTNOTE

1 Expected annualised growth rate, 2016-2020



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