



GENERALI
INVESTMENTS

Generali Investments SICAV (GIS) SRI Ageing Population Fund Transform a major trend into an investment opportunity

May 2020



Olivier Cassé, CFA

Senior Fund Manager,
GIS SRI Ageing Population

19 years of experience

Sycomore AM



Giulia Culot, CIIA/CESGA

Senior Fund Manager,
GIS SRI Ageing Population

10 years of experience

Sycomore AM

What is the investment case supporting the GIS SRI Ageing Population sub-fund?

GIS SRI Ageing Population, launched in 2015, focuses on the ageing of the world's population, a demographic reality and a structural trend, known as a “mega” trend. Indeed, seniors are expected to account for more than one third of Europe's total Population by 2040 and, in Europe and beyond, have generally a higher purchasing power.

As a consequence - and an opportunity - companies increasingly have to meet seniors' needs for new products and services and many sectors stand to gain from this structural shift, be it directly or indirectly, such as:

- **Consumer goods:** older people consume differently from the general population, notably when it comes to leisure activities, home care and support services.
- **Healthcare:** older people are important users of medical treatments and services;
- **Pensions & Savings:** older people possess an important percentage of total wealth, be it through funds, life insurance contracts, retirement schemes etc.

We therefore identified these 3 investment pillars as having the potential to grow at a faster pace than the rest of the world economy over the next few years and we select companies with the most interesting financial and extra-financial profiles within these segments.

Indeed, we also invest responsibly by assessing extra-financial

financial criteria - Environmental, Social and Corporate Governance (ESG) - with the aim to mitigate non-financial risks, while also engaging and supporting the companies with the best practices.

The overall economic picture has dramatically changed since the start of 2020 with the Covid-19 pandemic. To what extent this thematic strategy is being impacted?

The short term impact, over 3 to 6 months, is real, with some companies' valuations have been severely affected over the past few weeks. However, over the longer term, 3 to 5-year horizon, the investment theme should continue to deliver on its promises.

Indeed, the pandemic will have a very marginal impact on the mortality of seniors and, therefore, does not really change the long term demographic reality: this segment of the population is growing and will continue to grow in the future. According to the United Nations, there are today 703 million people aged 65+, a number that is projected to reach 1.5 billion by 2050. Based on its latest population estimates and projections, 1 in 6 people in the world will be over the age 65 by 2050, up from 1 in 11 in 2019¹.

Furthermore, the impact on their consumption habits will be less important in countries with final salary retirement schemes, such as in France or in Italy for instance.

Once the coronavirus crisis will be behind us, the consumption from seniors should also support the economic recovery.

Finally, the equity market sell off in February and March 2020 was brutal and mostly indiscriminate, at least initially. By continuing to focus on selecting, within our ESG compliant universe, “Quality” stocks, with strong balance sheets, relatively low debt levels and the ability to generate cash within our ESG compliant universe, we should benefit from a more resilient portfolio as the markets return to normal.

What were the sectors in your portfolio most affected by the recent downturn and the ones relatively unscathed during this time?

The impacts of the pandemic are very different across our key thematic investment pillars we use to screen and select companies - Healthcare, Pension & Savings and Consumers.

There is indeed a contrasting picture depending on sectors. In the luxury industry for instance, companies indicate that they start seeing a recovery in China, as boutiques gradually reopen. Will this trend be the same for Travel & Leisure industry? The impact of the pandemic on Seniors and their consumption could be more prolonged following the problems encountered by cruise companies and the various confinement measures put in place by governments.

In terms of the positive contribution to the fund’s performance so far this year, Healthcare is, unsurprisingly, doing relatively well, while Pensions & Savings is negatively contributing, notably as wealth and asset managers are seeing their assets under management under pressure due to financial markets’ turmoil.

However, even within the same thematic pillar, such as Healthcare, we witnessed in March some major dispersion of returns, with Sonova posting for instance a negative performance of -24%, on the back of the decisions to delay ear implant procedures and the closure of almost all of its retail stores, while a diagnostics’ provider, such as bioMerieux, was up +23% over the same period, as it launched three different tests to address the COVID-19 pandemic.

This is why we continue to be selective and focused in our approach, looking at the long term drivers, risks and opportunities within each segment before focusing on companies’ cash generation profiles and potential upside valuation.

Illustration – Some current drivers across Healthcare and its sub-categories:

Thematic pillar	Positive Long Term fundamentals	Negative Long term Fundamentals	Stock examples
Healthcare Equipment & Services	Strong growth	Valuation	PHILIPPS
Pharmaceuticals	Pipeline	US prices	ROCHE
Scientific publications	Visibility	« Bond proxy »	RELX

In this new and challenging environment, what has been your focus lately?

Over the course of the past weeks, we carried out an in-depth fundamental analysis focusing on cash-flow generation which led us to sell our holding in Royal Caribbean (cruises). We also reduced our holdings in bioMérieux and Roche - at a profit for the fund - while maintaining strong positions in both Healthcare groups.

We also reinforced some names with quality and growth features - especially in the Healthcare sector - such as Air Liquide, Novo Nordisk, Siemens Healthineers and Sonova - that may benefit from a potential rerating in this uncertain environment.

Obviously, we are closely monitoring the ongoing global fight against COVID-19, its aftermath and the upcoming US presidential elections as these will no doubt be shaping the future of the Healthcare sector for the years to come.

GENERALI INVESTMENTS SICAV SRI AGEING POPULATION

30/04/2020

Fund Manager	Olivier Cassé and Giulia Culot
Management Company and Investment Manager	The Management company is Generali Investments Luxembourg S.A. who appointed Sycomore Asset Management as the investment manager.
AuM	€570.36 mln
ISIN	LU1234787205 (Eur BX Acc.)
Launch of sub-fund	12/10/2015
Internal comparison index	MSCI Europe Net Total Return Index (no official benchmark)
Fund Currency	EUR
Domicile	Luxembourg
Management fees	0.35%
Performance fees	Not applied

	1M	3M	YTD	12M	3Y	5Y	SI
Sub-fund (Eur BX Acc.)	8.23%	-13.76%	-15.30%	-6.52%	0.88%	n/a	18.84%
Comparison index	6.12%	-16.81%	-17.85%	-11.58%	-1.87%	-	5.89%

[To find out more on the strategy](#)
CLICK HERE

www.generali-investments.com

Source: Generali Investments Partners, end of April. Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. No express or implied liability or guarantee is assumed that the future performance will correspond to the performance described above. The value of and income from fund units or sub-fund units ("Units") may fluctuate, rise or fall, so you may have a gain or a loss when the Units are sold. The performance of and income from the Units have to be reduced by costs and taxes. Current performance may be higher or lower than the quoted and no guarantee can be assumed that the investment objectives of the fund/sub-fund will be achieved. GIS SRI Ageing Population is a subfund of Generali Investments SICAV (an investment company qualifying as a "société d'investissement à capital variable" with multiple subfunds under the laws of the Grand Duchy of Luxembourg) managed by Generali Investments Luxembourg S.A. who appointed Sycomore Asset Management as investment manager and Generali Investments Partners S.p.A. Società di gestione del risparmio as coordinator of the marketing activity. The information contained in this document is only for general information on products and services provided by Generali Investments Partners S.p.A. Società di gestione del risparmio. It shall under no circumstance constitute an offer, recommendation or solicitation to subscribe units/shares of undertakings for collective investment in transferable securities or application for an offer of investments services. It is not linked to or it is not intended to be the foundation of any contract or commitment. It shall not be considered as an explicit or implicit recommendation of investment strategy or as investment advice. Before subscribing an offer of investment services, each potential client shall be given every document provided by the regulations in force from time to time, documents to be carefully read by the client before making any investment choice. Generali Investments Partners S.p.A. Società di gestione del risparmio, periodically updating the contents of this document, relieves itself from any responsibility concerning mistakes or omissions and shall not be considered responsible in case of possible damages or losses related to the improper use of the information herein provided. Past performance is not a guarantee of future performance and the subfund presents a risk of loss of capital. No assurance is released with regard to the approximate correspondence of the future performances with the ones above mentioned. It is recommended to look over the regulation, available on our website www.Generali-Investments.com. The client shall carefully read the KIID, which must be delivered before subscribing the investment, and the prospectus which are available on our website: www.generali-investments.com, on Generali Investments Luxembourg S.A. (Management Company of Generali Investments SICAV) website: www.generali-investments.lu, and by distributors. Generali Investments is part of the Generali Group which was established in 1831 in Trieste as Assicurazioni Generali Austro-Italiche. Generali Investments is a commercial brand of Generali Investments Partners S.p.A. Società di gestione del risparmio, Generali Insurance Asset Management S.p.A. Società di gestione del risparmio, Generali Investments Luxembourg S.A. and Generali Investments Holding S.p.A.. © 2020 - Generali Investments Partners S.p.A. Società di gestione del risparmio.