

Golden Years: Investing well and ageing well

October 2021



Olivier Cassé, CFA
Senior Manager,
GIS SRI Ageing Population
20 years of experience
Sycomore AM



Giulia Culot, CIIA/CESGA
Senior Manager,
GIS SRI Ageing Population
11 years of experience
Sycomore AM

Sycomore AM is part of the Multi-Boutique platform of Generali Investments.

As the Generali Investments SICAV (GIS) SRI Ageing Population subfund celebrates its six-year anniversary this October, Giulia Culot and Olivier Cassé, co-fund managers, dive into one of its key investment themes – ageing well, both financially and physically.

Ageing demographics is undoubtedly one of the most disruptive and transformative social phenomena of our century. It is a megatrend that has dominated the global consciousness in the last 18 months, given the pandemic has occurred when the world's population of people aged over 65 is at a record high, having doubled over the last 25 years.

Since the fatality rate from Covid-19 rises sharply with age, this has raised vitally important questions on what the economic response should be to such events, and indeed to other issues related to ageing societies. The greater human cost of pandemics on an older population requires greater investment in medical capacity. It also requires greater investment in improving how societies age – in other words, supporting people to age well, given one of the main challenges is an increase in underlying health conditions as people get older, such as heart disease, cancer, diabetes, and neurological disorders. Having sufficient savings and investing for retirement is another area that the pandemic has thrown sharply into focus.

Given such challenges, it is perhaps unsurprising that this megatrend is often discussed in worried tones and in terms of the financial and social burden on healthcare, the labour force and pensions. What is discussed less often are the growth opportunities that are booming as companies and technologies rise up to meet these challenges.

In the GIS SRI Ageing Population subfund, we have been investing in the theme of 'ageing well' since 2015. The investment process has remained consistent since launch

and we are delighted the subfund is now classified as Article 9 under the Sustainable Finance Disclosure Regulation (SFDR), given it has social objectives at its core. We focus on European companies that offer products and services in response to the emerging needs of ageing societies.

In our view, focusing on solutions that help keep people healthier for longer as they age is crucial if societies are to reap the rewards of the huge increase in life expectancy that we have achieved over the last 100 years. Within the subfund's ageing well investment theme, we focus on two key areas – ageing well physically (sustainable health), and ageing well financially (financial sustainability).

Ageing well physically?

Physical inactivity is the fourth leading risk factor for global mortality, causing 9% of premature mortality worldwide². Physical inactivity is also one of the most important risk factors for chronic diseases globally.

In the latest EU Barometer survey conducted in March 2018, only 7% of people in Europe exercise regularly (at least five times per week), and nearly half (46%) of Europeans never exercise or play sports³. However, there is increasing data emerging that shows the pandemic has caused several key behavioural changes in people's attitude towards keeping fit.

¹Article 9 under the Sustainable Finance Disclosure Regulation (SFDR) means that the sub-fund has sustainable investment as its objective. ²Source: Bu, F., Bone, J.K., Mitchell, J.J. et al. Longitudinal changes in physical activity during and after the first national lockdown due to the COVID-19 pandemic in England. *Sci Rep* 11, 17723 (2021). <https://doi.org/10.1038/s41598-021-97065-1>, September 2021. ³Sport and physical activity - March 2018 - Eurobarometer survey (europa.eu).

Over the course of the pandemic, the number of physically active people worldwide is estimated to have doubled from 10% to 20%⁴, as the understanding that “health is the new wealth” has taken hold.

Meanwhile, population-level data on the frequency of Google searches for terms related to ‘exercise’ compared to ‘television show’ significantly increased in some countries, even after adjusting for increased interest in TV⁵.

Online exercise platforms have blossomed under the extraordinary circumstances of global lockdowns, while home gym manufacturers have been a huge beneficiary of stay-at-home orders. Peloton, the ‘connected fitness’ bike maker, reported Q2 2021 revenues up 128% year-on-year to \$1.06bn⁶. Meanwhile, fitness giant Technogym, one of the subfund’s holdings, saw strong growth in its direct to consumer business, despite Covid-19 closures impacting its business as a supplier to gyms. We expect the consumer business to strengthen and its B2B role to progressively normalise, given the recovery that the company is already witnessing in its order book.

The big question is, can the pandemic-inspired health boom last? While the data is still emerging, we are seeing encouraging signs that the increasing focus on physical health is here to stay. Since the easing of lockdown measures, Gym Group have confirmed they are seeing an increase in gym memberships⁷. This might point to the fact that people are seeking variety in their exercise habits and may want to complement home exercise with the choice, access to personal trainers, and social aspects available at the gym. As with flexible working, it appears flexible fitness may be the new preference.

Gen Z embrace financial fitness

Echoing the increased interest in physical fitness has been the increased focus on financial fitness. Interestingly, the tech-savvy Gen Z are driving this trend, having had a wake-up call during Covid to the extraordinary economic, social, and environmental predicament they find themselves in. This change is clearly noticeable in their financial behaviour. For example, during the pandemic, 16% of 18-24-year-old in the UK began investing for the first time, compared to 10% across other age groups. This trend may be here to stay. Gen Z members embrace saving, with 72% saying they would take £1,000 and put it in the bank, compared with 55% of millennials, according to an HSBC survey. This is perhaps no surprise given that younger adults and the self-employed last year saw the largest increase in financial vulnerability.

Younger generations also seem to be aware that a much larger portion of their retirement income will need to come from savings and investments. Despite the reputation younger investors have for risky investments in cryptocurrencies and the Reddit-inspired GameStop mania earlier this year, they are fueling increased demand for investment advice. These behavioural changes have big impacts for financial services to step up and meet demand for better investment advice and financial planning, and

more innovative technology, particularly for the TikTok generation who have grown up online.

The trend towards greater financial participation should benefit not only fintech companies but more traditional life insurers (such as Prudential, for example, one of the subfund’s holdings) as the necessity for financial planning grows, particularly in emerging markets with rising middle classes such as across Asia, or places like Italy where a large part of savings are still in bank deposits.

An Article 9 fund

We are pleased to say that the GIS SRI Ageing Population subfund is classified Article 9 under SFDR as the subfund has a sustainable investment objective. We seek to invest in companies that offer solutions to the challenges and needs of ageing societies. The social objectives of the subfund are, in fact, health, ageing well, better living and social solutions

In addition, we manage the subfund within a Socially Responsible Investment framework⁸ – Sycomore Asset Management’s proprietary ‘SPICE’ model, which scores companies according to five key stakeholders: Society and Suppliers, People, Investors, Clients, and the Environment. This framework reflects the principle that the value created by a company is only sustainable if it is shared by all of its stakeholders, who ultimately also contributed to value creation.

The subfund offers therefore the opportunity to invest responsibly, focusing on listed European companies in the health, savings and retirement and consumer sectors. These sectors are expected, according to our opinion, to experience higher growth than the rest of the global economy in the coming years, and we continue to believe that they present a significant long-term investment opportunity.

⁴Source: Technogym, September 2021. ⁵Source: Bu, F., Bone, J.K., Mitchell, J.J. et al. Longitudinal changes in physical activity during and after the first national lockdown due to the COVID-19 pandemic in England. *Sci Rep* 11, 17723 (2021). <https://doi.org/10.1038/s41598-021-97065-1>, 2 September 2021.

⁶Source: Financial Times, 23 March 2021, ‘The online at-home fitness boom: can it last?’ ⁷Source: Gym Group H1 2021 results press release, as at 30 June 2021: <https://www.tggplc.com/media/111715/The-Gym-Group-Plc-2021-Interim-Statement.pdf>. ⁸<https://www.generali-investments.com/fr/en/private/esg-and-responsible-investing>

General Informations

Inception date	12 October 2015
Fund managers	Olivier Cassé - Giulia Culot
Investment Policy	The objective is to outperform its Benchmark (the MSCI Europe Net Total Return Index) and provide a long-term capital appreciation through a socially and responsible investment (SRI) process designed to make sustainable investments in listed equities from European companies as those which could most contribute to the long-term demographic trend of the ageing of the population.
Management Company	Generali Investments Luxembourg S.A.
Investment Manager	Sycomore Asset Management
Currency	Euro
Custodian Bank	BNP Paribas Securities Services, Luxembourg Branch
Type of funds	Luxembourg domiciled SICAV (UCITs)
SFDR*	Article 9

*SFDR: Sustainable Finance Disclosure Regulation

	Institutional Investors	Retail Investors
Share Class	B Acc.	D Acc.
Inception date	16 Oct 2015	16 Oct 2015
Management fee	0.75%	1.50%
Ongoing charge	0.92%	1.71%
Subscription fee	Max.5%	Max.5%
Redemption fee	Max 1%	Max 3%
ISIN	LU1234787205	LU1234787460
Bloomberg	GLSRIBX LX	GLSRIDX LX

Risk and reward profile



Main risk:* Equity, derivatives, sector-based/concentrated subfund, counterparty risk, operational risk and depositary risk, sustainable finance.

Historical data such as those used to calculate the synthetic risk indicator cannot be considered as a reliable indication of the future risk profile of the sub-fund. The risk category associated with the fund is not guaranteed and may change over time. *The risk factors are fully described in the Prospectus available on our website: www.generali-investments.com, or that of Generali Investments Luxembourg SA (Management Company of Generali Investments SICAV): www.generali-investments.lu, and from distributors.

www.generali-investments.com

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, nor a recommendation 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, 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. Before adopting any investment decision the client shall carefully read, if applicable, the subscription form, and the offering documentation (including the KIID, the prospectus, the fund regulation or by-laws as the case may be), which must be delivered before subscribing the investment. The offering documentation is available at any time, free of charge and in the relevant languages 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. Please note that the Management Company may decide to terminate the arrangements made for the marketing of the relevant sub-fund in accordance with Article 93 bis of Directive 2009/65/EC and with Article 32 bis of Directive 2011/61/EU. For a summary of your investor rights and guidelines related to an individual or collective action for litigation on a financial product at EU level and in your country of residence, please refer to the offering documentation of the sub-fund as well as the Information Document contained in the section 'About Us' at the following link: www.generali-investments.com and www.generali-investments.lu. An hardcopy of the offering documentation may also be requested to the Management Company, free of charge. 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. Certain information in this publication has been obtained from sources outside of Generali Investments Partners S.p.A. Società di gestione del risparmio. While such information is believed to be reliable for the purposes used herein, no representations are made as to the accuracy or completeness thereof.

© 2021 - Generali Investments Partners S.p.A. Società di gestione del risparmio.