
Thematic investing and the importance of Millennials in shaping the economic landscape

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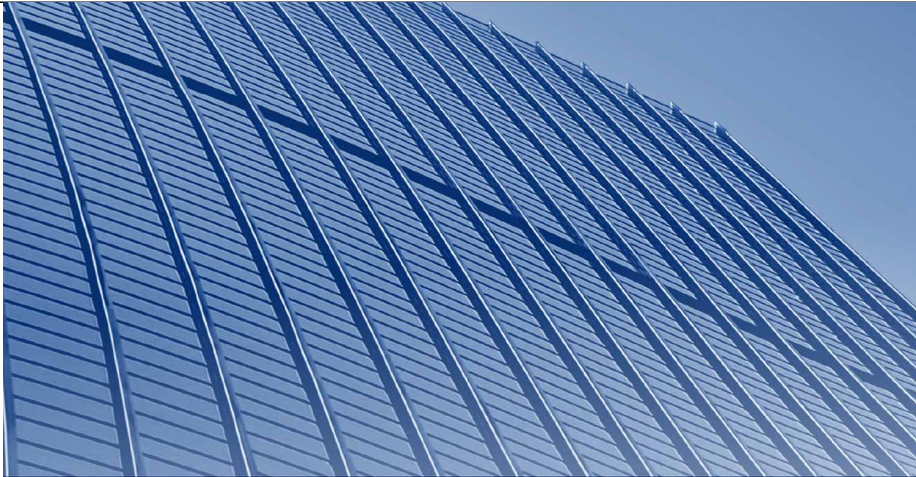
News

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Thematic Investing in Current and Future Trends

The Importance of Millennials in Shaping the Economic Landscape

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Kamco Invest hosted a webinar focused on thematic investing in collaboration with Goldman Sachs Asset Management. Goldman Sachs is an institution currently overseeing approximately USD2 trillion in Assets Under Supervision worldwide as of December 31st, 2021.

Faisal AlOthman, Director of International Investment Services at Kamco Invest led the discussion with his guest Richard Wiseman, a senior client portfolio manager for Goldman Sachs Asset Management's Fundamental Equity team, responsible for global developed market equities and cover an area of thematic investing focusing on Millennials.

AlOthman started by emphasizing the role Kamco Invest plays in constantly identifying areas of the market that fit the interest and objectives of their investors. More importantly, it provides access to such investment opportunities on a custom-tailored basis. Specialized teams oversee that initiative and engage their clients on thoughts and ideas on how to exploit the market in return for consistent and long-term performance. He initiated the discussion revolving around the importance of demographics in identifying viable, long-term, and sustainable investment ideas and opportunities.

Wiseman provided a brief overview on the focus of his team in the realm of thematic investment including analyzing opportunities that are cyclical in nature, their qualities and when an opportune time would be to capitalize on them in the context of a portfolio that meets their clients' needs. Their aim is to create diverse portfolios of global equities that are multi-regional and multi-sector/industry in nature with a specific focus on the application of demographics in the search for those opportunities.

Wiseman indicated that over the last few years, almost six, they have experienced a growing awareness by the investment community of the secular change currently being experienced, mainly driven by technology, offer more attractive opportunity for growth than other areas of the market. The portfolios that his team manage offer their investors insight and understanding of how they can take advantage of the secular change, at the right price.

Wiseman noted that the driving force behind the secular change and cyclicity currently being experienced in the market is primarily the product of the growing importance of millennials in their participation in the global economy. They are the demographic force behind the revenues of some companies on a sustainable basis. Their millennial strategy revolves around the rising wealth of this specific demographic as it is the world's largest generational segment.

What makes millennials important is that in numbers they currently account for approximately 2.3 billion people. Millennials are individuals that were born between 1983 and 2000, out of which 2 billion currently reside in developing nations. Millennials were born at the beginning of the digital age and have seen its transition into our daily lives. Coupled with the fact that their projected income is growing at a pace that is three times faster than other generations, making them the most powerful consumer segment on the planet. The first key reason is spending on technology as they have grown up hand in hand with the companies that are pertinent today such as Google, Microsoft and Amazon, driving their growth and competitiveness as they use their services with growing adoption of the value they offer. The second is that data has shown that as this segment has grown and moved up in age their lifestyles have also changed and evolved with different values and priorities in life than other segments of the population. A lot of those values and lifestyles also revolve around the environment, climate change and sustainability of resources.

Millennials are now moving into their forties, and with that aging comes further influence in their respective societies. They are the major voting segment and are now beginning to shape how the direction of change in the world will look like moving forward. The aim is to capture that influence in opportunities through their investment in companies participating or will continue to participate in that change.

AlOthman noted that technology is no longer a part of a single sector as recognized by developed

market indices. Rather technology is a cornerstone of the evolution of virtually all sectors and industries. Wiseman indicated that it is quite evident that portfolios that have focused on only tech and growth-oriented opportunities have suffered a great deal with the recent pullback in prices of those companies. A thematic portfolio allows an investor to be diversified across multiple areas of the market but remain revolved around a single core theme. This is the essence of thematic investing.

Millennial spending is the key driver for certain companies' future growth. Millennials tend to focus broadly on lifestyle and technology as stated earlier. This is and will remain the focus of their spending for many years to come. Drilling down from those broader spending targets investors can identify sub-themes that include opportunities in areas such as eCommerce, Entertainment, Fintech, and mobility (rides haring and electric vehicles are simple examples). Other areas include, but are not limited to Health and Wellness, Experiences, sustainable living, and Childcare. Other more notable areas more identifiable recently is Luxury. Wiseman and his team seek opportunities in companies that derive 50%-70% of their revenues from millennials in areas mentioned above.

Wiseman noted that when companies such as Facebook changed their name to Meta, referring to the Metaverse, it is clear evidence that such companies are shifting their focus to the power and strength of younger demographics. Wiseman added that when looking to invest into the sub-them of the metaverse, it is important not to focus on investing in the metaverse but more around it. It is critical to invest in hardware and software that surrounds the development of the metaverse.

AlOthman asked about the weakness currently experienced in global equity markets due to the sell-off that occurred in the first month of 2022. Wiseman quickly responded that with regards to their portfolio, the pressure has simply been on prices of the companies they own and not their fundamentals. This creates opportunity to reevaluate their existing positions to deliver performance when value is unlocked from the stocks they are invested in.

AlOthman inquired about the global commitment to infrastructure spending and how that factor into the theme of Millennials. More importantly, how is that exploited? Wiseman responded that the spending power of Millennials will be a critical part of that infrastructure development, whatever it may be.

Wiseman noted that regulation and changes in regulation have been a source of guidance for the direction of many themes in equity markets, most notably the evolution of privacy laws that seem to be in line with Millennial expectations. The other side of it is it creates headwinds for companies that must navigate those regulatory challenges. Fundamentals can change abruptly as seen in China with the impact of regulatory enforcements on companies such as Alibaba and ride sharing giant Didi.

AlOthman thanked Wiseman and Goldman Sachs Asset Management for their time and availability to share their thoughts on the subject through the webinar. Goldman Sachs as a firm and the strategies they offers are a testament to the level of quality and sophistication that Kamco Invest demands on behalf of their clients. This is how Kamco Invest remains competitive across their products and services, regionally and globally as it is consistently ranked among the top performers regionally through their products and consistently invest in the best of breed managers and strategies globally.

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