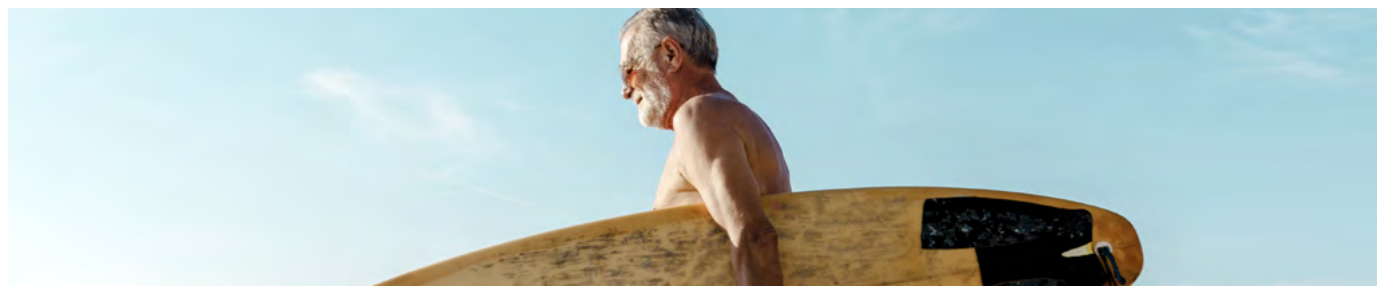




3 questions for Thierry Rigaudière to understand the Silver Economy



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The Silver Economy has received a further boost from the Covid-19 crisis. Thierry Rigaudière helps us grasp its main developments and trends.

Does the Silver Economy still offer significant upside?

Long-term growth is a hallmark of the Silver Economy, as it is based on a trend that is not about to stop – the ageing of the population. Moreover, the many sectors that it takes in provide many and varied arbitrage opportunities. Support from public authorities and private investors for healthcare, in the broadest sense of that term, are also a significant driver. Some real-world examples of this are the *Ségur de la santé*, a French public-private initiative, and the hospital digitalisation plan in Germany. The pandemic has also accelerated growth in segments such as vaccines and medical equipment. Now that the public health situation is improving, there are concerns that this theme may be at the end of the road, but healthcare is constantly being driven by innovation, while other Silver Economy sectors, such as hotels & restaurants and leisure activities, still offer exciting growth prospects. We therefore believe that the Silver Economy remains an extremely promising medium- and long-term investment theme.

What have been the main changes in your strategy this year?

The pandemic has been instrumental in raising the value of healthcare in the broadest sense. We have taken advantage of this development to raise our exposure considerably, while lowering the weighting of part our diversification component (including leisure, consumption and asset management). After “Pfizer Day⁽¹⁾”, our strategy consisted in gradually switching from some of our healthcare positions to other Silver Economy segments expected to benefit from the reopening of economies, such as travel and leisure. For example, we shifted some exposure from diagnosis and pharma companies to hotel, leisure and other consumer-facing companies. Along the same lines, we added to our holdings of some insurance and asset management companies, which fall within the Silver Economy theme. All in all, our healthcare exposure is current 65%, vs. 80% at the end of 2020⁽²⁾.

(1) The day that an effective anti-Covid-19 vaccination was announced.

(2) Source: Rothschild & Co Asset Management Europe, 30 September 2021.

What have been the main contributors to the portfolio's performance so far this year?

Unsurprisingly, healthcare companies, which were already up last year, have made a positive contribution to 2021 performance, like Sartorius Stedim in biopharmaceuticals, Carl Zeiss Meditec, in eye optics and surgery, and Merck in pharmaceuticals. We are also seeing some stocks making up lost ground. One of these is EssilorLuxottica, a global optics leader whose valuation was hit last year by governance issues. This year, it has ridden the post-Covid reopening of economies, which has sent the share price up significantly. Let us also point out the positive contributions of our midcap selection⁽³⁾, such as Amplifon, a market leader in hearing aids and a long-standing position in our portfolio, which is up sharply this year. We did take a hit from the disappointing performances of Accor, Philips, which was hit by a product recall, and SEB, which is being burdened by higher raw material prices and its heavy Chinese exposure. ■

What is the Silver Economy?

Based on the European Commission's definition, the Silver Economy encompasses products and services meeting the specific needs of persons aged 50 and older by helping to enhance their health and comfort. But don't forget that seniors are a multifaceted group. Crédoc⁽¹⁾, for example, distinguishes "working seniors" aged 50 to 70 years and having the time and money to consume, from persons older than 70, who have greater medical needs.

Driven by the combined impact of lower birth rates and longer life expectancy, seniors are the fastest-growing segment of the population. Taken alone, the Silver Economy would even be the world's "third-largest" economy, according to a study by Oxford Economics⁽²⁾, a consulting firm specialising in economic forecasts and quantitative analysis. Businesses that meet the needs of seniors are riding this structural trend.

Senior economy companies belong to a vast range of sectors covering healthcare and its sub-sectors, leisure (cinema, hotels and cruises), consumption (nutrition, household appliances, cosmetics, and fitness), financial management, and new technologies.

(1) The Centre de Recherche pour l'Étude et l'Observation des Conditions de Vie is a French research body serving economic and social organisations.

(2) GALLOWAY, Hamilton, MARTIN, Dan, REID, Michael. The Longevity Economy – How People Over 50 Are Driving Economic and Social Value in the US, 2016

(3) Companies with mid-sized market capitalisations.

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