

INVESTING IN CONSUMER POWER

EXPANDING OUR 'MILLENNIAL CONSUMER' INVESTMENT THEME TO CAPTURE THE SPENDING POWER OF THE FUTURE'S TOP EARNERS – GEN Z.



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The Millennial consumer has been a long-standing investment theme for us. Born between 1980 and 1994, this demographic, which makes up the largest proportion of the US population at some 72 million¹, is the driving force behind global consumption patterns.

While the baby boomers (1944 to 1964) were the most successful generation in terms of accumulating wealth, Millennials have graduated into their prime earning years, which gives them unrivalled spending power. They are set to account for 75% of the global workforce by 2025, with a combined income of USD8.3 trillion².

What Millennials spend on matters for business, the global economy and equity investors. Popular Millennial spend areas include skincare and cosmetics, healthcare, fitness and take-away coffee.

Our thematic investment strategy focuses on innovative companies that recognise the collective power of the Millennial consumer and are evolving their business strategies to capture the revenue potential in this market.



MILLENNIAL CONSUMER INVESTMENT EXAMPLES

Company	Millennial focus	Investment notes
ESTEE LAUDER	<p>"Millennials are avid buyers of cosmetics and appealing to them is critical to us, given the brand's traditionally older customer base. Younger customers have 10 lipsticks for every three their mothers had."</p> <p>Fabrizio Freda, CEO, Estee Lauder</p>	<ul style="list-style-type: none"> The company's exposure to Asia particularly benefits from its focus on Millennials – there are more Millennials in Asia than in the US. The company's workforce is made up of 67% Millennials.
STARBUCKS	<p>The average 25 to 34 year old reported spending USD2,008 per year at coffee shops and 41% of Millennials admitted to spending more on coffee in the past year than they had invested into their retirement accounts.</p>	<ul style="list-style-type: none"> 70% of Millennials will come back to a brand they love; Starbucks takes advantage of this by offering reward programmes through its app. The brand's autumnal hit, Pumpkin Spiced Latte, has its own Twitter and Instagram accounts, boosting the brand's strong digital following.

Sources/ Estee Lauder: Financial Times, March 2018. Starbucks: The Simple Dollar, August 2020; Millennialmarketing.com, February 2014
Company examples are not recommendations to buy or sell and are provided for illustrative purposes only.

INTRODUCING GEN Z

Millennial's socially conscious younger sibling

Hot on the heels of their Millennial siblings are Gen Z – the socially conscious, digitally dependent, self-proclaimed 'citizens of the world'. Born between 1995 and 2015, and therefore growing up fully online, the world's 2.5 billion Gen Z-ers³ are now entering the workplace with a bang, imploring older generations to technologically adapt to their level.

According to BofA research, Gen Z is set to become the most disruptive generation to economies, markets and social systems. As such, we see significant potential investment value in Gen Z and are broadening our thematic Millennial consumer focus to include both demographics.

While Millennials are the top spenders today, Gen Z's economic power is the fastest-growing of all the demographic cohorts. The group's income is set to grow 5x by 2030 to USD33 trillion, or 27% of global income⁴. With the fledgeling salaries they are making today, Gen Z like to consume sustainably, with climate change heavily influencing their choices; they embrace new technologies and cryptocurrencies, and they favour products over experiences.

As their income increases, we expect Gen Z to drive e-commerce development, sustainability and fashion trends. Their insular nature (they like to spend their time in the online world, with 40% preferring online over in-person interactions with friends⁵) lowers their interest in travel and eating out, but they still like to status signal via social media, using online second-hand marketplaces to

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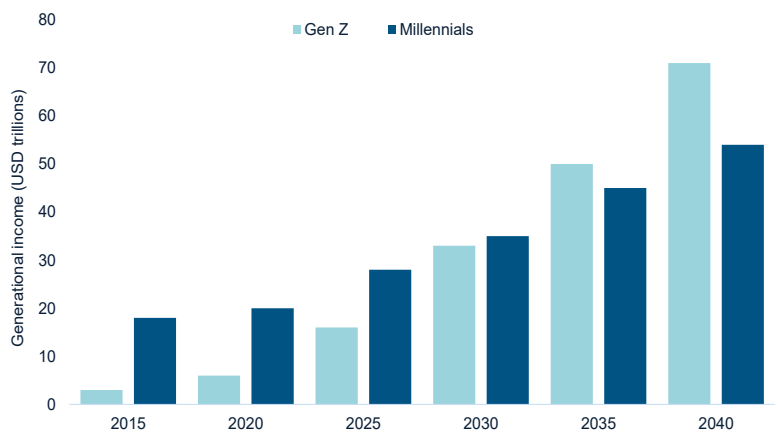


89% OF GEN Z LIVE IN EMERGING MARKETS

obtain luxury in a sustainable way, which has the knock-on impact of strengthening the resale market for the brands loved by their Millennial siblings.

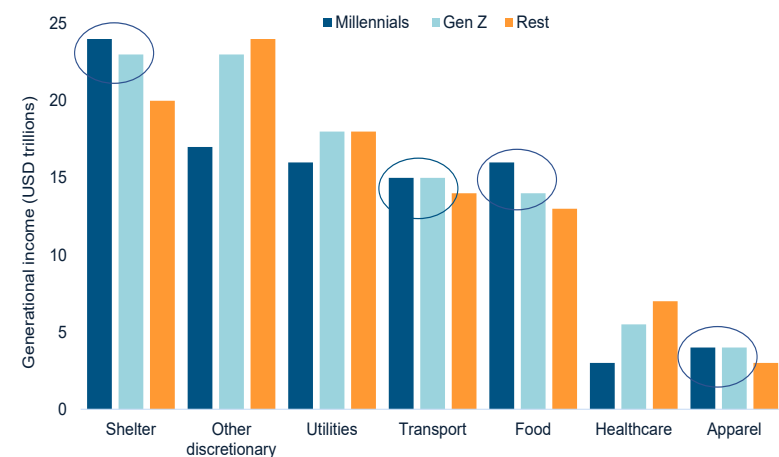
Geographically, emerging and developing markets are the mecca for Gen Z. 89% live in EM⁶, with India being an economy to watch due to the rapid development of the country's technological infrastructure, expanding urbanisation and improving literacy rates.

GEN Z INCOME TO EXCEED MILLENNIALS BY EARLY 2030S



Source/ Euromonitor, November 2020

YOUNGER GENERATIONS HAVE SIMILAR EXPENDITURES



Source/ Haver Analytics, Morgan Stanley Research forecasts, August 2019



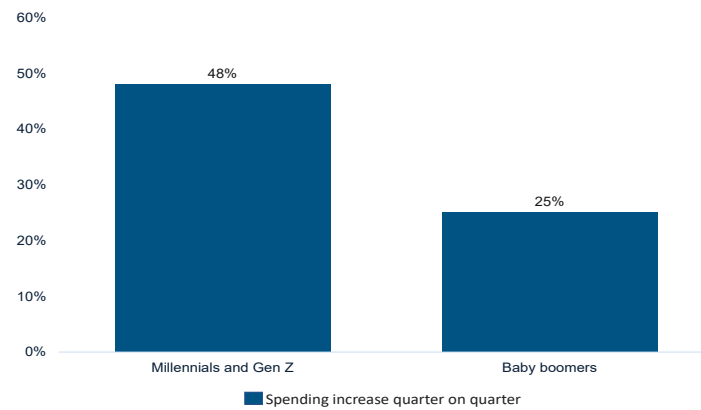
GEN Z INVESTMENT EXAMPLES

Company	Gen Z focus	Investment notes
AMERICAN EXPRESS	CEO Steve Squeri said that Millennials and Gen Z consumers are “a large part of our existing customer base and our fastest-growing age cohort.”	<ul style="list-style-type: none"> Three-quarters of new customer Platinum and Gold card acquisitions during 2021 came from Millennial and Gen Z customers.
DOLLAR GENERAL	In the company’s Q1 2021 earnings call, CEO Todd Vasos stated the retailer is “aggressively expanding its product offerings” and “investing in technology and digital capabilities” to appeal to younger demographics.	<ul style="list-style-type: none"> Favoured by 77.4% of Gen Z respondents in a Morning Consulting poll (Oct 22), the retailer has expanded its food offering to attract younger customers interested in cooking at home over eating out. The company’s e-commerce sales grew significantly in Q1 2021 and are on track to achieve Vasos’ goal of USD2bn by the end of fiscal 2022.

Source / American Express: Market Watch, March 2022. Dollar General: Dollar General, May 2021; Morning Consulting, October 2022
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SPENDING POWER ON THE INCREASE

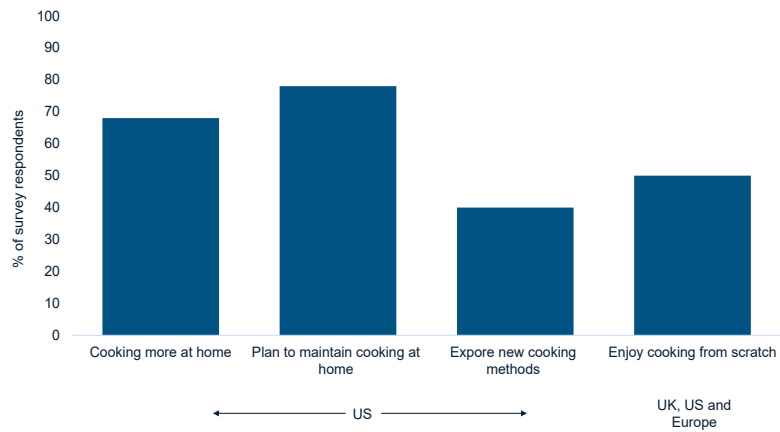
Millennials & Gen Z accounted for 60% of new Amex cards in 2021



Source / American Express, 2021

CHANGING FOOD PREFERENCES

Sustained increase in cooking at home post the pandemic



Source / Spendmenot.com, January 2023



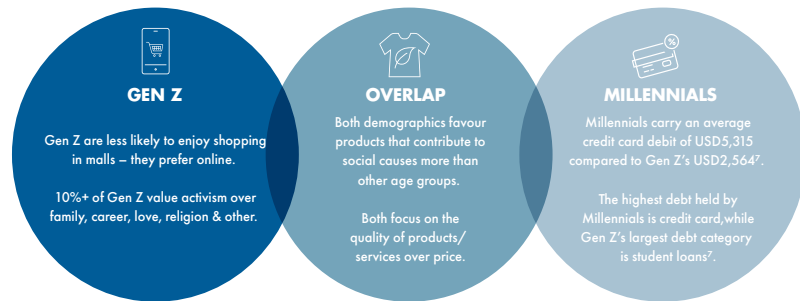
WE BELIEVE CONSIDERING THE IMPACT GEN Z WILL HAVE ON THE GLOBAL ECONOMY CREATES SIGNIFICANT INVESTMENT POTENTIAL

IS TWO TOGETHER BETTER?

We believe so, yes. The Millennial consumer is an established investment theme for us and one we see offering return potential for several years to come. But our investment style focuses on backing high-conviction ideas and owning companies for a long period of time. We believe considering the impact Gen Z will

have on the global economy as they come to full spending power creates significant medium to long-term investment potential. And while they have their differences, the two groups have similar spends for shelter, transportation, food and apparel. We expect Gen Z to add momentum to some of the trends started by Millennials, such as the demise of old media.

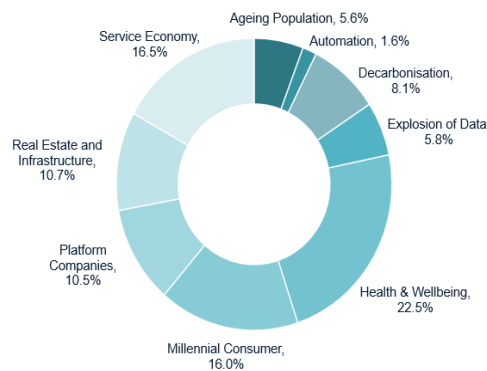
COMPARING MILLENNIALS AND GEN Z



Source / Mirabaud Asset Management, January 2023

MILLENNIAL + GEN Z CONSUMER THEME WITHIN THE MIRABAUD SUSTAINABLE GLOBAL FOCUS STRATEGY

The theme accounts for the third-largest weighting in the portfolio at 16%



Millennial + Gen Z consumer holdings breakdown	%
American Express Co	4.22
Dollar General Corp	4.06
Estee Lauder Companies - CL A	4.49
Ultra Beauty Inc	3.26

Source / Mirabaud Asset Management, December 2022. Portfolio weightings exclude cash. Company examples are not recommendations to buy or sell and are provided for illustrative purposes only.



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