

Investment Viewpoint

LO Funds– Golden Age Q&A

High Conviction • Global Equities

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Johan Utterman and **Meret Gaugler, PhD** are portfolio managers of **LO Funds – Golden Age**, a fund which invests in the ageing theme. They review the fund's performance and explain why they think this broad-based structural trend is set to gather speed.

Can you update us on the Golden Age fund's performance? What are the latest market developments driving the silver economy?

The Golden Age fund has appreciated 12.1% over the last 12 months to 31 July 2018.¹ Performance has been driven by organic sales growth, returns on equity, and free cash flow generation by silver economy companies.

Broadly, the silver economy can be defined as economic opportunities arising from consumer expenditure related to population ageing and the needs of seniors and baby boomers. It has been supported by rising equity markets over past years, which have allowed baby boomers and seniors to save more money towards retirement and bolstered consumer confidence.

What have been the individual stock or sector highlights over recent quarters? What is the investment thesis behind these investments?

Several sectors have benefitted from the ageing population trend over recent quarters, in our view.² In wealth management, stocks like St. James's Place in the UK or Charles Schwab in the US³ have catered for people saving towards retirement so they can retire financially secure.

In healthcare and consumer, we believe veterinary stocks have benefitted from growing pet ownership among the elderly and increasing spend per pet. These stocks range from Zoetis, which sells flea and tick medicines for dogs, to Blue Buffalo, which specialises in organic pet food.

In healthcare, life-science tools companies like Thermo Fisher Scientific, which sells reagents and instruments to biopharmaceutical companies pursuing innovative R&D, have rallied and the list goes on.



Johan Utterman
Portfolio Manager



Meret Gaugler, PhD
Co-Portfolio Manager

¹ Source: LOIM, 31 July 2018. Institutional N USD dividend-accumulated share class, performance net of fees. Past performance is not a guide to future performance. There can be no assurance that the Fund's investment objective will be achieved or that there will be a return on capital.

² Holdings/allocation subject to change.

³ Any reference to a specific company or security herein does not constitute a recommendation to buy, sell, hold or directly invest in the company or securities. It should not be assumed that the recommendations made in the future will be profitable or will equal the performance of the securities discussed in this document.

Looking ahead, what trends in the silver economy – particularly in terms of innovation – are especially interesting from an investment perspective?

There is a great deal of innovation in healthcare. We like Stryker, an orthopaedics company winning market share in knee implants thanks to the Mako robot, which makes procedures less error-prone and more easily reproducible.

In life sciences, a company like Illumina is at the forefront of next-generation sequencing of the human genome.

Customers like Verily, owned by Google’s parent Alphabet, use the technology to try to extend life expectancy. Others leverage it for personalised medicines using biomarkers.

In nutrition, companies like Royal DSM and Nestlé are trying to develop ingredients that help people live longer, healthier lives.

Thinking about the global economic picture, how do you see the macro outlook affecting the silver economy and, more specifically, the Golden Age Fund?

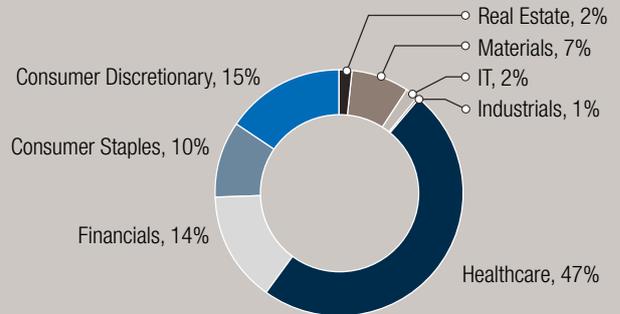
Playing the ageing population theme and the silver economy naturally lends itself to investing in high-quality, structural growth stories that can continue irrespective of shorter-term economic movements. We believe such companies may outperform as economic growth moderates.

Leading economic indicators like manufacturing purchasing managers’ indices (PMIs) peaked in December 2017 and have since rolled over.

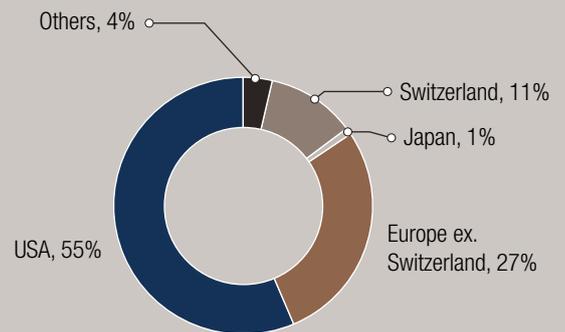
In recent months, many market participants’ risk appetites seem to have moderated, which is favourable for investments driven by the inescapable demographic shift of ageing.

LO FUNDS – GOLDEN AGE PORTFOLIO BREAKDOWN

BY SECTOR



BY GEOGRAPHY



Source: LOIM, 31 July 2018. Holdings/allocation are subject to change.

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