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Longevity Economy strategy

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- Global equity markets continued to rise in August
- Positive contributions from 'Treatment', 'Senior Care' and 'Silver Spending' themes
- We continued to add to our position in Pets at Home

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What's happening?

Global equity markets continued to rise in August with the MSCI All Country World index gaining 6.2%¹. Despite the backdrop of the COVID-19 pandemic, global equities have returned 4% year-to-date with technology shares leading the rebound up over 35%¹ year-to-date and within that tera-cap² stocks up more than 60%¹. The world's four largest companies have a total market cap of USD6.75trn³, larger than the entire Japanese equity market. Apple is bigger than the FTSE 100, Amazon is larger than the CAC 40, Microsoft is bigger than the DAX 30 and Alphabet is bigger than the SMI index. The rapid price gains and re-rating that the technology sector has enjoyed does of course raise concerns however with nominal yields held in check by the Fed and real yields on 10-year Treasury Inflation-Protected Securities close to historic lows, it is perhaps less surprising that risk assets have appreciated as investors search for more attractive yields.

Investor sentiment remains constructive as earnings and economic data continued to be better than feared. The vast majority of companies we invest in have now reported results for the second quarter and have mostly been positive. However, companies continue to paint a somewhat cautious tone for the remainder of the year, cognisant that despite the encouraging signs seen in business activity at present, COVID-19 continues to present uncertainties. With that said, progress is being made in the development of a vaccine and clinical trial data are expected to be reported in Q4 2020. If data is positive it potentially paves the way to a broader market recovery in 2021.

¹ Bloomberg as of 31/08/2020

² Market capitalisation above 1 US\$ Trillion

³ As of 31/08/2020

Portfolio positioning and performance

The Longevity Economy strategy underperformed the broader equity market (MSCI All Country World) in August with its underweight exposure to the technology sector playing a critical role. Companies such as Apple, Tesla, Amazon, Microsoft and Facebook fall outside of the Longevity Economy investment universe and were up 26%⁴ on average during the month.

The 'Wellness' theme detracted from performance as our investments in Digital Health companies Hologic and Becton Dickinson experienced volatility following the announcement of new COVID-19 antigen testing from Abbott and Roche. While new antigen tests from Abbott and Roche may result in some share shifting away from the tests provided by Hologic or Becton, demand for testing continues to exceed supply and as such it is not a zero-sum game when it comes to demand. We believe the new tests provided by Roche and Abbott help to fill capacity rather than take share. Teladoc also detracted from performance following the announcement of its merger with Livongo - a digital health company focused on chronic disease management such as diabetes. With the merger announcement, we believe Teladoc gains exposure to an attractive and large chronic disease management platform that is likely to increase its market opportunity. Moreover, the scale of the combined entity, arguably enhances Teladoc's competitive moat in what is a highly fragmented space with limited barriers to entry.

Positive contributions were delivered from the 'Treatment', 'Senior Care' and 'Silver Spending' themes with one of the strongest contributions coming from Royal Caribbean in the Travel and Leisure subtheme. The dramatic reduction in global travel as a consequence of the COVID-19 pandemic has been perhaps most visible in the cruise line industry. The key question is whether travellers believe cruising is a safe activity after recent events. Previous crises faced by the cruise industry have seen demand recover and it appears the impact of COVID-19 should also be overcome with bookings for 2021 indicating longer term demand from consumers for cruise holidays remains robust.

We made limited changes to the portfolio during the month but continued to add to our position in Pets at Home as there have been multiple UK media reports of increasing pet ownership during lockdown, including a puppy adoption by one of the Longevity Economy fund managers themselves. In addition, we added to our holdings in Tabula Rasa which reported disappointing quarterly results largely due to the impact of the COVID-19 pandemic. We believe the underlying fundamentals of the company are enhanced by the crisis as it highlights the need for Tabula Rasa's unique technology and solutions to optimise medication regimens and help keep the most vulnerable segments of the population healthy.

Imprecise use of prescription drugs is thought to be the fourth leading cause of death in the US and contributes to an estimated 45 to 50 million adverse drug events (ADEs) annually⁵. The incidence of these ADEs is highly correlated to the number of medications an individual is taking. Older adults frequently have several chronic health conditions which require multiple medications and some studies have reported approximately a third of people over the age of 60 are on more than 5 prescription medicines at the same time⁶. Once the current turmoil is over, we believe the demand for Tabula Rasa's products and services could play out even stronger than before the pandemic took hold.

Outlook

Coronavirus and the global response to the health emergency have negatively impacted the global economy and it is too soon to know when economic activity will rebound to pre-crisis levels. However, macroeconomic conditions in major

⁴ Bloomberg as of 31/08/2020

⁵ Tabularasahealthcare.com, 2014

⁶ PMC, US National Library of Medicine National Institutes of Health, "Polypharmacy Among Adults Aged 65 Years and Older in the United States: 1988–2010", 2015

markets appear to be improving and Central Banks continue to step up with unprecedented stimulus measures and should continue to support equity markets.

We are pleased to see that most companies within the portfolio have reported mostly better than expected results.

We also retain the view that high quality management teams, operating businesses with a sustainable competitive advantage in their markets and with the benefit of secular tailwinds are well placed to navigate the current disruption.

As we consider the unprecedented events in 2020, the unshakeable conclusion on the outlook for the Longevity Economy is that the global population continues to age and this creates opportunities for companies that are positioned to benefit from long-term changes in consumption patterns that ageing populations will bring.

No assurance can be given that the Longevity Economy Strategy will be successful. Investors can lose some or all of their capital invested. The Longevity Economy Strategy is subject to risks including: Equity; Currency; Global Investments; Emerging markets; Investments in small capitalisation universe and Investment in specific asset classes.

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