

THEMATIC EQUITIES
THE SILVER ECONOMY:
FROM A MULTISECTORAL APPROACH
TO A GROWING PHENOMENON



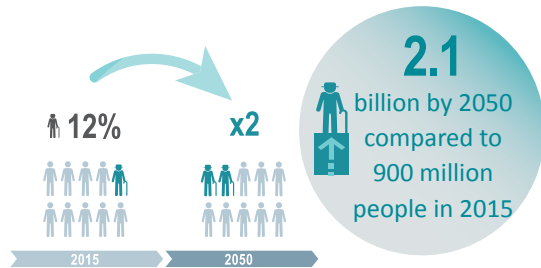
Jean-Dominique Seta, CFA
Thematic equities manager

The ageing of the world's population is an underlying trend that will long affect global demographics. A falling infant-mortality rate, a drop in fertility and a rise in life expectancy are the main drivers behind this phenomenon. To meet the needs of an ageing population, a large-scale economic ecosystem has been developing: the silver economy.

And many related investment opportunities are appearing alongside it!

Here, Jean-Dominique Seta, manager of CPR Invest - Global Silver Age, explains our original approach to this investment theme, making it relevant and conviction-based.

Evolution of the senior population in the world



Source: European Commission, Growing the European Silver Economy, 2015

WHEN WE TALK ABOUT THE MARKET OF SENIORS, PEOPLE INSTINCTIVELY THINK OF HEALTH AND DEPENDENCE. BUT YOUR APPROACH GOES BEYOND THIS. CAN YOU EXPLAIN IT TO US?

When the Silver Age strategy was drawn up back in 2009, we wanted to tackle the issue of ageing in general to make the most of the theme in all sectors concerned and stand out from funds that are purely sectoral.

Given that individuals' purchasing power in developed countries reaches its highest level when those individuals reach retirement, we built up our universe through the prism of seniors' consumer trends and identified eight growth sectors to be represented by the investment theme. The demands of freshly retired people who are still active and enjoy a relatively high level of purchasing power are not the same as those who are older and looking more for safety, comfort and calm.

WHAT ARE THE MAIN ADVANTAGES OF THIS MULTI-SECTORAL APPROACH?

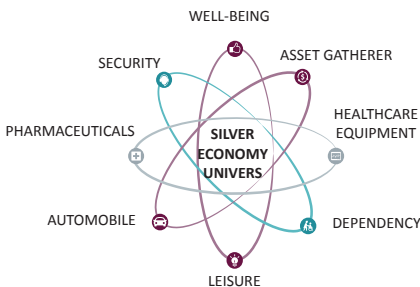
First, diversification. This is what we looked for when we built up the investment universe based on eight sectors: well-being and leisure; the automotive business; financial savings; safety; health facilities and services; medicines; and dependence.

Next, flexibility. Our management process combines top-down and bottom-up approaches; dynamic geographical and sectoral allocation enables us to adapt the portfolio to market cycles and underlying sectoral changes.

YOU MENTION SECTORAL CHANGES. THE PHARMACEUTICALS INDUSTRY SEEMS LIKE A GOOD EXAMPLE OF THIS IN THE NEWS.

Indeed, major pharma labs are facing considerable pressure in volume and pricing of medicines. With many terms of patents coming to an end, especially between 2018 and 2022, the insufficient number of new medicines developed internally and the growing supply of generic products and biosimilars will significantly weigh down upon sales figures.

At the same time, government policies with restrictive budgets, combined with the emergence of new private insurers and more powerful players, should continue to put pressure on prices. For example, the recently established partnership between Amazon, JP Morgan and Berkshire has reshaped the playing field.



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3rd economy in the world

Silver Economy

+\$7 trillion in 2015 globally
(European Commission)

Source: European Commission, Growing the European Silver Economy, 2015

Such a context is conducive to mergers and acquisitions. With solid balance sheets and good generation of free cash flow, these large groups can strengthen their pipelines of new products (for instance, by acquiring small biotech firms) or improve their cost structuring (by merging with direct rivals). Recent examples include Celgene's purchase of Juno Therapeutics in January (for \$9bn) and Sanofi's acquisition of Bioverativ in March (\$11.6bn dollars).

WHAT IS THE EXPOSURE OF CPR INVEST - GLOBAL SILVER AGE REGARDING THE PHARMACEUTICALS INDUSTRY?

In the past few months, we have reduced our exposure. The sector represents 11% of our allocation today, versus 18% in June last year. We favour small and medium stocks benefiting from high potential for development in new indications or geographical regions. In a promising market for mergers and acquisitions, we prefer targets to predators.

HOW IS THE PORTFOLIO ORIENTED TODAY?

Our current strategy can be summarised in three focal points.

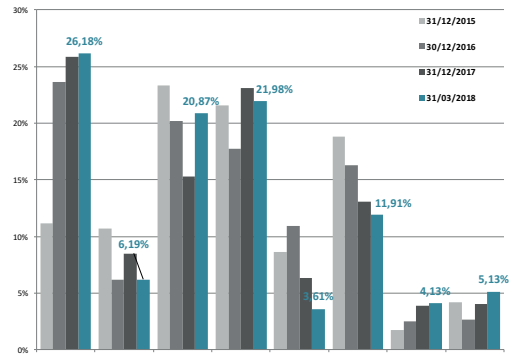
Firstly, we are reducing our positions in healthcare products, safety and major pharma stocks due to a lack of attractiveness in growth and valuation prospects.

Next, we are maintaining a high level of exposure to stocks in finance, leisure and the automotive business, which are sensitive to the worldwide trend and enjoying the interest-rate rise. For example, cruise operators are still enjoying global growth and a strong demand, especially in developed countries. Carnival Corporation, a world leader in this market (ten brands throughout the world, including Costa), is at the heart of our portfolio.

Lastly, we are maintaining a high, but well diversified, level of exposure in medical devices and biotechnology, fields in which we will be looking for innovative and disruptive firms with unique growth opportunities. In this sphere, we hold discussions with the managers of CPR Invest -

Global Disruptive Opportunities. Together, we mutually benefit from our different areas of expertise. Edwards Lifesciences illustrates this well. As a global leader in the treatment of cardiovascular diseases, its cutting-edge technology has revolutionised aortic surgery in particular: use of a catheter can now replace open-heart surgery. There are many benefits in this, both for patients and surgeons, and for hospitals and insurers.

REAL FLEXIBILITY IN ALLOCATION (change since December 2015)



Source: Bloomberg / CPR AM

CPR INVEST GLOBAL SILVER AGE - RISK PROFILE*

Risk of loss of capital: yes
 Risk related to equities market: yes
 Counterparty risk: yes
 Foreign-exchange risk: no
 Risk scale according to KIID**:
 5 / 7
 Recommended minimum duration of investment: more than 5 years



** The SRRI represents the risk and return profile as presented in the Key Investor Information Document (KIID). The lowest category does not imply that there is no risk. The SRRI is not guaranteed and may change through time. The KIID contains essential information about the fund, and must be given to the investor before subscribing. These information have to be completed by the prospectus available on the company website at www.cpr-am.com or upon demand to CPR AM.

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