

DECALIA MILLENNIALS

The DECALIA Millennials strategy invests in companies that will structurally benefit from changes in consumption habits of the Millennials generation.

The Millennial generation (born between 1980 and 2000) is the largest generation - estimated to be 2bn people worldwide. They are creating a major global consumption trends shift.

Digital, sharing economy, education, wellness, fintech: these are some of the major Millennials trends that will have implications on the economy.

DECALIA'S INVESTMENT THEMES

The strategies developed by DECALIA focus on four investment themes deemed promising in the long term:

- Quest for yield
- Disintermediation in the banking sector
- New consumer trends
- Market inefficiencies

DECALIA ASSET MANAGEMENT

Established in Geneva in 2014, the DECALIA group is active in private and institutional investment management. DECALIA manages CHF 3.9 bn of client assets with a staff of 45 people.

Geared to practical solutions, DECALIA constantly looks for solutions able to generate a higher risk-adjusted performance for its clients, while ensuring the highest level of service. Its investment philosophy is based on several fundamental principles: stringent risk management, capital preservation, an active management style and selection of the best talent.

DECALIA is regulated by FINMA through a collective investment manager's license (LPCC).

Information www.decaliagroup.com

DECALIA Millennials

March 2020

SPECIAL COMMENT

How I learnt to love confinement and live like a Millennial

- At the time of writing, Italy, Denmark, Belgium, Spain, and France have all gone on nation-wide lockdowns. The UK, and we assume many others, are likely to follow suit, soon.
- There is no precedent for almost entire populations working from home, with schools and borders shut.
- These are truly extraordinary times, and not a scenario any market participant was betting on just four weeks ago.
- **While the depth of the crisis took us by surprise, consumer patterns have shifted to businesses we know and like. It looks like staying at home is forcing entire populations to live more like Millennials!**



Empty Rome on March 14



An empty Supermarket in London on March 1

* (i) Professional investors, as defined in Annex II to Directive 2004/39/EC, who are established in another Member State of the European Union; (ii) Swiss qualified investors, as defined in Article 10(3), (3a) and (3b) of the Collective Investment Schemes Act (CISA).

Think it is a stretch? Just think about your day confined at home

Food and beverage

It is harder to go out grocery shopping, the restaurants are closed, and there's not a lot left on store shelves anyway...

Who benefits? Food delivery companies, logistics infrastructure, e-commerce.

Companies we like in that space?

- **Just Eat Takeaway, MercadoLibre, Sea Ltd, Shopify, and Alibaba.**
- In payments, **Visa, FIS, and MasterCard**, to pay without physical contact: the shift away from cash should accelerate.

Leisure

You can't go the gym, the local cinemas are shut, and with entire days spent at home you can't just wait for your favorite show to be broadcast on live TV. Thankfully, streaming allows you to get the all the content you like, here and now.

Who benefits? The producers of exclusive, quality content, and video streaming.

Companies we like in that space?

- **Disney, Momo, Amazon.com, and Tencent.**

Video games

We also expect a surge in gaming both on and offline. Staying at home should also boost digitalization and in-game spending that are both margin accretive.

Who benefits? Exclusive content producers, but also the hardware and infrastructure that makes online games possible.

Companies we like in that space?

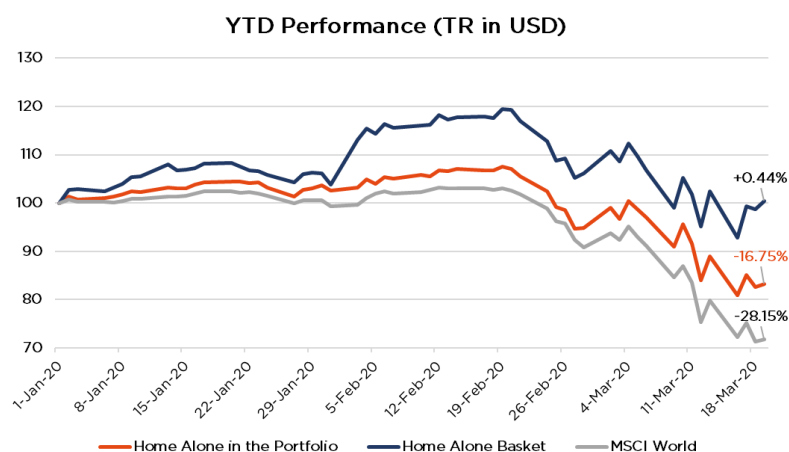
- **Nintendo, Activision, Electronic Arts, Take Two, as well as Sony and Microsoft.**

Where are we on the repricing of these stocks?

Year to date, our "Home Alone" basket has outperformed the MSCI World by 9% since the market peaked.

Crucially, they have allowed capital preservation: the basket is flat up 0.44% year-to-date. By contrast, the MSCI World is down 28.15% over the same period (the continuous white line in the table below).

Finally, the stocks we have selected have outperformed a broader universe of stocks that have benefited from that trend.



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In terms of industries, the strategy is actually heavily overweight on those buckets that should continue to benefit from the Home Alone trend.

Industry	Weights		Spread
	Portfolio	MSCI World	
Entertainment	17.9%	1.5%	16.3%
IT Services	11.5%	4.3%	7.2%
Internet & Direct Marketing Retail	9.2%	3.0%	6.2%
Interactive Media & Services	7.9%	3.5%	4.5%

We feel that these stocks have further to run, and we are on the lookout for bombed out names that would benefit from these trends.

Is this consumer behavior shifts here to stay?

The pattern shifts created by the Millennials generation were already accelerating long before the coronavirus existed. But, this crisis has the potential to turn it to a more permanent behavior changes across all the population. How much of an impact, however, will only become clear in the months to come.

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