



THEMATIC INVESTING

GenWell – a new theme

We are introducing a new theme to Thematic Investing – Generation Wellbeing (GenWell)¹. This new theme taps into the potential of a large and increasingly influential generation – Gen Z and the closely related Millennials. We aim to benefit from structurally changing consumption patterns driven by social and demographic change.

Gen Z are all those born between 1997 and 2012, while Gen Y or the Millennials are those born between 1981 and 1996. Together, they now make up about 40% of the global population and 50% of the global workforce. Gen Z is expected to surpass the Boomer generation (people born from 1946 to 1964) as a percentage in the workforce in 2024 implying a significant cultural shift. This socio-demographic megatrend opens new opportunities for companies, that can adjust and position themselves accordingly.

These youngest generations are the most diverse, educated, connected, and most socially conscious generations. They have different

values, preferences and behaviours than older generations, and they are reshaping the world to their image as they move into decision-making positions within companies and politics. They put a particular focus on quality over quantity and are conscious and mindful consumers. These generations prioritize experiences, sustainability, and social responsibility in their consumption patterns.

As Gen Z and the even younger Generation Alpha begin to carve out their niche in the consumer landscape, it becomes increasingly clear that their preferences sometimes also contrast with those of earlier generations. The main difference to Millennials can be seen in replacing the “me” with “we”. Growing up under the impression of the global financial crisis, a pandemic and natural disasters, this generation values security, stability, and mental health. Gen Z also grew up in the digital age where social media was already prevalent. The constant exposure to curated online content, social comparisons but also

Key takeaways

- Social and demographic change drives changing consumption patterns across the age cohorts.
- The new theme in Thematic Investing, GenWell, aims to invest in companies that cater to the needs of the rising Generation Z and the closely related Millennials.
- Companies that are culturally aware and adaptable can capitalize on their increasing spending power.

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cyberbullying contributes to anxieties and this generation is experiencing higher levels of anxiety compared to other generations. In the Americas, Generation Z predominantly views "being healthy" as related to mental and emotional well-being. This perspective is also evident in their shopping behaviour and the qualities they value in products, meaning Gen Z is favouring different brands and products compared to the elderly generations.

Offline experiences – express yourself

The young generation is particularly interested in unique experiences such as traveling, visiting fitness studios, and decorating their homes. On the one hand, there is a clear link here to personal well-being. Unlike previous generations, Gen Z is less materialistic recognizing that happiness and fulfilment come from meaningful moments rather than accumulating possessions. On the other hand, the common thread amongst these activities is also the pursuit of purpose and the creation of a distinct and interesting identity that can be shared with their peers. The pressure to present an interesting life on social media, combined with the impact of the pandemic, has led to a growing desire among younger generations to seek out new and exciting offline experiences to share online. Experiences serve as social currency in the digital life, where consumers don't communicate anymore their desired self through the items that they own, but through the activities that they choose to make. Travel, cultural events, and adventures contribute to their personal narratives. Sharing these experiences with others becomes a way to connect and express their identity providing a sense of uniqueness and exclusivity. For this reason, they prefer to purchase experiences to enrich their identity rather than physical objects. A trip to an exotic destination or a unique sport experience will become more appealing for them than buying a new car or renovating their homes.

This creates a market generated from "word of mouse" rather than "word of mouth," where younger generations influence one another to approach offline experiences thanks to online recommendations and reviews. Companies that offer such experiences are in a sweet spot with a new generation of consumers.

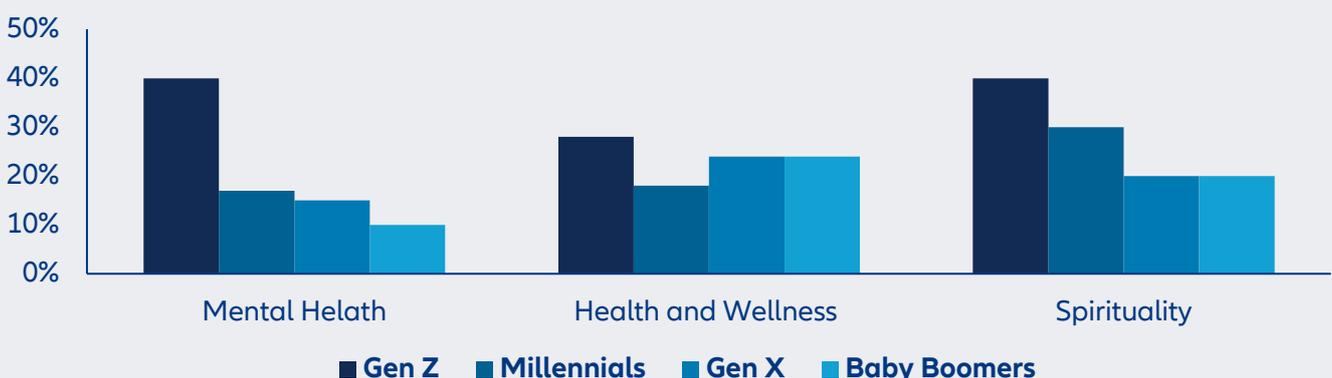
Conscious eating – A topic constantly gaining in priority

This topic aims to find the main beneficiaries of the trend to more sensible and sustainable forms of food consumption and changes in dietary behaviour. Preferences and dietary habits differ slightly for members of Generation Z compared to Millennials. According to recent research by Food Insight²⁾, Gen Z places emphasis on sustainability, health, and wellness, and exhibits a higher likelihood than any previous generation to adopt a flexitarian approach, incorporating vegan or vegetarian lifestyles more regularly. In general, Gen Z seeks food that aligns with their lifestyles, and they are more inclined to adhere to dietary patterns that exclude specific foods such as sugary or highly processed foods. When asked about their most desired health benefits, Generation Z typically places a high priority on enhancing both their physical and mental well-being. The primary benefits they look for in foods, beverages, and nutrients include increased energy or reduced fatigue (mentioned by 38%), improved sleep (35%), emotional or mental health benefits (33%), and enhanced digestive or gut health (29%)²⁾. All of which indicate a much more conscious, mindful, and healthy approach towards food.

Individual Appearance – Focus on Quality vs Quantity

Generation Z and Millennials both tend to prioritize quality over quantity when it comes to shopping. Therefore, this topic looks for companies which can

Percentage of respondents that consider the topics crucial in their lives ^{4) 5) 6)}



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constantly increase prices and defend their above average level of profitability given their premium brand status. They are prepared to pay a premium for products that provide authentic quality and durability. In particular, the younger generation is attracted to brands which align with their environmental and ethical values. Moreover, their preference for indulgence remains steadfast, irrespective of the prevailing market conditions, including the current inflationary environment. For younger generations, "premium" is defined by being a worthwhile purchase, offering "added value, proof of value, performance, inclusion, and shareability."³ Remaining mindful and selectively economical, they purposefully look for opportunities to elevate everyday moments with indulgence and are aiming to align their appearance with these. Prioritizing escapism and the chance to temporarily set aside their concerns, they actively pursue well-being, enjoyment, and happiness.

Companion Animals - Pets are the new kids

This topic is focusing on companies that have strong exposure to the structural growth trends in the pet economy and benefit from the trend of humanization of pets, especially seen within the younger generations. With the generational shift being the main growth driver of this trend, the Pet Economy is now included in the new theme GenWell. The continued growth of the Pet Economy remains a key thesis for us, based on multiple long-term structural drivers in addition to the rise of Gen Z, such as a higher average spending per pet willingness and ability due to expanding health care and service offerings. Millennials and Generation Z are at the forefront of these trends, having grown up with pets and considering them essential family members. Both younger generations prioritize the health and well-being of their pets to a higher degree than previous generations and demonstrate a willingness to spend more on premium products and services in general, providing us with several investment angles to participate in this growth. As pets become important for the well-being of their owners, there is a willingness to invest more in high-quality health care and nutrient-rich food.

The premiumization trend is evident in the market, with a notable surge in premium and super-premium brands over the last years. The impact of Millennials and Generation Z on the humanization of pet food is further accentuated by the prevalence of social media. This platform facilitates easier connections among younger pet owners, enabling them to review and share information about products and trends and, significantly, express their opinions. Pet owners are willing to invest in these higher-priced brands, believing that they offer superior-quality ingredients

and enhanced nutrition for their beloved pets.

An Influencer Generation

Consumer trends are shifting as demographic changes alter who consumes, how they consume, and what they want to consume. Although as a population, Gen Z won't peak immediately—they have a really big impact on both millennials and Gen Xers in terms of what they buy.

As 87% of parents admit that their Gen Z children have an influence on their shopping habits⁷⁾, but also declare to have higher sense of self control when making purchasing decisions⁸⁾ and are 10% more likely to buy online than who doesn't live with a Gen Z in the household⁹⁾. In size, Gen Z will reach scale over the years to come, shifting the market thanks to their disruptive and more conscious consumption habits. This generation's emphasis on product quality, physical and mental wellness and individuality presents novel avenues for profit and innovation. Companies that align with Gen Z's values and preferences can tap into a consumer base that seeks authenticity, and purpose-driven products. By understanding and catering to Gen Z's unique mindset, businesses can thrive in an evolving landscape where traditional norms are challenged, and new opportunities emerge.



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Source: 1) Millennials: The 'wellness generation', Sandford Health, 2022, 2) Food and Health Survey Spotlight: Generation Z, Food Insight 2022, 3) Inflation, Indulgence, Influence: The changing nature of premium shopping, AdAge 2022, 4) Generational Wellness Report, healthylife.com, 2018, 5) Top Health Strategies by Generations - Euromonitor.com (2022), 6) Gen Z Religion Statistics And Trends in 2024, gitnux, 2024, 7) Checking in with Gen Z, National Federal Federation Foundation, 2019, 8) Assessing the Impact of Generation Z's Digital Marketing Methods on the Current UK Economy: Consumer's Purchase Intention as a Case Study, Business Perspectives, 2022, 9) Age matters: a guide to cross-generational marketing, Epsilon, 2019

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Issuer:

Hong Kong – Allianz Global Investors Asia Pacific Ltd.

Admaster: 3453682