Rothschild & Co
Asset Management

The Silver Economy, an investment thematic riding a structural trend

Thierry Rigaudiere

In 2018, for the very first time, humanity had more persons older than 65 worldwide than children younger than five[1]. The demographic reversal has real-world consequences for our societies but has also been a boon to the development of an economy dedicated to seniors: the Silver Economy.

A thematic driven by an expanding healthcare sector

The ageing of the population has accelerated since the 1950s. This has occurred mainly in developed economies but is now spreading to emerging markets[2]. Among other things, this demographic shift has accelerated healthcare spending, which in France, for example, is two or three times higher for seniors than for people in their 30s[3]. Pharmaceuticals, biotechnology, medtech, etc. – the entire healthcare sector and, more broadly, the technologies dedicated to it, have been lifted up by this demographic transition.

Thanks to this trend, the global pharmaceutical and biotechnology market is expected to expand by 6% annually[4], driven by the US (+5% annually in Europe out to 2028) and by the launch of products to enhance existing treatments (such as in the fields of oncology and plaque sclerosis). In the area of innovation, biotechnologies will also play a key role in treating rare and/or neurodegenerative diseases. Meanwhile, new sources of growth, particularly in China, point to significant potential for expansion by the industry. Visible growth in the global market for hearing aids, optics, and diagnostics has also outperformed the rest of the economy over the past 15 years or so. This growth is likely to spill over into other markets, such as household automation, hospitalisation, digital health and the Internet of things.

The post-Covid-19 period has uncovered new opportunities

After a challenging year in 2023, an investment window seems to be opening up in 2024 for the Silver Economy thematic. As this thematic is geared toward growth stocks, it was penalised by higher interest rates and by the underperformance of midcaps. Because of its heavy exposure to healthcare, the Silver Economy also took a hit from overstocking by pharma labs and subcontractors during the post-Covid period. Things are likely to improve in 2024, thanks to a recovery in orders now that inventories have been drawn down. Moreover, the launch of new drugs, particularly in treating obesity, should allow pharma companies to achieve earnings growth in the "high single digits", something not currently priced in to their shares. The end of Covid-19 pandemic, which had artificially boosted business at diagnostics companies, will offer better visibility for their structural growth. The ramp-up of diagnostics platforms, particularly for high street doctors, in detecting respiratory infections, is one sign of this encouraging outlook.

R-co Thematic Silver Plus: a "pure" investment vehicle offering full exposure to the growth potential of the Silver Economy

R-co Thematic Silver Plus has returned an annualised 8.2% since its July 2010 launch[5]. Its investment universe is deep and diversified, with exposure to all companies that are tapping into opportunities arising from longer lifespans. 55%[5] of these companies are in the healthcare sector, but other sectors are also addressing seniors' growing needs, such as finance, insurance, tourism, food, and consumer products and services. R-co Thematic Silver Plus's investment strategy is based mainly on a stock-picking approach to growth companies based in the euro zone but doing business worldwide. Active management of the portfolio led to expand the proportion of non-healthcare stocks last year, something made necessary by the challenges faced by the pharma sector. More recently, the portfolio has been redirected towards sectors that are more cyclical, such as leisure and consumer goods (Ryanair, Accor, Trigano, Seb, Hermès and Richemont), as well as healthcare technology (digital health, software for doctors' offices and hospitals, and online vendors of healthcare products). More broadly, the current market environment, combined with the outlook for a normalisation of fixed-income markets in 2024, looks promising for this structural growth thematic.

Meer informatie over de fondsen

R-co Thematic Silver Plus

Bekijk dit document op onze website

(1) Source: ONU, 2019.
(2) Source: United Nations, World Population Prospects, 2019.
(3) Source: Observatoire des seniors, 2017.
(4) Source: Rothschild & Co Asset Management, 2024.
(5) Source: Rothschild & Co Asset Management, 29 February 2024.

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Meer informatie op: www.am.eu.rothschildandco.com

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Frankrijk

29, Avenue de Messine
75008 Paris
+33 1 40 74 40 74

België – Nederland – Luxemburg

Rue de la Régence 52
1000 Bruxelles
+32 2 627 77 30

Zwitserland

Rothschild & Co Bank AG
Rue de la Corraterie 6
1204 Genève
+41 22 818 59 00

Italië

Passaggio Centrale 3
20 123 Milano
+39 02 7244 31

Duitsland – Oostenrijk

Börsenstraße 2 - 4
Frankfurt am Main 60313
+49 69 299 8840

Spanje

Paseo de la Castellana 40 bis
28046 Madrid
+39 02 7244 31