

# Schroders

INVESTING TODAY FOR TOMORROW'S  
WORLD: THEMATIC INVESTING IN A POST-  
COVID WORLD

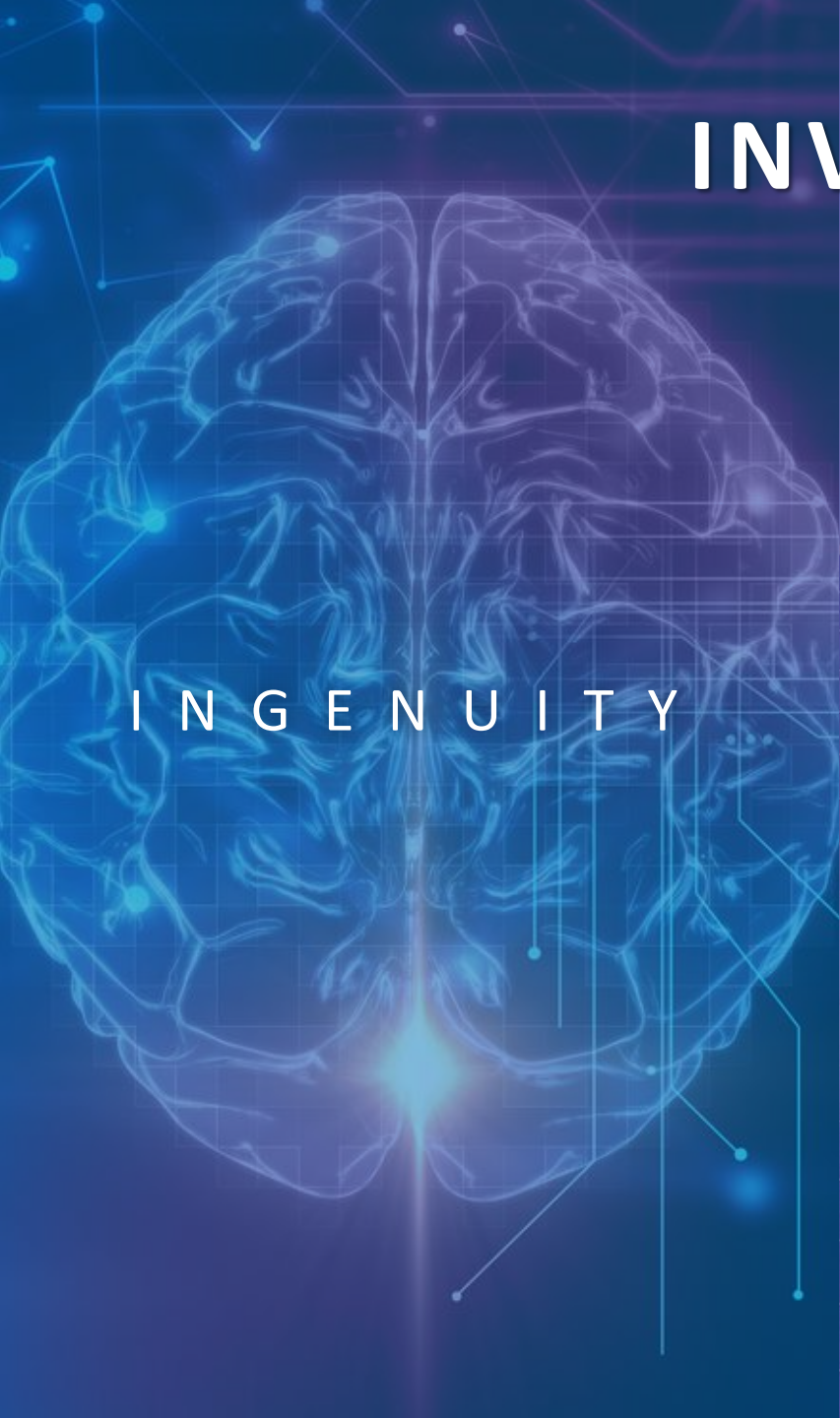


# INVESTMENT THEMES

INGENUITY

INNOVATION

IMBALANCES





**Climate  
change**



**Disruption**



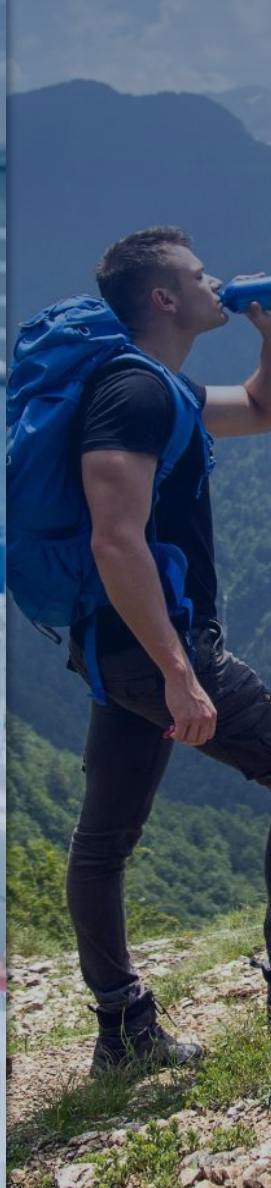
**Energy  
transition**



**Healthcare  
innovation**



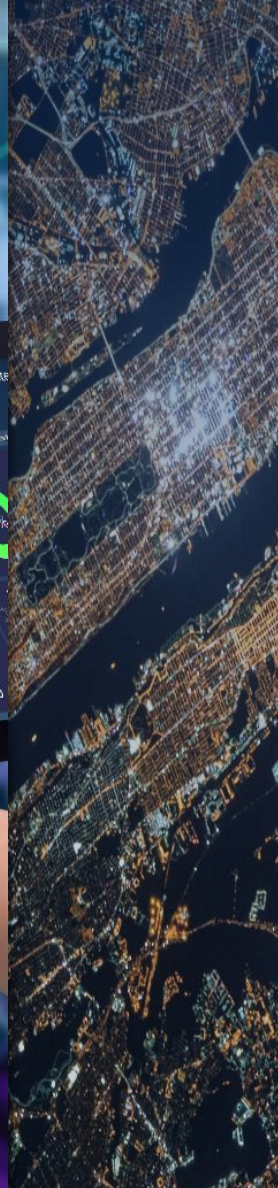
**Changing  
lifestyles**



**Smart  
manufacturing**



**Urbanisation**



**Digital  
Infrastructure**

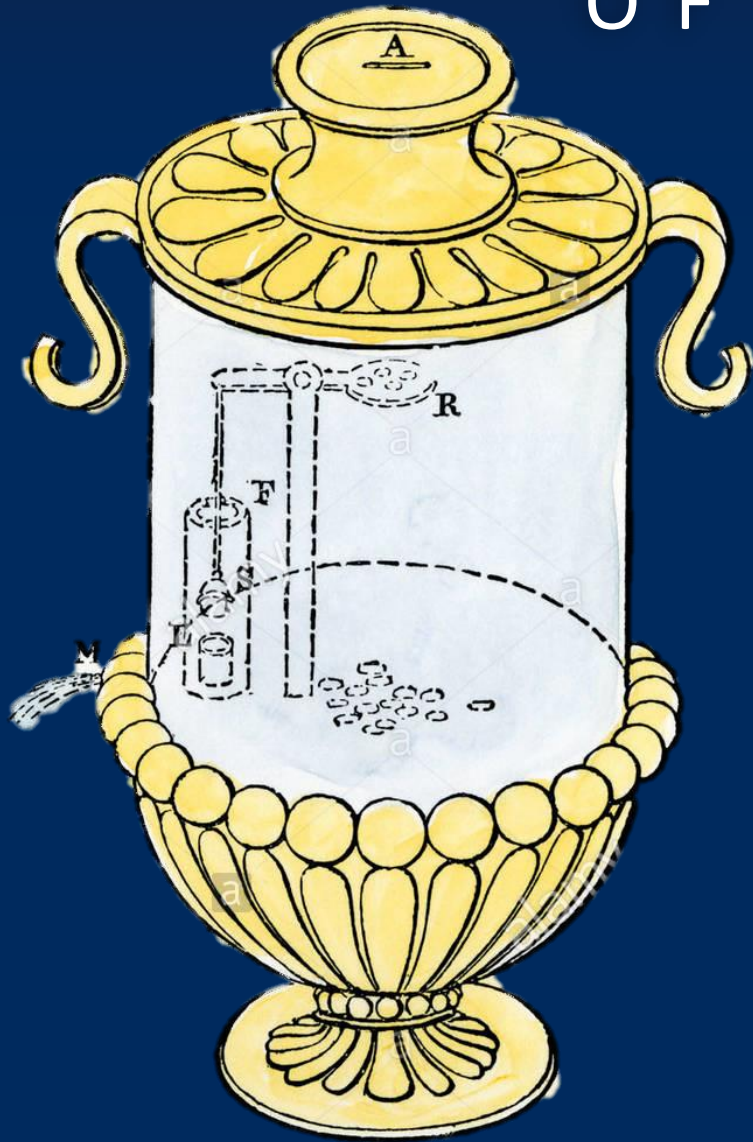


**Sustainable  
food & water**





# UNDERSTANDING THE HISTORY OF THE FUTURE





ELECTRICITY

46

years

TELEVISION

22

years

INTERNET

7

years

FACEBOOK

4

years

POKEMON GO

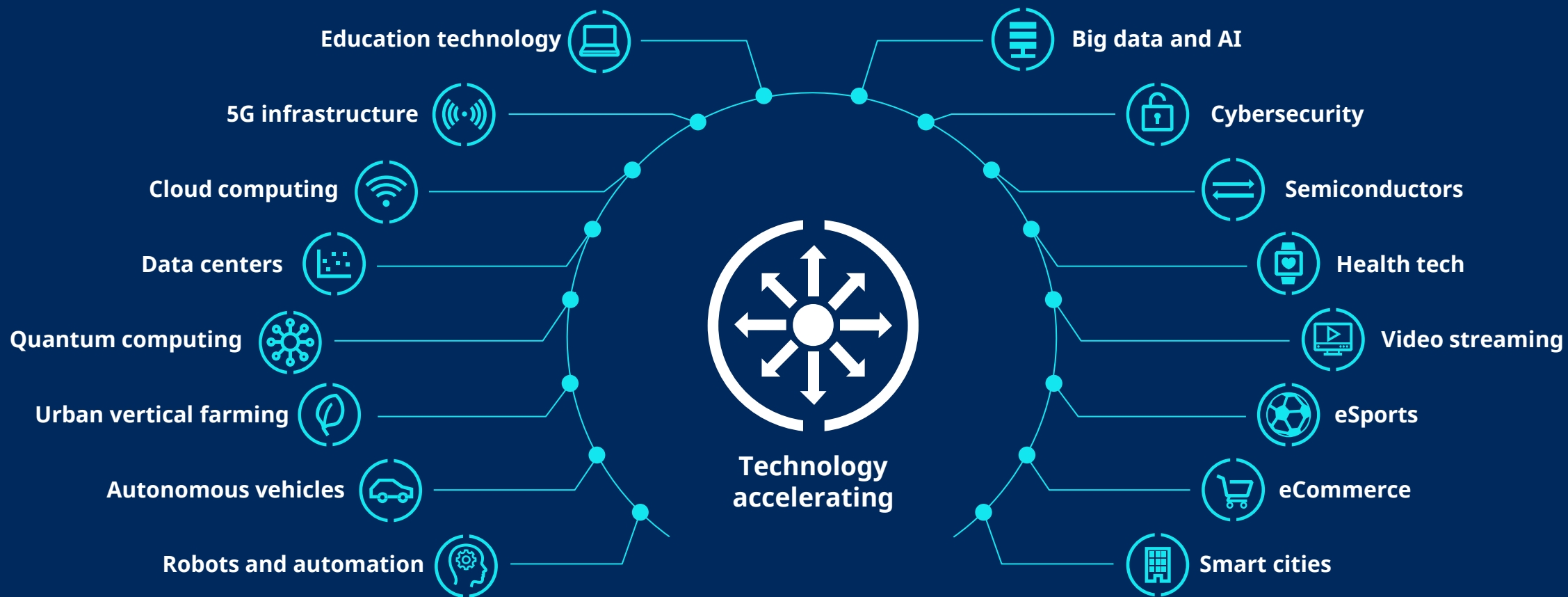
19

days

50 million users

# Technology transformation

COVID-19 has accelerated the adoption of new technologies



Source: BofA Global Research.



# COVID turning us all into “early adopters”

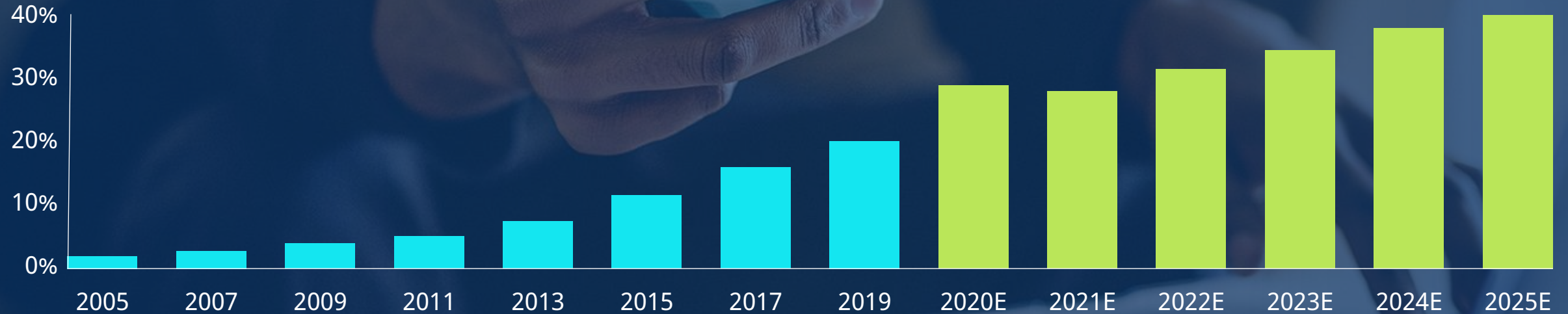


Substantial increase  
in **e-commerce**



“In person” challenged, but consumers  
“finding a way” by **pivoting to virtual**

## Online penetration of apparel and footwear to hit 40% by 2025 globally



Source: BofA Global Research, Euromonitor. Numbers at 2019 exchange rate. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country.

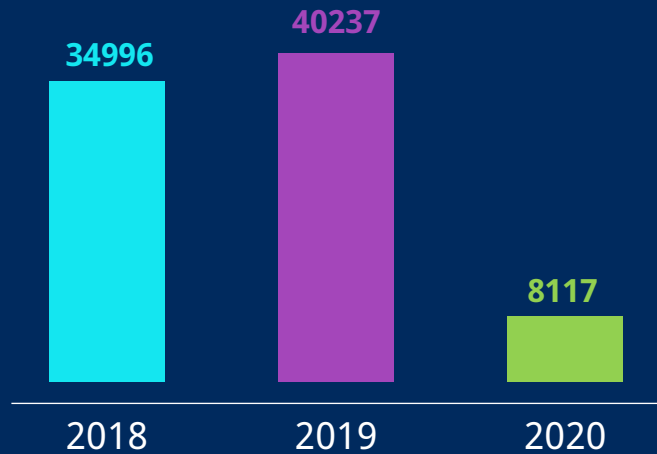


## Experiences

COVID challenged  
**in-person experiences**  
such as live music events and travel...



**Live music events declined more than 75%**  
Total events



Source: Live Nation June 2021. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country.





## Experiences

...but experiences pivoted to  
**online and distributed  
communities**

**eSports audiences on the increase**



Source: Our New World, Bond Report, 2020. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country.



Enhanced technologies  
allowing players to  
**play, talk, text  
and share**







Wellbeing

**Greater awareness and personal responsibility around healthy living**



**70%**

of the aging process is determined by lifestyle/behaviour/ environment<sup>1</sup>

**// Digital is fueling how we create the future of retail //**

John Donahoe, CEO  
and President, NIKE  
September 2020



**83%**

**increase in digital sales<sup>2</sup>**



Source: <sup>1</sup>Institute for Health Metrics and Evaluation. Leading causes of death worldwide (2016).

<sup>2</sup>Nike FISCAL 2021 Q1 Earnings. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country.



# SMART MANUFACTURING

## Sub-themes

### DATA ANALYTICS AND SOFTWARE

Quality control

Kaizen

### ADVANCED MANUFACTURING

Agile production systems

3-d printing

### ADVANCED MATERIALS

Light weighting

Nanoengineered materials

### AUTOMATION

Robotics

Sensors and controls

### DOMAIN EXPERTS

Proprietary technology

In house R&D



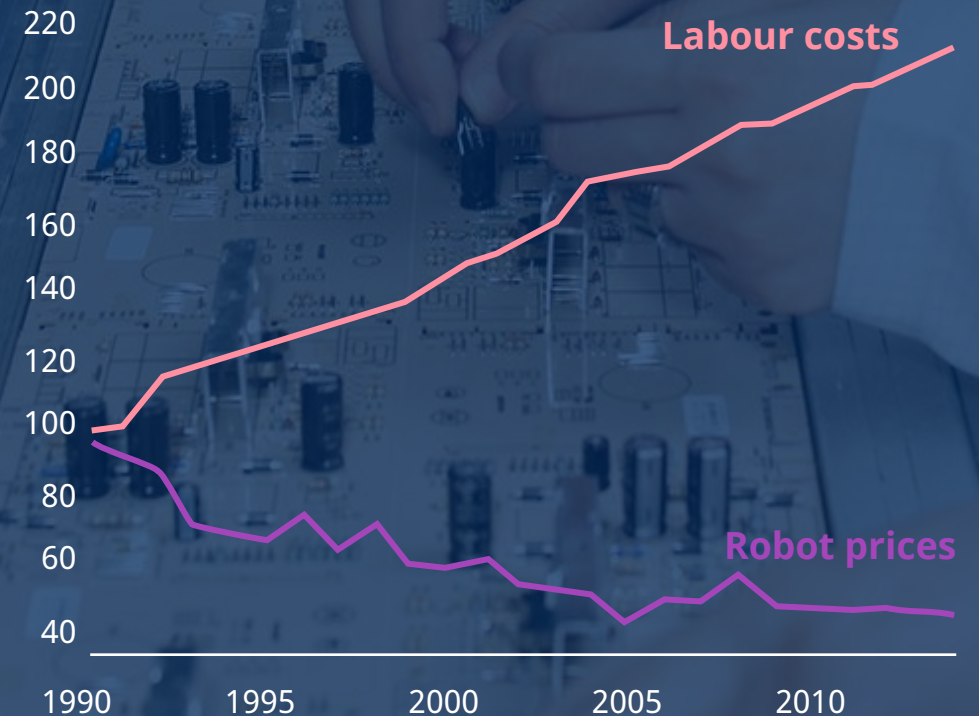


## Smart manufacturing makes more economic sense now than ever

### Factors driving improved ROI\*

- ✓ Tech-enabled production efficiencies
- ✓ Less waste
- ✓ Lower energy consumption
- ✓ Increasing relative cost of human labour (notably China)
- ✓ Wider applicability of innovations, with greater economies of scale
- ✓ Mitigating pandemic and other supply chain risks, losses and costs

### Robotic costs have fallen in comparison to labour costs







ESG

## Smart Manufacturing: building a more sustainable world

In **Europe**, industrial energy consumption amounts to

**26%**

of the **total European** usage<sup>1</sup>.

In the **United States** the **industrial sector** is responsible for about

**32%**

of the country's **total energy consumption**<sup>1</sup>.



Potential to accelerate the rate of adopting **energy efficient technologies** that could **reduce energy consumption** in the **industrial sector** by up to

**32%**

by **2025**<sup>2</sup> in the US alone.

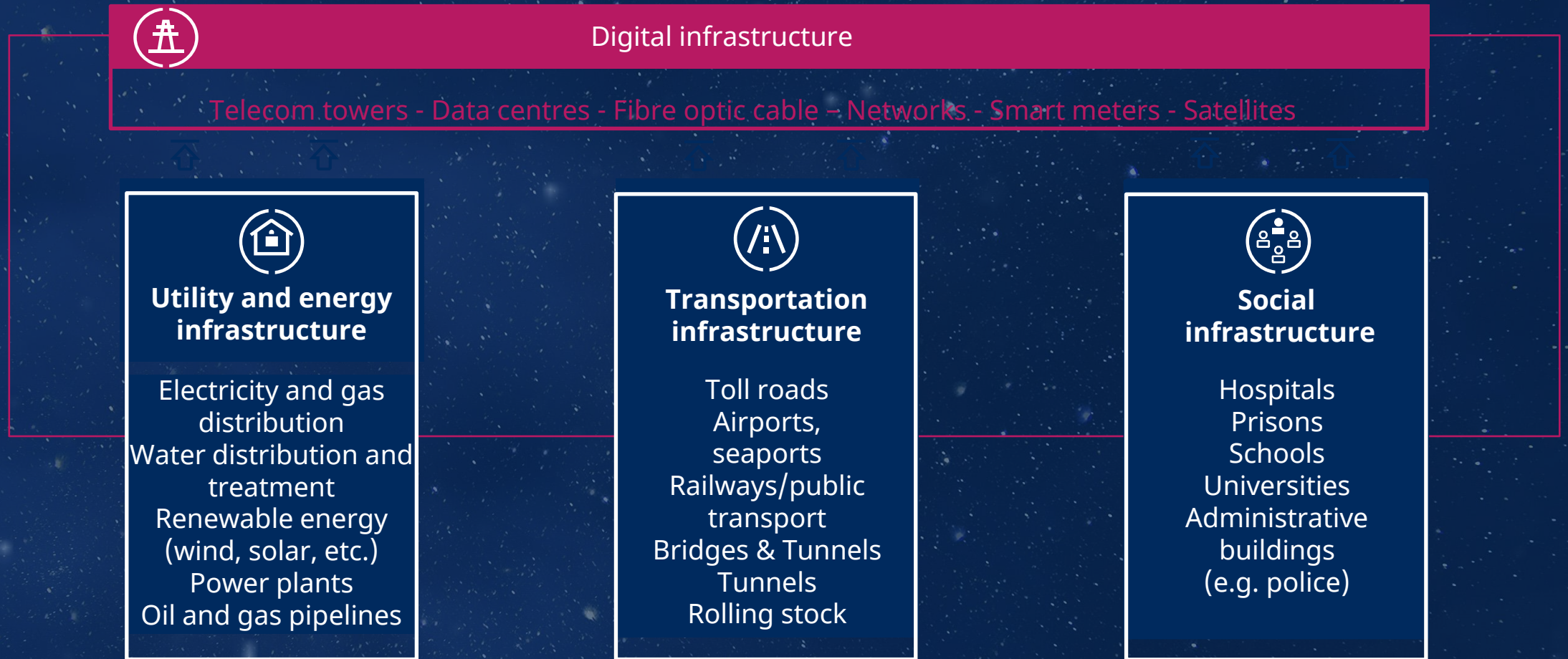
Source: 1. sciencedirect.com; US Energy Information Administration, as at September 2019

2. Department of Energy Report, as at June 2015



# DIGITAL INFRASTRUCTURE

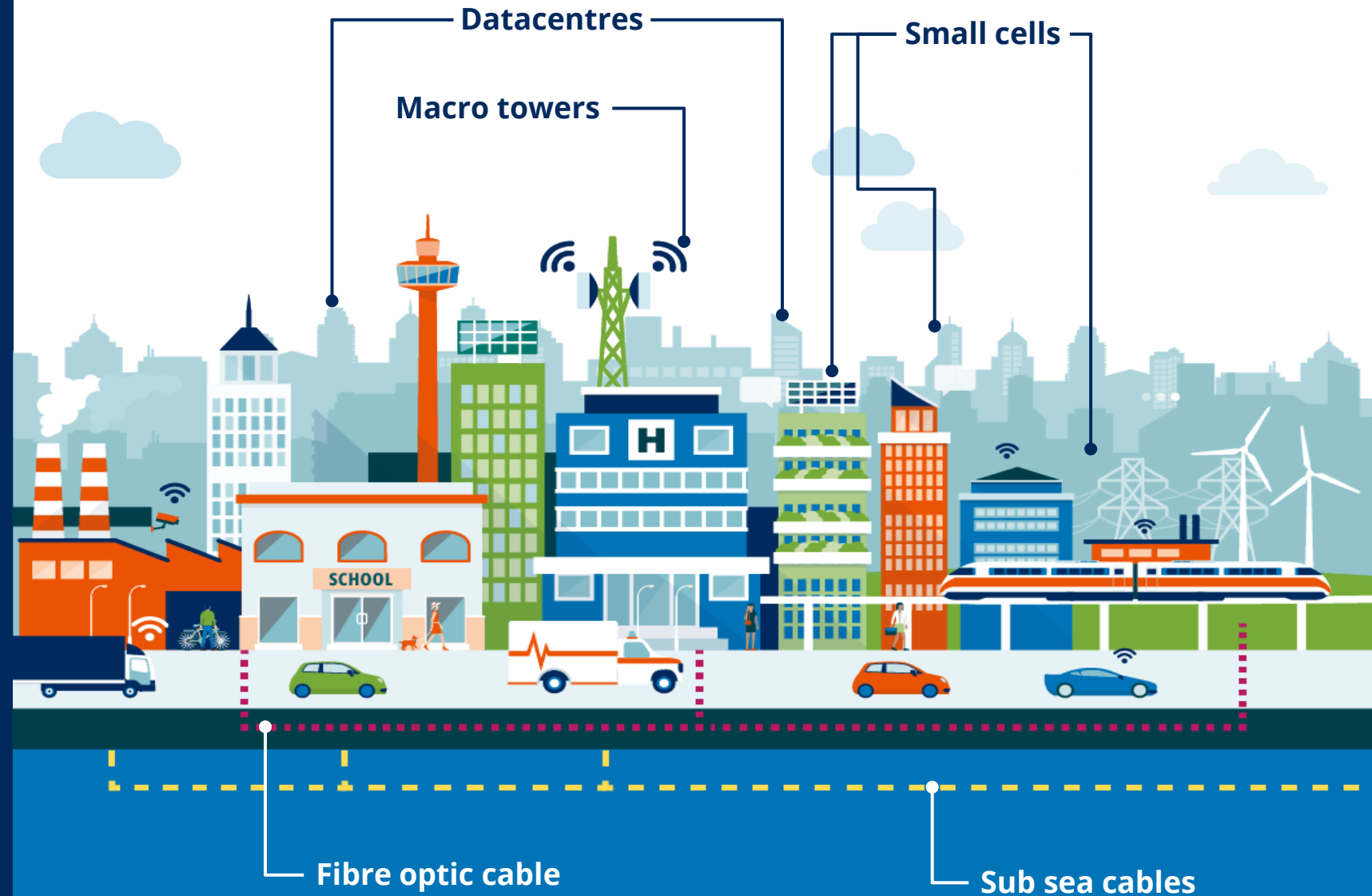
## Building a sustainable infrastructure for the digital economy



Source: Schrodgers 2020 The above is the opinion of the Global Real Estate Securities Team. No responsibility can be accepted for error of fact or opinion. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country.



# Digital infrastructure – foundation of the digital economy



Source: Schroders 2021.





# CLIMATE LEADERS

## Targeting decarbonisation in line with the Paris Agreement

1

### **What problem are companies trying to solve?**

Achieving the goals of the Paris agreement requires a massive step change in the pace of emission reduction globally. Companies will be at the very forefront of making the necessary emission reductions.

2

### **What is going to change within the climate change space?**

The focus is shifting from enabling the energy transition to the decarbonisation that needs to happen in every industry. Climate leaders will be present right across the global market.

3

### **Why is now a good time to invest in this space?**

Historically companies have not been rewarded for investing to decarbonise more rapidly than their peers. As society and policymakers pivot towards penalising inactivity and rewarding the companies that support tackling climate change, these investments will change from being a cost to a competitive advantage.



# SUSTAINABLE FOOD & WATER

The food and water system must undergo three structural changes



## Higher agricultural yield and efficiency

Agricultural output needs to increase to feed **10 billion people by 2050** whilst using less land, and lowering water intensity.



## A change in global diet and eating patterns

Health and sustainability considerations are disrupting traditional dietary habits. **Meat substitutes make up only 1% of the meat market today but could easily grow tenfold in 10 years<sup>1</sup>.**



## A major reduction in waste and emissions

On current trajectories agriculture will **use the world's entire carbon budget by 2050**. The food and water system is hugely wasteful, **44% of crops are lost before consumption**.

1

**Technology as the enabler** – as expansion of cultivated land becomes limited, technology will be essential to meet growing demand.

2

There is **growing consumer demand** for organic products, with an emphasis on sustainability of brand. COVID-19 has only accelerated health awareness.

3

**New policies** around the world are starting to focus on reducing GHG emissions of high carbon intensity industries like agriculture.

Source: Schroders, WRI, FAO – August 2020. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned security/sector/country.



# The food value chain

## Food & Water Inputs

To bridge the yield gap that will open up by 2050, we need input technologies that enable farmers to produce more with lower resource intensity. This will include water testing and intensity management, as well as bespoke fertilisers, pesticides and advanced seed technologies. Likewise to improve global health better natural ingredients and nutritional supplements will be required.



## Food & Water Production and Processing

Farming methods need to modernise globally to increase agricultural production by 70% by 2050, whilst lowering GHG emission by 66%. This is only possible through the adoption of a wide array of technologies that limit waste, increase food security against weather extremes, and allow greater resource efficiency.

This includes precision farming with real time sensors, that allow more precise, data driven approach, all of which improves food security and yield. Likewise, aquaculture and alternative proteins are set to rapidly expand given their high resource intensity and lower associated emissions.



## Food & Water Distribution and Retail

Food and water waste are at the centre of the agricultural transition to be more sustainable. Ensuring that the way we get finished food and beverage produce from factories to the end consumer is a large part of minimising that waste.

The more sustainable methods of transport, such as shipping and rail, as well as better refrigerated transport, will help achieve this, with lower associated emissions.

Equally, as diet and health becomes even more of a central focus of consumers, restaurants and retail outlets will be required to cater for changing demands.



## Food & Water Recycling

Two billion tonnes of waste are currently produced annually, with only 20% recycled or composted. Likewise, 45% of water withdrawn is released as waste water. Recycling of this waste at the end of its lifecycle will become a crucial business, that will help the global food and water system become sustainable.





# GLOBAL ENERGY TRANSITION

## CLEAN ENERGY GENERATION

Rapidly falling renewable energy costs

Supportive policy environment

Growth in electricity demand from electric vehicles

## ENERGY STORAGE

Growth in intermittent power supply

Shifting load demands from electric vehicle growth

## Sub-themes

## ELECTRIC TRANSPORT INFRASTRUCTURE

Increased electric vehicle penetration requires new charging infrastructure

## TRANSMISSION AND DISTRIBUTION

Increased daily load through electricity networks

New renewable capacity located further away from demand

## SMART-METERING AND DEMAND-RESPONSE

Requirement to improve energy efficiency

Need to integrate flexible power generation and increased load



# HEALTHCARE INNOVATION

## ADVANCED THERAPIES

Gene therapies  
Biosimilars

## MED TECH

Robotics  
Novel procedures

## HEALTHCARE SERVICES

Patient management  
Resource allocation

## DIGITAL HEALTHCARE

Remote GP services  
Remote patient monitoring

## WELLBEING

Preventative treatments  
Lifestyle



# GLOBAL DISRUPTION

## Sub-themes

**01**

Fintech

**02**

Environmental

**03**

Communications

**04**

Digitalisation

**05**

Healthcare

**06**

New Consumer

**07**

E-commerce

**08**

Food & Water

**09**

Automation



**Climate  
change**



**Disruption**



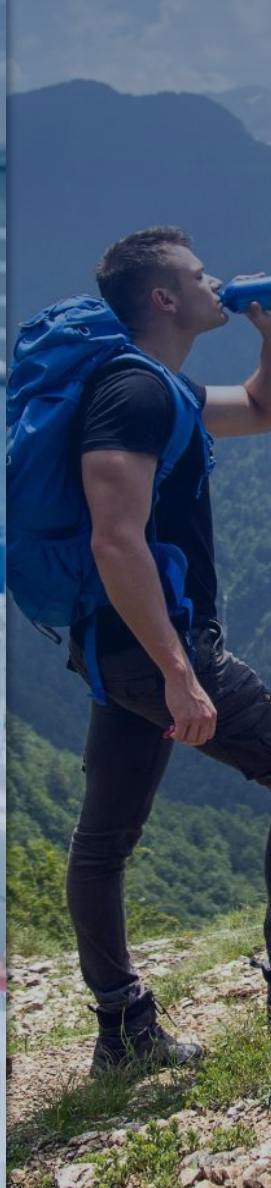
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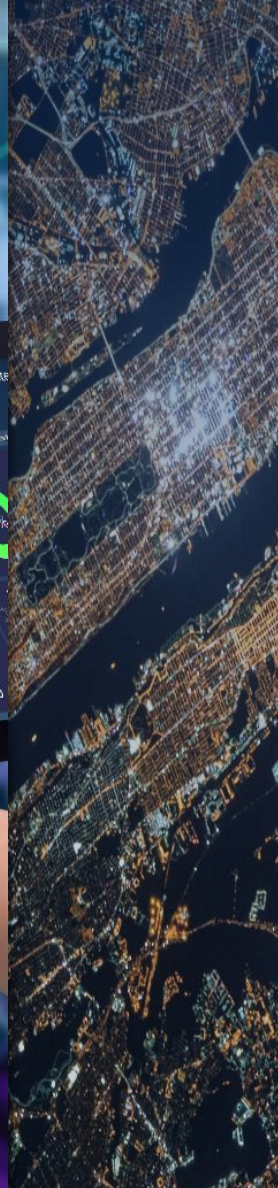
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